UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)
☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2019

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ________ to ________

Commission File Number: 001-38352

ADT Inc.

(Exact name of registrant as specified in its charter)

Delaware 47-4116383
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1501 Yamato Road, Boca Raton, Florida, 33431
(Address of principal executive offices, including zip code, Registrant’s telephone number, including area code)

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

Title of each class Trading Symbol Name of each exchange on which registered
Common Stock, par value $0.01 per share ADT New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2019 was $509,892,549 and was computed by reference to the closing price for such stock on the New York Stock Exchange on June 28, 2019 and excludes unvested shares of common stock.

The number of outstanding shares of the registrant’s common stock, $0.01 par value, was 759,878,819 (excluding 10,044,615 unvested shares of common stock) as of February 21, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for use in connection with its 2020 Annual Meeting of Shareholders, which is to be filed no later than 120 days after December 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K.
# TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS  1

**Part I**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Section Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BUSINESS</td>
<td>2</td>
</tr>
<tr>
<td>1A</td>
<td>RISK FACTORS</td>
<td>8</td>
</tr>
<tr>
<td>1B</td>
<td>UNRESOLVED STAFF COMMENTS</td>
<td>36</td>
</tr>
<tr>
<td>2</td>
<td>PROPERTIES</td>
<td>36</td>
</tr>
<tr>
<td>3</td>
<td>LEGAL PROCEEDINGS</td>
<td>36</td>
</tr>
<tr>
<td>4</td>
<td>MINE SAFETY DISCLOSURES</td>
<td>36</td>
</tr>
</tbody>
</table>

**Part II**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Section Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>MARKET FOR Registrant’s COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES</td>
<td>37</td>
</tr>
<tr>
<td>6</td>
<td>SELECTED FINANCIAL DATA</td>
<td>38</td>
</tr>
<tr>
<td>7</td>
<td>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</td>
<td>40</td>
</tr>
<tr>
<td>7A</td>
<td>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</td>
<td>59</td>
</tr>
<tr>
<td>8</td>
<td>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</td>
<td>59</td>
</tr>
<tr>
<td>9</td>
<td>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</td>
<td>59</td>
</tr>
<tr>
<td>9A</td>
<td>CONTROLS AND PROCEDURES</td>
<td>60</td>
</tr>
<tr>
<td>9B</td>
<td>OTHER INFORMATION</td>
<td>60</td>
</tr>
</tbody>
</table>

**Part III**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Section Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</td>
<td>61</td>
</tr>
<tr>
<td>11</td>
<td>EXECUTIVE COMPENSATION</td>
<td>61</td>
</tr>
<tr>
<td>12</td>
<td>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</td>
<td>61</td>
</tr>
<tr>
<td>13</td>
<td>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE</td>
<td>61</td>
</tr>
<tr>
<td>14</td>
<td>PRINCIPAL ACCOUNTING FEES AND SERVICES</td>
<td>61</td>
</tr>
</tbody>
</table>

**Part IV**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>Section Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>EXHIBITS, FINANCIAL STATEMENT SCHEDULES</td>
<td>62</td>
</tr>
<tr>
<td>16</td>
<td>FORM 10-K SUMMARY</td>
<td>66</td>
</tr>
<tr>
<td>SIGNATURES</td>
<td></td>
<td>67</td>
</tr>
</tbody>
</table>
CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (“Annual Report”) contains certain information that may constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. While we have specifically identified certain information as being forward-looking in the context of its presentation, we caution you that all statements contained in this report that are not clearly historical in nature, including statements regarding anticipated financial performance, management’s strategy, plans and objectives for future operations, business prospects, market conditions, and other matters are forward-looking. Forward-looking statements are contained principally in the sections of this report entitled “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Without limiting the generality of the preceding sentence, any time we use the words “expects,” “intends,” “will,” “anticipates,” “believes,” “confident,” “continue,” “propose,” “seeks,” “could,” “may,” “should,” “estimates,” “forecasts,” “might,” “goals,” “objectives,” “targets,” “planned,” “projects,” and, in each case, their negative or other various or comparable terminology, and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. For ADT, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include, without limitation:

- our ability to keep pace with rapid technological and industry changes;
- our ability to sell our products and services or launch new products and services in highly competitive markets, including the home automation market and fire and security markets, and achieve market acceptance with acceptable margins;
- our ability to maintain and grow our existing customer base;
- our ability to successfully upgrade obsolete equipment, such as 3G and CDMA communications equipment installed at our customers’ premises, in an efficient and cost-effective manner;
- changes in law, economic and financial conditions, including tax law changes, changes to privacy requirements, changes to telemarketing, email marketing and similar consumer protection laws, interest volatility, and trade tariffs applicable to the products we sell;
- Our ability to successfully implement an equipment ownership model that best satisfies the needs of our customers and to successfully implement and maintain our securitization financing agreement with Mizuho Bank Ltd.;
- the impact of potential information technology, cybersecurity or data security breaches;
- our dependence on third-party providers, suppliers, and dealers to enable us to produce and distribute our products and services in a cost-effective manner that protects our brand;
- our ability to successfully pursue alternate business opportunities and strategies;
- our ability to integrate the businesses of ADT, Protection One, Red Hawk Fire & Security, Defenders and other companies we have acquired in an efficient and cost-effective manner;
- the amount and timing of our cash flows and earnings, which may be impacted by customer, competitive, supplier and other dynamics and conditions;
- our ability to maintain or improve margins through business efficiencies;
- the other factors that are described in this report under the heading “Risk Factors.”

Forward-looking statements and information involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements, including without limitation, the risks and uncertainties disclosed in Item 1A of this report under the heading “Risk Factors.” Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this report that looks toward future performance of our Company is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in the Annual Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.
ITEM 1. BUSINESS.

Our Company
ADT Inc., together with its wholly owned subsidiaries (collectively, the “Company”, “we”, “our”, “us”, and “ADT”), is a leading provider of security, automation, and smart home solutions serving consumer and business customers in the United States (“U.S.”). Our mission is to help our customers protect and connect to what matters most—their families, homes, and businesses. We offer many ways to help protect customers by providing 24/7 professional monitoring services as well as delivering lifestyle-driven solutions via professionally installed, do-it-yourself (“DIY”), mobile, and digital-based offerings for consumer, small business customers and larger commercial customers. The ADT brand is synonymous with monitored security and, as the most recognized and trusted brand in the security systems industry, is a key driver of our success. As of December 31, 2019, we served approximately 6.5 million recurring customers, excluding contracts monitored but not owned, through more than 200 locations, 9 monitoring centers, and the largest network of security professionals in the U.S.

Our Formation and Business Developments
ADT Inc. was incorporated in the State of Delaware in May 2015 as a holding company with no assets or liabilities. In July 2015, we acquired Protection One, Inc. and ASG Intermediate Holding Corp. (collectively, the “Formation Transactions”), which were instrumental in the commencement of our operations. In May 2016, we acquired The ADT Security Corporation (formerly named The ADT Corporation) (“The ADT Corporation”) (the “ADT Acquisition”). The ADT Acquisition significantly increased our market share in the security systems industry making us one of the largest monitored security companies in the U.S. and Canada.

In January 2018, we completed an initial public offering (“IPO”) and our common stock began trading on the New York Stock Exchange (“NYSE”) under the symbol “ADT.”

In December 2018, we acquired Fire & Security Holdings, LLC (“Red Hawk Fire & Security”) (the “Red Hawk Acquisition”), which accelerated our growth in the commercial security market and expanded our product portfolio with the introduction of commercial fire safety and related solutions. In November 2019, we sold ADT Security Services Canada, Inc. (“ADT Canada”), which resulted in the substantial disposition of our operations in Canada. In addition, we have invested in DIY products and platforms, mobile security applications, alarm verification, and other innovative technologies.

In January 2020, we acquired Defender Holdings, Inc. (“Defenders”) (the “Defenders Acquisition”), which represents the acquisition of our largest independent dealer. The description of our business is exclusive of the Defenders Acquisition, except as otherwise explicitly noted.

ADT Inc. is majority-owned by Prime Security Services TopCo Parent, L.P. (“Ultimate Parent”). Ultimate Parent is majority-owned by Apollo Investment Fund VIII, L.P. and its related funds that are directly or indirectly managed by Apollo Global Management, Inc. (together with its subsidiaries and affiliates, “Apollo” or the “Sponsor”). As of December 31, 2019, Apollo owned approximately 87.7% of our outstanding common stock, excluding unvested common shares.

Refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for further discussion related to the impact on our debt and equity as a result of the aforementioned transactions.

Information about Segment and Geographic Revenue
We have one operating and reportable segment. For the results of our operations outside of the U.S., which consist solely of our operations in Canada prior to the sale of ADT Canada, refer to Note 15 “Geographic Data” in the Notes to Consolidated Financial Statements.
Brands and Services

ADT is among the most respected, trusted, and well-known brands in the security systems industry, and we also operate under a number of other industry leading brands within our portfolio. The strength of our brands is built upon a long-standing record of providing high-quality and reliable monitored security and automation services, expertise in system design and installation, superior customer care, and industry-leading experience and knowledge. In addition, we offer interactive technologies that add automation and smart home capabilities to traditional security systems. We also seek opportunities that allow us to leverage our brand names, our focus on security, and our trust among our customer base to expand our service offerings to help our customers protect and connect to what matters most. Due to the importance that customers place on reputation and trust when purchasing security and automation services and systems, we believe the strength of our brands is a key competitive advantage and contributor to our success.

Our security and automation offerings involve the installation and monitoring of security and premises automation systems designed to detect intrusion; control access; sense movement, smoke, fire, carbon monoxide, flooding, temperature, and other environmental conditions and hazards; and address personal emergencies such as injuries, medical emergencies, or incapacitation. Upon the occurrence of certain initiating events, our monitored security systems send event-specific signals to our monitoring centers. Our monitoring center personnel respond to alarms by relaying appropriate information to first responders, such as local police, fire departments, or medical emergency response centers; the customer; or others on the customer’s emergency contact list according to the type of service contract and customer preference. We continue to invest and innovate in our alarm verification technologies as well as partner with industry associations and various first responder agencies to help prioritize response events and enhance response policies. The breadth of our solutions allows us to meet a wide variety of customer needs.

With our interactive and smart home solutions, our customers can remotely monitor and manage their residential and commercial environments. Depending on the service plan and type of product installation, customers are able to remotely access information regarding the security of their residential or commercial environment, arm and disarm their security systems, adjust lighting or thermostat levels, monitor and react to defined events, or view real-time video from cameras covering different areas of their premises from web-enabled devices (such as smart phones, laptops, and tablet computers) and a customized web portal. Additionally, our interactive and smart home solutions enable customers to create customized and automated schedules for managing lights, thermostats, appliances, garage doors, cameras, and other connected devices. These systems can also be programmed to perform additional functions such as recording and viewing live video and sending text messages or other alerts based on triggering events or conditions.

As part of our innovative and dynamic growth markets, we are extending the concept of security from the physical home or business to personal on-the-go security and safety and cybersecurity. Customers’ increasingly mobile and active lifestyles have created new opportunities for us in the fast-growing market for self-monitored DIY products and mobile technology. Our technology also allows us to integrate with various third-party connected and wearable devices so that we can serve our customers whether they are at home or on-the-go. Additionally, we offer personal emergency response system products and services, which are supported by our monitoring centers and utilize our security monitoring infrastructure to provide customers with solutions helping to sustain independent living and encourage better self-care activities.

Some of our customers use traditional land-line telephone service as the primary communication method for alarm signals from their sites. As the use of land-line telephone service has decreased, the ability to provide alternative communication methods from a customer’s security control panel to our central monitoring centers has become increasingly important. We currently offer, and recommend, a variety of alternative primary and back-up alarm transmission methods, including cellular and broadband Internet technologies.

In addition to monitoring and automation services, we provide our customers with other services such as routine maintenance and the installation of upgraded or additional equipment. Our customers may contract for both monitoring and maintenance services at the time of initial equipment installation, which provides additional value to the customer and generates incremental recurring monthly revenue. In certain markets, we also sell, install, integrate, maintain, and inspect commercial building safety and management technologies, which include fire detection, fire suppression, video surveillance, and access control systems. In some cases for commercial customers, we may engage in arrangements that include system design and installation without an on-going contractual monitoring or maintenance service relationship.

Our monitoring and maintenance services provided to our customers are generally governed by multi-year contracts with automatic renewal provisions providing us with recurring monthly revenue. Under our typical customer contract, the customer pays an upfront fee and is then obligated to make monthly payments for the remainder of the initial contract term. The standard contract term for residential customers is three years (two years in California), with automatic renewals for successive 30-day periods, unless canceled by either party. The standard contract term for commercial customers is typically five years with various automatic renewals with terms ranging from 30-day periods to one year. If a customer cancels or is otherwise in default under the contract prior to the end of the initial contract term, we have the right under the contract to receive a termination payment from the customer.
in an amount equal to a designated percentage of all remaining monthly payments. Monitoring services are generally billed monthly or quarterly in advance. More than 70% of our residential customers pay us through automated payment methods, with new residential customers generally opting for these payment methods. We periodically adjust the standard monthly monitoring rate charged to new and existing customers.

Our Markets

We serve our customers in the following three markets: Residential, Commercial, and Growth Markets.

- Residential: Our residential market primarily consists of owners of single-family homes who have purchased monitored security and automation services as a result of having moved to a new residence, in response to changes in the perceived threat of crime or life safety concerns in their neighborhood, or in conjunction with other significant life events, such as the birth of a child.

- Commercial: Our commercial market ranges from smaller businesses to large single-site commercial facilities, as well as multi-site national companies. The market is characterized by higher penetration rates, driven in part by fire and building codes and insurance requirements, and by a higher degree of complexity with respect to system installations.

- Growth Markets: Our growth markets, which include new customer types and new offerings, present opportunities for us to leverage our brand names, our core focus on security, and our high degree of trust among our customer base to pursue complementary markets such as smart home technologies, network and cybersecurity, and personal on-the-go security and safety. We also leverage our security monitoring infrastructure to provide customers with solutions that help sustain independent living and encourage better self-care activities.

Customers and Marketing

As of December 31, 2019, we served approximately 6.5 million recurring customers, excluding contracts monitored but not owned, throughout the U.S. Our residential customers are typically owners of single-family homes. Our commercial customers include retail businesses, food and beverage service providers, medical offices, financial institutions, and professional service providers, among others, and can range from smaller businesses to large single-site commercial facilities, as well as multi-site national companies. We target new customers and manage our existing customer base to maximize customer lifetime value, which includes continually evaluating our product offerings, pricing, and service strategies; managing our costs to provide enhanced service to customers; upgrading existing customers to our interactive services, internet protocol (“IP”) video solutions, or other upgraded solutions; and achieving long customer tenure. Our ability to increase our average selling prices for individual customers is dependent on a number of factors including the quality of our service, the continued introduction of additional features and services that increase the value of our offerings to customers, and the competitive environment in which we operate.

Many of our residential customers are driven to purchase monitored security and automation services as a result of moving to a new residence, a perceived or actual increase in crime, life safety concerns in their neighborhood, or other significant life events, such as the birth of a child; or incentives provided by their insurance carriers, who may offer lower insurance premium rates if a security system is installed or may require that a system be installed as a condition of coverage.

Reasons for purchasing monitored security and automation systems vary for our business customers. Most business customers require a basic security system for insurance purposes, while certain commercial premises are required to install and maintain fire alarm and, in some cases, fire suppression systems to meet the requirements under applicable building codes and insurance policies. Additionally, as IP video solutions have become more affordable and interactive, businesses view these solutions for applications beyond just security and leverage them for operational purposes as well, including employee safety, theft prevention, and inventory management.

To support the growth of our customer base and to improve awareness of our brands, we market our monitored security and automation services through national television, radio, and direct mail advertisements, as well as through Internet advertising, which includes national search engine marketing, email, online video, local search, and social media. We continually work to optimize our marketing spend through a lead modeling process, whereby we dynamically allocate our marketing spend based on lead flow and measured marketing channel effectiveness. In addition to traditional and digital marketing, we have several affinity partnerships with organizations that promote our services to their customer bases.

We continually consider and evaluate new customer lead generation methods and channels to increase our customer base and drive greater market penetration without sacrificing customer quality. We also explore opportunities to expand our market presence by providing branded solutions and partnering with various third parties, including home builders, property management firms, homeowners’ associations, insurance companies, financial institutions, retailers, public utilities, and software service providers.
No one customer accounted for 10% or more of our consolidated revenue in any of the three years ended December 31, 2019, 2018, and 2017.

Sales and Distribution Channels

New customers for monitored security and automation services typically require us to make an upfront investment related to installation costs associated with labor, materials, and overhead, which are partially offset by fees received in connection with the initiation of a monitoring contract. While the economics of our installations can vary depending on the customer acquisition channel and type of system, we operate our business with the goal of retaining customers for long periods of time to recoup our initial investment in new customers, generally achieving revenue break-even in less than three years.

We utilize a complementary mix of direct and indirect distribution channels, as discussed below.

Direct Channel

Our direct channel customers are generated by our direct response marketing efforts, customer referrals, and lead generation partners, and supported by our internal sales force, which consisted of over 2,400 sales consultants located in our two national sales call centers as well as our network of sales and service offices located throughout the U.S as of December 31, 2019.

Our telephone sales consultants work to understand customer needs and then direct customers to the most suitable sales approach. In many scenarios, we close the sale of a basic system over the phone and allow our field force to augment the system at the time of installation. In other cases, we seek to schedule an appointment with a field sales consultant to work directly with the customer to design an ideal system.

Our field sales consultants undergo an in-depth screening process prior to hire. Each field sales consultant completes comprehensive centralized training prior to conducting customer sales presentations and participates in ongoing training in support of new offerings and the use of our structured model sales call. We utilize a highly structured sales approach, which includes, in addition to the structured model sales call, daily monitoring of sales activity and effectiveness metrics and regular coaching by our sales management teams.

Indirect Channel

Our indirect channel customers are generated mainly through our network of agreements with third-party independent alarm dealers who sell alarm equipment and ADT Authorized Dealer-branded monitoring and interactive services to end users (“ADT Authorized Dealer Program”). As opportunities arise, we may also engage in selective bulk account purchases, which typically involve the purchase of a set of customer accounts from other security service providers.

As of December 31, 2019, our authorized dealer network consisted of approximately 200 authorized dealers operating across the U.S. and extends our reach by aligning us with select independent security sales and installation companies. We monitor each authorized dealer’s financial stability, use of sound and ethical business practices, and delivery of reliable and consistent high-quality sales and installation methods. Authorized dealers are required to adhere to the same high-quality standards for sales and installation as our own sales and service offices.

Our authorized dealers are contractually obligated to offer exclusively to us all qualified security service accounts they generate, but we are not obligated to accept these accounts. We pay our authorized dealers for the acquisition of any qualified monitored accounts from them. In certain instances in which we reject an account, we generally still indirectly provide monitoring services for that account through a monitoring services agreement with the authorized dealer. Like our direct sales contracts, dealer generated customer contracts typically have an initial term of three years with automatic renewals for successive 30-day periods, unless canceled by either party. If a purchased account is canceled during the charge-back period, which is generally twelve to fifteen months, the dealer is required to refund our payment of the purchase price for the canceled account.

The Defenders Acquisition in January 2020 resulted in the acquisition of our largest independent dealer, which represented approximately 55% of our indirect channel for the year ended December 31, 2019.

Field Operations

As of December 31, 2019, we served our customer base from more than 200 sales and service offices located throughout the U.S. From these locations, our staff of approximately 5,400 installation and service technicians provides security and automation system installations and on-premises service and repair. We staff our sales and service offices to efficiently and effectively make sales calls, install systems, and provide service support based on customer needs and our evaluation of growth opportunities in each market. We utilize third-party subcontract labor when appropriate to assist with these efforts. We maintain the relevant and necessary
licenses related to the provision of installation of security and related services in the jurisdictions in which we operate. Our objective is to provide a differentiated service experience by providing same-day or next-day service to the majority of our customers.

**Monitoring Centers and Support Services**

As of December 31, 2019, we operated 9 monitoring centers that are listed by Underwriters Laboratories (“U.L.”) located throughout the U.S., and we employed approximately 4,000 customer care professionals who are required to complete extensive initial training, as well as receive ongoing training and coaching. To obtain and maintain a U.L. listing, a security systems monitoring center must be located in a building meeting U.L.’s structural requirements, have back-up computer and power systems, and meet U.L. specifications for staffing and standard operating procedures. Many jurisdictions have laws requiring that security systems for certain buildings be monitored by U.L.-listed centers. In addition, a U.L. listing is required by insurers of certain customers as a condition of insurance coverage. Our monitoring centers are fully redundant, which means that in the event of an emergency at one of our monitoring centers such as fire, tornado, major interruption in telephone or computer service, or any other event affecting the functionality of the center, all monitoring operations can be automatically transferred to another monitoring center. All of our monitoring centers operate 24 hours a day on a year-round basis.

We serve our largest multi-site customers from our National Accounts Operation Center (“NAOC”) in Irving, Texas. Our multi-site customers call one location to resolve all support issues, including billing, installations, service calls, upgrades, or other service-related assistance. This concept is a strong selling point for multi-site customers choosing us for their security needs.

Three of our monitoring centers provide monitoring under the CMS brand, which provides outsourced monitoring services related to contracts monitored but not owned.

Newark, Delaware is home to our Network Operations Center (“NOC”). The NOC houses a group of highly experienced certified engineers capable of designing and provisioning broadband networks for our customers. These employees are Cisco Certified and Meraki Certified, and our NOC earned the Cisco Cloud and Managed Services Express Partner Certification, which makes us one of the few security companies in the industry with this designation.

**Customer Care**

We believe the fastest and most profitable way to grow our company is by retaining the customers we already have. To maintain our high standard of customer service, we provide ongoing training to call center and field employees and our authorized dealers. We also continually measure and monitor key performance metrics that drive a high-value customer experience, including customer satisfaction-oriented metrics across each customer touch point.

Our call center operations provide support 24 hours a day on a year-round basis. Customer care specialists answer non-emergency inquiries regarding service, billing, and alarm testing and support, while our monitoring centers primarily handle inbound alarms and the dispatch of alarms to first responders. To ensure technical service requests are handled promptly and professionally, all requests are routed through our customer contact centers. Customer care specialists help customers resolve minor service and operating issues and, in many cases, the specialists can remotely resolve customer concerns. We continue to implement new customer-facing self-service tools via interactive voice response systems and the Internet, thereby providing customers additional choices in managing their services.

**Suppliers**

We purchase equipment and components of our products from a limited number of suppliers and distributors. Inventory is held in our regional distribution centers at levels we believe are sufficient to meet current and anticipated customer needs. We also maintain inventory of equipment and components at each field office and in technicians’ vehicles. Generally, our third-party distributors maintain a minimum stocking level of certain key items to cover supply chain disruptions. We also utilize dual sourcing methods to minimize the risk of a disruption from any single supplier. We do not anticipate any major interruptions in our supply chain. Additionally, we rely on various information technology and telecommunications service providers as part of the functionality and monitoring of security systems.

**Competition**

Technology trends are creating significant change in our industry. Innovation has lowered the barriers to entry for interactive, automation, and smart home solutions, and new business models and competitors have emerged. We believe a combination of increasing customer interest in lifestyle and business productivity and technology advancements will support the increasing penetration of interactive, automation, and smart home solutions. We are focused on extending our leadership position in the traditional residential and commercial security systems markets while also growing our share of the new offerings and expanding
growth markets. The traditional residential and commercial security systems markets in the U.S. remain highly competitive and fragmented, with a number of major firms and thousands of smaller regional and local companies. The high fragmentation of the markets is primarily the result of relatively low barriers to entering the business in local geographies and the availability of companies providing outsourced monitoring services but not maintaining the customer relationship. We believe our principal competitors within the traditional residential and commercial security systems markets are Johnson Controls International plc. (“Johnson Controls”), Vivint, Inc., Stanley Security (a division of Stanley Black and Decker), Brinks Home Security (operating brand of Monitronics International, Inc.), Xfinity Home Security (a division of Comcast Corporation), Convergint Technologies, and Securitas. In addition, as more and more homeowners enter the market for security and automation due to the growing availability of new offerings, such as DIY products, and as we expand our presence in this space, we believe we will face increasing competition from providers and products such as SimpliSafe, Google Nest, Apple HomeKit, and Amazon Ring, as well as many others.

Success in acquiring new customers is dependent on a variety of factors, including brand and reputation, market visibility, service and product capabilities, quality, price, and the ability to identify and sell to prospective customers. Competition is often based primarily on price in relation to the value of the solutions and service. Rather than compete purely on price, we emphasize the quality and reputation of our services, our superior customer service, our industry-leading brands, our monitoring centers, our commitment to consumer privacy, and our knowledge of customer needs. In addition, we continue to add new features and functionalities to further differentiate our offerings and support a pricing premium.

We believe we are well positioned to compete with traditional and new competitors due to our focus on safety, security, and pricing; our nationwide team of sales consultants; our solid reputation for and expertise in providing reliable security and monitoring services through our in-house network of redundant monitoring centers; our reliable product solutions; and our highly skilled installation and service organization.

Seasonality

Our business experiences a certain level of seasonality. Since more household moves take place during the second and third calendar quarters of each year, our disconnect rate and new customer additions are typically higher in those quarters than in the first and fourth calendar quarters. There is also a slight seasonal effect on our new customer installation volume and related cash expenses incurred in investments in new customers, however, other factors such as the level of marketing expense and relevant promotional offers can mitigate the effects of seasonality. In addition, we may see increased servicing costs related to higher alarm signals and customer service requests as a result of inclement weather-related incidents.

Intellectual Property

Patents, trademarks, copyrights, and other proprietary rights are important to our business and we continuously refine our intellectual property strategy to maintain and improve our competitive position. We register new intellectual property to protect our ongoing technological innovations and strengthen our brand, and we take appropriate action against infringements or misappropriations of our intellectual property rights by others. We review third-party intellectual property rights to help avoid infringement and to identify strategic opportunities. We typically enter into confidentiality agreements to further protect our intellectual property.

We own a portfolio of patents and patent applications that relate to a variety of monitored security and automation technologies utilized in our business, including security panels and sensors as well as video and information management solutions. We also own a portfolio of trademarks and trademark applications in the U.S. and Canada, including, but not limited to, ADT, ADT Pulse, Protection 1, ADT Commercial, and Blue by ADT. Our brands are critical to our business due to the importance customers place on reputation and trust when deciding on a security provider. In addition, we are a licensee of intellectual property, including from our third-party suppliers and technology partners. Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. Trademark rights may potentially extend for longer periods of time and are typically dependent upon the use of the trademarks.

Certain trademarks associated with the ADT brand that we own within the U.S. and Canada are owned outside of the U.S. and Canada by Johnson Controls (as successor to Tyco International Ltd., “Tyco”). In certain instances, such trademarks are licensed in certain territories outside the U.S. and Canada by Johnson Controls to certain third parties. Pursuant to the Tyco Trademark Agreement entered into between The ADT Corporation and Tyco in connection with the separation of The ADT Corporation from Tyco in 2012, we are generally prohibited from registering, attempting to register, or using such trademarks outside the U.S. and its territories and Canada. As a result, if we choose to sell products or services or otherwise do business outside the U.S. and Canada, we do not have the right to use the ADT brand to promote our products and services.

In connection with the sale of ADT Canada, we entered into a non-competition and non-solicitation agreement with TELUS Corporation (“TELUS”) pursuant to which we will not have any operations in Canada, subject to limited exceptions for cross-
border commercial customers and mobile safety applications, for a period of seven years. Additionally, we entered into a patent and trademark license agreement with TELUS granting the usage of our trademarks and patents in Canada to TELUS for a period of seven years.

**Government Regulation and Other Regulatory Matters**

Our operations are subject to numerous federal, state, and local laws and regulations related to consumer protection, occupational licensing, building codes, environmental protection, labor and employment, tax, and permitting. Most states in which we operate have licensing laws directed specifically toward monitored security. In certain jurisdictions, we must obtain licenses or permits to comply with standards governing employee selection, training, and business conduct.

We rely extensively on telecommunications service providers to communicate signals as part of the functionality and monitoring of security systems. These telecommunications service providers are regulated in the U.S. by the Federal Communications Commission (“FCC”) and state public utilities commissions.

Our advertising and sales practices are regulated by the U.S. Federal Trade Commission (“FTC”) and state and consumer protection laws, which may include restrictions on the manner in which we promote the sale of our security services and require us to provide most purchasers of our services with three-day or longer rescission rights. In addition, we must also comply with applicable laws governing telemarketing and email marketing.

Some local government authorities have adopted or are considering various measures aimed at reducing false alarms. Such measures include requiring permits for individual alarm systems, revoking such permits following a specified number of false alarms, imposing fines on customers or alarm monitoring companies for false alarms, limiting the number of times police will respond to alarms at a particular location after a specified number of false alarms, requiring additional verification of an alarm signal before the police respond, or providing no response to residential system alarms.

Our industry is also subject to requirements, codes, and standards imposed by various insurance, approval and listing, and standards organizations. Depending upon the type of customer, security service provided, and requirements of the applicable local governmental jurisdiction, adherence to the requirements, codes, and standards of such organizations is mandatory in some instances and voluntary in others. Changes in laws and regulations can affect our operations, both positively and negatively, and impact the manner in which we conduct our business.

**Employees**

As of December 31, 2019, we employed approximately 17,500 people. Approximately 8% of our employees are covered by collective bargaining agreements. We believe our relations with our employees and labor unions have generally been good.

**Available Information**

**Availability of SEC Reports**

Our website is located at https://www.adt.com. Our investor relations website is located at http://investors.adt.com. We make available free of charge on our investor relations website under “Financials” our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16 of the Securities Exchange Act of 1934 (the “Exchange Act”), and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the Securities and Exchange Commission (the “SEC”). The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings at http://www.sec.gov.

**Use of Website to Provide Information**

From time to time, we have made and expect in the future to use our website as a channel of distribution of material information regarding the Company. Financial and other material information regarding the Company is routinely posted on and accessible at http://investors.adt.com. In order to receive notifications regarding new postings to our website, investors are encouraged to enroll on our website to receive automatic email alerts. None of the information on our website is incorporated into this Annual Report.
ITEM 1A. RISK FACTORS.

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to our industry and the Company could have a material and adverse impact on our business, financial condition, results of operations, and cash flows. You should carefully consider the risks described below and in our subsequent periodic filings with the SEC. The following risk factors should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes in this Annual Report.

Risks Related to Our Business

Our future growth is dependent upon our ability to keep pace with rapid technological and industry changes in order to develop or acquire new technologies for our products and service introductions that achieve market acceptance with acceptable margins.

Our business operates in markets that are characterized by rapidly changing technologies, evolving industry standards, potential new entrants, and changes in customer needs and expectations. For example, a number of cable and other telecommunications companies and large technology companies with home automation solutions offer interactive and security services that are competitive with our products and services. If these services gain greater market acceptance and traction, our ability to grow our business could be materially and adversely affected. Accordingly, our future success depends in part on our ability to accomplish the following: identify emerging technological trends in our target end-markets; develop, acquire, and maintain competitive products and services that capitalize on existing and emerging trends; enhance our existing products and services by adding innovative features on a timely and cost-effective basis that differentiates us from our competitors; incorporate popular third-party interactive products and services into our product and service offerings; sufficiently capture intellectual property rights in new inventions and other innovations; and develop or acquire and bring products and services, including enhancements, to market quickly and cost-effectively. Our ability to develop or acquire new products and services that are technologically innovative requires the investment of significant resources and can affect our competitive position. These acquisition and development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new commercially successful technologies, products, or services on a timely basis. Moreover, as we introduce new products and services, we may be unable to detect and correct defects in the product or service, which could result in loss of sales or delays in market acceptance. New or enhanced products and services may not satisfy customer preferences, and potential product failures may cause customers to reject our products and services. As a result, these products and services may not achieve market acceptance, and our brand image could suffer. In addition, our competitors may introduce superior products or business strategies, impairing our brand and the desirability of our products and services, which may cause customers to defer or forego purchases of our products and services, and impacting our ability to charge monthly service fees. If our competitors implement new technologies before we are able to implement them, those competitors may be able to provide more effective products than ours, possibly at lower prices and experience higher adoption rates and popularity. Any delay or failure in the introduction of new or enhanced solutions could harm our business, results of operations and financial condition. In addition, the markets for our products and services may not develop or grow as we anticipate. The failure of our technology, products, or services to gain market acceptance, the potential for product defects, or the obsolescence of our products and services could significantly reduce our revenue, increase our operating costs, or otherwise materially adversely affect our business, financial condition, results of operations, and cash flows.

In addition to developing and acquiring new technologies and introducing new offerings, we may need, from time to time, to phase out outdated and unsuitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits.

We sell our products and services in highly competitive markets, including the home automation market and the commercial fire and security markets, which may result in pressure on our profit margins and limit our ability to maintain or increase the market share of our products and services.

The monitored security industry is highly fragmented and subject to significant competition and pricing pressures. We experience significant competitive pricing pressures on installation, monitoring, and service fees. Several competitors offer installation fees and monitoring fees that match or are lower than ours. Other competitors may charge significantly more for installation, but in many cases, less for monitoring. In addition, cable and telecommunications companies have expanded into the monitored security industry and are bundling their existing offerings with monitored security services, often at lower monthly monitoring rates.

In many cases, we face competition for direct sales from our independent, third-party authorized dealers, who may offer installation for considerably less than we do in particular markets. We believe that the monitoring and service fees we offer are generally competitive with rates offered by other security service providers. We face competition from other providers such as technology and cable and telecommunications companies that may have existing access to and relationships with subscribers and highly recognized brands, which may drive increased awareness of their security/automation offerings relative to ours, have access to
greater capital and resources than us, and may spend significantly more on advertising, marketing, and promotional resources, any of which could have a material adverse effect on our ability to drive awareness and demand for our products and services. In particular, these companies may be able to offer subscribers a lower price by bundling their services. We also face potential competition from DIY products such as SimpliSafe, Google Nest, Apple HomeKit, and Amazon Ring, as well as many others, which enable customers to self-monitor and control their environments without third-party involvement through the Internet, text messages, emails, or similar communications, but with the disadvantage that alarm events may go unnoticed. Some DIY providers may also offer professional monitoring with the purchase of their systems and equipment without a contractual commitment, which may be attractive to some customers and put us at a competitive disadvantage. Other DIY providers may offer new internet of things (“IoT”) devices and services with automated features and capabilities that may be appealing to customers. In addition, certain DIY providers have a significantly broader customer base and product offering than us, allowing them to cross-sell interactive and security solutions that are competitive with our offerings to customers who are loyal to the competitor’s brand. Shifts in customer preferences toward DIY systems could increase our attrition rates over time and the risk of accelerated amortization of customer contracts resulting from a declining customer base. It is possible that one or more of our competitors could develop a significant technological advantage over us that allows them to provide additional service or better-quality service or to lower their price, which could put us at a competitive disadvantage. Continued pricing pressure, improvements in technology, competitor brand loyalty, and shifts in customer preferences toward self-monitoring and DIY could adversely impact our customer base and/or pricing structure and have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We also face competition in the commercial fire and security markets where many of our competitors are large, global industrial companies as well as smaller regional and local companies, which may be positioned to offer products and services at lower cost than us or which may benefit from pre-existing or highly localized relationships and knowledge. Our ability to compete in the commercial fire and security business is also dependent on our ability to acquire and resell third-party products and services demanded by commercial customers, some of which we may not be able to provide. If we fail to build relationships with commercial customers or obtain the rights to resell third-party products and services required by commercial customers, our profitability, business, financial condition, results of operations, and cash flows could be materially adversely affected.

We rely on a significant number of our customers remaining with us as customers for long periods of time.

We operate our business with the goal of retaining customers for long periods of time to recoup our initial investment in new customers, generally achieving revenue break-even in less than three years. Accordingly, our long-term profitability is dependent on long customer tenure. This requires that we minimize our rate of customer disconnects, or attrition. One reason for disconnects is when customers relocate and do not reconnect. Customer relocations are impacted by changes in the housing market. Other factors that can increase disconnects include problems experienced with our product or service quality, customer service, customer non-pay, unfavorable general economic conditions, and the preference for lower pricing of competitors’ products and services over ours. If we fail to keep our customers for a sufficiently long period of time, our profitability, business, financial condition, results of operations, and cash flows could be materially adversely affected.

If we experience significantly higher rates of customer revenue attrition than we anticipate, we may be required to change the estimated useful lives and/or accelerate the method of depreciation and amortization related to accounts associated with our security monitoring customers, increasing our depreciation and amortization expense or causing asset impairment.

We depreciate or amortize the costs of our direct channel subscriber system assets and deferred subscriber acquisitions costs, as well as our acquired and dealer generated contracts and related customer relationships, based on the estimated life of the customer relationships. If attrition rates were to rise significantly, we may be required to accelerate this depreciation or amortization or impair such assets, which would cause a material adverse effect on our business, financial condition, and results of operations.

The retirement of older telecommunications technology such as 3G and CDMA by telecommunications providers and shifts in our customers’ choice of telecommunications services and equipment could materially adversely affect our business, increase customer attrition and require significant capital expenditures.

Certain elements of our operating model have historically relied on our customers’ continued selection and use of traditional copper wireline telecommunications service to transmit alarm signals to our monitoring centers. There is a growing trend for customers to switch to the exclusive use of cellular, or IP based technology in their homes and businesses, as telecommunication providers continue to discontinue their copper wireline services in favor of IP-based technology. Many of our customers also have security systems that rely on technology that is not operable with newer cellular networks or IP-based networks, and as such, will not be able to transmit alarm signals on these networks. The discontinuation of copper landline service, older cellular technologies, and other services by telecommunications providers, as well as the switch by customers to the exclusive use of cellular or IP technology, may require system upgrades to alternative, and potentially more expensive, alarm systems to transmit alarm signals and function properly. This could increase our customer revenue attrition and slow new customer generation. In January 2017, a major wireless
network provider had fully retired its 2G network. To maintain our customer base that uses security and automation system components that communicated over that carrier’s 2G network, we completed a substantial conversion program to replace 2G cellular technology used in many of our security systems at significant cost to us with little, or no additional, cost to our customers. Certain existing subscribers chose not to replace their 2G cellular technology, thereby increasing our attrition rates.

We have received notice from the providers of 3G and CDMA cellular networks that they will be retiring their 3G and CDMA networks by the first quarter of 2022. In addition, one carrier that sunset CDMA in 2019 has agreed to continue to provide such service only until the end of 2022. We currently provide services to approximately 3.1 million customer sites that transmit signals via 3G or CDMA networks. If we were to implement additional service charges in connection with our transition plans, customers may view such charges unfavorably, which could cause gross customer revenue attrition to increase. If we are unable to upgrade cellular equipment at customer sites to meet new network standards prior to the retirement of 3G and CDMA networks in a timely and cost-effective manner, our business, financial condition, results of operations, and cash flows, could be materially adversely affected.

In November 2017, as part of the FCC’s efforts to facilitate the transition from traditional copper-based wireline networks to IP-based fiber broadband networks, the FCC repealed its rules requiring telecommunications carriers to provide direct advanced public notice to consumers of the retirement of copper-based wireline networks. Many of our customers rely solely on copper-based telephone networks to transmit alarm signals from their premises to our monitoring stations. Since some customer alarm systems are not compatible with IP-based communication paths, we will be required to upgrade or install new technologies, which may include the need to subsidize the replacement of the customers’ outdated systems at our expense. The FCC’s changes regarding copper-based wireline network retirements could lead to customer confusion and impede our ability to timely transfer customers to new network technologies. Any technology upgrades or implementations could require significant capital expenditures, may increase our attrition rates, and may also divert management and other resource attention away from customer service and sales efforts for new customers. In the future, we may not be able to successfully implement new technologies or adapt existing technologies to changing market demands. If we are unable to adapt in a timely manner to changing technologies, market conditions or customer preferences, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

In addition, we use broadband Internet access service to support our product offerings, such as video monitoring and surveillance, and as a communications option for alarm monitoring and other services. Video monitoring and surveillance services use significantly more bandwidth than non-video Internet activity. As utilization rates and penetration of these services increase, the need for increased network capacity will necessitate our incurring significant capital expenditures to avoid service disruptions as well as ensure a seamless video experience for our customers.

**Our reputation as a service provider of high-quality security offerings may be materially adversely affected by product defects or shortfalls in customer service.**

Our business depends on our reputation and ability to maintain good relationships with our subscribers, dealers, and local regulators, among others. Our reputation may be harmed either through product defects, such as the failure of one or more of our subscribers’ alarm systems, or shortfalls in customer service. Subscribers generally judge our performance through their interactions with the staff at the monitoring and customer care centers, dealers, and technicians who perform on-site installation and maintenance services, as well as their day to day interactions with the product and the mobile application. Any failure to meet subscribers’ expectations in such customer service areas could cause an increase in attrition rates or make it difficult to recruit new subscribers. Any harm to our reputation or subscriber relationships caused by the actions of our dealers, personnel, or third-party service providers or any other factors could have a material adverse effect on our business, financial condition, and results of operations.

**General economic conditions can affect our business, and we are susceptible to changes in the business economy, housing market, and business and consumer discretionary income, which may inhibit our ability to sustain customer base growth rates and impact our results of operations.**

Demand for our products and services is affected by the general economy, the business environment, and the turnover in the housing market, among other things. Downturns in the general economy, the business environment, and the housing market would reduce opportunities to make sales of our products and services. Downturns in the rate of the sale of new and existing homes, which we believe drives a substantial portion of our new customer volume in any given year, and downturns in the rate of commercial property development, which drives demand for our commercial offerings, would reduce opportunities to make sales of new security, fire, and home automation systems and services and reduce opportunities to take over existing security, fire, and home automation systems. Recoveries in the housing market increase the occurrence of relocations, which may lead to customers disconnecting service and not contracting with us in their new homes.
The demand for our products and services is also dependent, in part, on national, regional, and local economic conditions, as well as our customers’ level of discretionary income. When our customers’ disposable income available for discretionary spending is reduced (such as by higher housing, energy, interest, operating or other costs, or where the actual or perceived wealth of customers has decreased as a result of circumstances such as lower real estate values, increased foreclosure rates, inflation, increased tax rates, or other economic disruptions), we could experience increased attrition rates and reduced customer demand. Where levels of business activity decline, the commercial fire and security business could experience increased attrition rates and reduced demand. No assurance can be given that we will be able to continue acquiring quality customers or that we will not experience higher attrition rates. Changes in customer-specific economic circumstances could cause current customers to disconnect our services to reduce their monthly spending, or such customers could default on their remaining contractual obligations to us. Our long-term revenue growth rate depends on installations and new contracts exceeding disconnects. If customer disconnects and defaults increase, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

We are subject to credit risk and other risks associated with our subscribers.

A substantial part of our revenue is derived from the recurring monthly revenue due from subscribers under alarm monitoring contracts. Therefore, we are dependent on the ability and willingness of subscribers to pay amounts due under the alarm monitoring contracts on a monthly basis in a timely manner. Although subscribers are contractually obligated to pay amounts due under an alarm monitoring contract and are generally contractually obligated to pay early cancellation fees if they prematurely cancel the alarm monitoring contract during the initial term of the alarm monitoring contract (typically between three and five years), subscribers’ payment obligations are unsecured, which could impair our ability to collect any unpaid amounts from our subscribers. To the extent payment defaults by subscribers under the alarm monitoring contracts are greater than anticipated, our business, financial condition, results of operations and cash flows could be materially adversely affected.

We also have been exploring and will continue to explore different pricing plans for our products and services, such as increasing or otherwise changing the amount of up-front payments or different financing options, such as retail installment arrangements for the amount of up-front payments associated with our transactions. These financing options could increase the credit risks associated with our subscribers, and the introduction of, or transition to, different financing options could result in quarterly revenue and expense fluctuations that are significantly greater than our historic patterns. While we intend to manage such credit risk by evaluating the credit quality of customers eligible for our financing options, our efforts to mitigate risk may not be sufficient to prevent an adverse effect on our business, financial condition, results of operations and cash flows.

Some of these customer financing options may be supported by financing arrangements with third parties. For example, we entered into a receivables financing agreement with Mizuho Bank Ltd. in March 2020 (the “Securitization Financing Agreement”), that permits securitization financing of up to $200 million and matures on March 5, 2021, subject to extension. The Securitization Financing Agreement currently permits us to obtain financing backed by the sale of installment receivables from transactions involving a security system that is sold outright to the customer, but may be amended in the future to permit the financing backed by the sale of installment receivables from transactions in which we retain ownership of a security system. Third-party financing arrangements such as the Securitization Financing Agreement may impose or result in limitations on the products and services we offer customers that are financed under such arrangements, and may adversely affect our relationships with customers, which in turn could have an adverse effect on our business, financial condition, results of operations and cash flows.

Offering more pricing and financing options, and transitions between such options, such as between transactions involving a security system that is sold outright to the customer and transactions in which we retain ownership of a security system, may introduce operational complexity, require the devotion of resources that could otherwise be deployed elsewhere, and may increase market valuation risks due to differences in the financial treatment of different offerings. Such increased offerings or transitions between different offerings or equipment ownership models could also result in customer confusion or dissatisfaction, limit or remove our ability to offer “free device” promotions or other customer satisfaction programs, and may provide competitors with the opportunity to target our existing and potential clients by offering such “free device” or other promotions that we may be unable to offer under our own programs. Any of the foregoing could adversely affect our business, financial condition, results of operations and cash flows.

If the insurance industry changes its practice of providing incentives to homeowners for the use of alarm monitoring services, we may experience a reduction in new customer growth or an increase in our subscriber attrition rate.

It has been common practice in the insurance industry to provide a reduction in rates for policies written on homes that have monitored alarm systems. There can be no assurance that insurance companies will continue to offer these rate reductions. If these incentives were reduced or eliminated, new homeowners who otherwise might not feel the need for alarm monitoring services would be removed from our potential customer pool, which could hinder the growth of our business, and existing subscribers may choose to disconnect or not renew their service contracts, which could increase our attrition rates. In either case, our growth prospects and our business, financial condition, results of operations and cash flows could be materially adversely affected.
We have and will continue to invest in new businesses, services, and technologies outside the traditional security and interactive services market, which is inherently risky and could disrupt our current operations.

We have invested and will continue to invest in new businesses, products, services, and technologies beyond traditional security and interactive services. Our investments may involve significant risks and uncertainties, including capital loss on some or all of our investments, insufficient revenue from such investments to offset any new liabilities assumed and expenses associated with these new investments, distraction of management from current operations, and issues not identified during pre-investment planning and due diligence that could cause us to fail to realize the anticipated benefits of such investments and incur unanticipated liabilities. Since these investments are inherently risky, these new businesses, products, services, and technologies may not be successful and as a result, may materially adversely affect our reputation, business, financial condition, results of operations and cash flows.

Failure to successfully upgrade, integrate, and maintain the security of our information and technology networks, including personally identifiable information and other data, could materially adversely affect us.

We are dependent on information technology networks and systems, including Internet and Internet-based or “cloud” computing services, to collect, process, transmit, and store electronic information. We have completed a significant number of acquisitions of companies that operate different technology platforms and systems. We are currently implementing modifications and upgrades to our information technology systems and also integrating systems from our various acquisitions, including making changes to legacy systems, replacing legacy systems with successor systems with new functionality, and implementing new systems. Any delay in making such changes or replacements or in purchasing new systems due to conflicting budget priorities or otherwise could have a material adverse effect on our business, financial position, results of operations and cash flows. There are inherent costs and risks associated with integrating, replacing and changing these systems and implementing new systems, including potential disruption of our sales, operations and customer service functions, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to integrate, implement and operate the new systems, demands on management time, and other risks and costs of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. In addition, our information technology system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. The implementation of or delay in implementing new information technology systems may also cause disruptions in our business operations and have a material adverse effect on our business, financial position, results of operations and cash flows.

If we fail to comply with constantly evolving laws, regulations, and industry standards addressing information and technology networks, privacy, and data security, we could face substantial penalties, liability, and reputational harm, and our business, operations, and financial condition could be materially adversely affected.

Along with our own confidential data and information in the normal course of our business, we or our partners collect and retain significant volumes of third party data, some of which is subject to certain laws and regulations. Our ability to analyze this data to present the subscriber with an improved user experience is a valuable component of our services, but we cannot ensure you that the data we require will be available from these sources in the future or that the cost of such data will not increase. If the data that we require is not available to us on commercially reasonable terms or at all, we may not be able to provide certain parts of our current or planned products and services, and our business, financial condition, results of operations and cash flows could be materially adversely affected.

In addition, we may also collect and retain other sensitive types of data, including audio recordings of telephone calls and video images of customer sites. We must comply with applicable federal and state laws and regulations governing the collection, retention, processing, storage, disclosure, access, use, security, and privacy of such information in addition to our own posted information security and privacy policies and applicable industry standards. The legal, regulatory, and contractual environment surrounding the foregoing continues to evolve, and there has been an increasing amount of focus on privacy and data security issues with the potential to affect our business. These privacy and data security laws and regulations, as well as contractual requirements, could increase our cost of doing business, and failure to comply with these laws, regulations, and contractual requirements could result in government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity. In the event of a breach of personal information that we hold or that is held by third parties on our behalf, we may be subject to governmental fines, individual and class action claims, remediation expenses, and/or harm to our reputation. Further, if we fail to comply with applicable privacy and security laws, regulations, policies, and standards; properly protect the integrity and security of our facilities and systems and the data located within them; or defend against cybersecurity attacks; or if our third-party service providers, partners, or vendors fail to do any of the foregoing with respect to data and information assessed, used, stored, or collected on our behalf, our business, reputation, financial condition, results of operations, and cash flows could be materially adversely affected.

For example, the data that we collect and retain includes personally identifiable information related to our customers and employees and may be protected health information subject to certain requirements under the Health Insurance Portability Accountability Act.
(“HIPAA”) and its implementing regulations, which regulate the use, storage, and disclosure of personally identifiable health information. We may change our processes or modify our product and service offerings in a manner that requires us to adopt additional or different policies and procedures to meet our obligations under HIPAA. Becoming fully HIPAA-compliant involves adopting and implementing privacy and security policies and procedures as well as administrative, physical, and technical safeguards. Additionally, HIPAA compliance requires certain agreements with contracting partners to be in place. Endeavoring to become fully HIPAA-compliant may be costly both financially and in terms of administrative resources. It may take substantial time and require the assistance of external resources, such as attorneys, information technology, and/or other consultants. We would have to be HIPAA-compliant to provide services pursuant to which we are required to collect or manage patient information for or on behalf of a health care provider or health plan. Thus, if we do not become fully HIPAA-compliant, our expansion opportunities may be limited. Furthermore, it is possible that HIPAA may be expanded in the future to apply to certain of our current products or services.

The California Consumer Privacy Act (“CCPA”), which became effective in 2020, gives California residents certain rights in relation to their personal information, requires that companies take certain actions, and applies to activities regarding personal information that is collected by us, directly or indirectly, from California residents. The CCPA creates and may continue to create, as its interpretation and enforcement evolves, a range of new compliance obligations, which could cause us to change our business practices, with the possibility for significant financial penalties for noncompliance that may materially adversely affect our business, reputation, financial condition, results of operations, and cash flows.

The General Data Protection Regulation (“GDPR”) applies to activities regarding personal data that are conducted by us, directly or indirectly through vendors and subcontractors, from an establishment in the European Union. As interpretation and enforcement of the GDPR evolves, it will create a range of new compliance obligations, which could cause us to change our business practices, with the possibility for significant financial penalties for noncompliance. The European Commission in July 2016 and the Swiss Government in January 2017 approved the EU-U.S. and the Swiss-U.S. Privacy Shield frameworks, respectively, which are designed to allow U.S. companies that self-certify to the U.S. Department of Commerce and publicly commit to comply with the Privacy Shield requirements to freely import personal data from the EU and Switzerland. However, these frameworks face a number of legal challenges and their validity remains subject to legal, regulatory, and political developments in both Europe and the U.S. This has resulted in some uncertainty, and compliance obligations could cause us to incur costs or require us to change our business practices in a manner adverse to our business and failure to comply could result in significant penalties that may materially adversely affect our business, reputation, financial condition, results of operations, and cash flows.

Due to the ever-changing threat landscape, our products may be subject to potential vulnerabilities of wireless and IoT devices, and our services may be subject to certain risks, including hacking or other unauthorized access to control or view systems and obtain private information.

Companies that collect and retain sensitive and confidential information are under increasing attack by cybercriminals around the world. While we implement security measures within our products, services, operations, and systems, those measures may not prevent cybersecurity breaches; the access, capture, or alteration of information by criminals; the exposure or exploitation of potential security vulnerabilities; distributed denial of service attacks; the installation of malware or ransomware; acts of vandalism; computer viruses; or misplaced data or data loss that could be detrimental to our reputation, business, financial condition, results of operations and cash flows. Third parties, including our partners and vendors, could also be a source of security risk to us in the event of a failure of their own products, components, networks, security systems, and infrastructure. In addition, we cannot be certain that advances in criminal capabilities, new discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the networks that access our products and services.

A significant actual or perceived (whether or not valid) theft, loss, fraudulent use or misuse of customer, employee, or other personally identifiable data, whether by us, our partners and vendors, or other third parties, or as a result of employee error or malfeasance or otherwise, non-compliance with applicable industry standards or our contractual or other legal obligations regarding such data, or a violation of our privacy and information security policies with respect to such data, could result in costs, fines, litigation, or regulatory actions against us. Such an event could additionally result in unfavorable publicity and therefore materially and adversely affect the market’s perception of the security and reliability of our services and our credibility and reputation with our customers, which may lead to customer dissatisfaction and could result in lost sales and increased customer revenue attrition.

In addition, we depend on our information technology infrastructure for business-to-business and business-to-consumer electronic commerce. Security breaches of, or sustained attacks against, this infrastructure could create system disruptions and shutdowns that could negatively impact our operations. Increasingly, our products and services are accessed through the Internet, and security breaches in connection with the delivery of our services via the Internet may affect us and could be detrimental to our reputation, business, financial condition, results of operations and cash flows. We continue to invest in new and emerging technology and other solutions to protect our network and information systems, but there can be no assurance that these investments and solutions will prevent any of the risks described above. In addition, any delay in making such investments due to conflicting budget priorities...
or otherwise could have a material adverse effect on our business, financial position, results of operations and cash flows. While we maintain cyber liability insurance that provides both third-party liability and first-party insurance coverages, our insurance may not be sufficient to protect against all of our losses from any future disruptions or breaches of our systems or other event as described above.

We depend on third-party providers and suppliers for components of our security and automation systems, third-party software licenses for our products and services, and third-party providers to transmit signals to our monitoring facilities and provide other services to our subscribers. Any failure or interruption in products or services provided by these third parties could harm our ability to operate our business.

The components for the security and automation systems that we install are manufactured by third parties. We are therefore susceptible to interruptions in supply and to the receipt of components that do not meet our standards. Our suppliers may be susceptible to disruptions from fire, natural disasters, weather, pandemics, malicious acts, terrorism, government action, or other concerns impacting their local workforce, all of which are beyond our control. Any financial or other difficulties our providers face may have negative effects on our business. We exercise little control over our suppliers, which increases our vulnerability to problems with the products and services they provide or to their choice of which companies they will allow to sell their products. While we strive to utilize dual-sourcing methods to allow similar hardware components for our security systems to be interchangeable to minimize the risk of a disruption from a single supplier, any interruption in supply could cause delays in installations and repairs and the loss of current and potential customers. Also, if a previously installed component were found to be defective, we might not be able to recover the costs associated with its repair or replacement across our installed customer base, and the diversion of technical personnel to address the defect could materially adversely affect our business, financial condition, results of operations, and cash flows. In the event of a product recall or litigation against our suppliers or us, we could experience a material adverse effect on our business, financial condition, results of operations, and cash flows.

We rely on third-party software for key automation features in certain of our offerings and on the interoperation of that software with our own, such as our mobile applications and related platform. We could experience service disruptions if customer usage patterns for such offerings exceed, or are otherwise outside of, design parameters for the system and the ability for us or our third-party provider to make corrections. Such interruptions in the provision of services could result in our inability to meet customer demand, damage our reputation and customer relationships, and materially and adversely affect our business. We also rely on certain software technology that we license from third parties and use in our products and services to perform key functions and provide critical functionality. For example, we license the software platform for our monitoring operations from third parties. Because a number of our products and services incorporate technology developed and maintained by third parties, we are, to a certain extent, dependent upon such third parties’ ability to update, maintain, or enhance their current products and services; to ensure that their products are free of defects or security vulnerabilities; to develop new products and services on a timely and cost-effective basis; and to respond to emerging industry standards, customer preferences, and other technological changes. Further, these third-party technology licenses may not always be available to us on commercially reasonable terms, or at all. If our agreements with third-party vendors are not renewed or the third-party software becomes obsolete, is incompatible with future versions of our products or services, or otherwise fails to address our needs, we cannot provide assurance that we would be able to replace the functionality provided by the third-party software with technology from alternative providers. Furthermore, even if we obtain licenses to alternative software products or services that provide the functionality we need, we may be required to replace hardware installed at our monitoring centers and at our customers’ sites, including security system control panels and peripherals, in order to execute our integration of or migration to alternative software products. Any of these factors could materially adversely affect our business, financial condition, results of operations, and cash flows.

We also rely on various third-party telecommunication providers and signal processing centers to transmit and communicate signals to our monitoring facility in a timely and consistent manner. These telecommunication providers and signal processing centers could de-prioritize or fail to transmit or communicate these signals to the monitoring facility for many reasons, including disruptions from fire, natural disasters, weather, transmission interruption, malicious acts, provider preference, government action, or terrorism. The failure of one or more of these telecommunication providers or signal processing centers to transmit and communicate signals to the monitoring facility in a timely manner could affect our ability to provide alarm monitoring, home automation, and interactive services to our customers. We also rely on third-party technology companies to provide automation and interactive services to our customers. These technology companies could fail to provide these services consistently, or at all, which could result in our inability to meet customer demand and damage our reputation. There can be no assurance that third-party telecommunication providers, signal processing centers, and other technology companies will continue to transmit and communicate signals to the monitoring facility or provide home automation and interactive services to subscribers without disruption. Any such disruption, particularly one of a prolonged duration, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

In addition, the recent emergence of a coronavirus disease (COVID-19) could impact any or all of the third party providers and suppliers on whom we rely. While the full impact of this disease and worldwide reaction to it are largely unknown, any disruption
of such providers and suppliers caused by this disease could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

An event causing a disruption in the ability of our monitoring facilities or customer care resources to operate could materially adversely affect our business.

A disruption in our ability to provide security monitoring services and otherwise serve our customers could have a material adverse effect on our business. A disruption could occur for many reasons, including fire, natural disasters, weather, health epidemics or pandemics, transportation interruption, extended power outages, human or other error, war, terrorism, sabotage, or other conflicts, or as a result of disruptions to internal and external networks or third-party transmission lines. Monitoring and customer care could also be disrupted by information systems and network-related events or cybersecurity attacks, such as computer hacking, computer viruses, worms or other malicious software, distributed denial of service attacks, malicious social engineering, or other destructive or disruptive activities that could also cause damage to our properties, equipment, and data. While our monitoring centers are redundant, a failure of our back-up procedures or a disruption affecting multiple monitoring facilities could disrupt our ability to provide security monitoring services to our customers. These events could also make it difficult or impossible to receive equipment from suppliers or impair our ability to deliver products and services to customers on a timely basis. If we experience such disruptions, we may experience customer dissatisfaction and potential loss of confidence, and liabilities to customers or other third parties, each of which could harm our reputation and impact future revenues from these customers. We could also be subject to claims or litigation with respect to losses caused by such disruptions. Our property and business interruption insurance and our cyber liability insurance may not be sufficient to fully cover our losses or may not cover a particular event at all.

Most recently, we have considered the impacts of a coronavirus disease (COVID - 19) on our overall operations. While the full impact of this disease and the worldwide reaction to it are largely unknown at this time, any widespread growth in infections, or travel restrictions, quarantines or site closures imposed as a result of the disease, could, among other things, impact the ability of our employees to staff call centers, staff customer care centers, be available to install new or repair existing systems within residential homes or commercial operations, or enter such homes or commercial operations. In addition, the disease could lead to disruptions in our supply chain, causing shortages or unavailability of equipment necessary to install or repair systems. Any of these outcomes could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our independent, third-party authorized dealers may not be able to mitigate certain risks such as information technology breaches, data security breaches, product liability, errors and omissions, and marketing compliance.

We generate a portion of our new customers through our authorized dealer network. We rely on independent, third-party authorized dealers to implement mitigation plans for certain risks they may experience, including, but not limited to, information technology breaches, data security breaches, product liability, errors and omissions, and marketing compliance. If our authorized dealers experience any of these risks, or fail to implement mitigation plans for their risks, or if such implemented mitigation plans are inadequate or fail, we may be susceptible to risks associated with our authorized dealers on which we rely to generate customers. Any interruption or permanent disruption in the generation of customer accounts or services provided by our authorized dealers could materially adversely affect our business, financial condition, results of operations, and cash flows.

We may pursue business opportunities that diverge from our current business model, which may materially adversely affect our business results.

We may pursue business opportunities that diverge from our current business model, including expanding our products or service offerings, investing in new and unproven technologies, adding customer acquisition channels, and forming new alliances with companies to market our services. We can provide no assurance that any such business opportunities will prove to be successful. Among other negative effects, our pursuit of such business opportunities could cause our cost of investment in new customers to grow at a faster rate than our recurring revenue and fees collected at the time of installation. In addition, any new business partner may not agree to the terms and conditions or limitations on liability that we typically impose upon third parties. We have acquired DataShield, LLC and Secure Designs, each of which provide cybersecurity services for business customers, which expands our suite of services. As companies are under increasing attack by cybercriminals around the world, a breach by such cybercriminals of our customers’ systems or operations could result in claims and lawsuits against us and result in damage to our brand and reputation. We have also acquired several companies that sell and service fire and integrated security systems to business customers, including Red Hawk Fire & Security, which significantly expanded our commercial fire and security capabilities, reach, and customer base. In addition, as we expand our products and services to larger commercial installations, we may have customers who experience large commercial losses that result in claims and lawsuits against us and result in damage to our brand and reputation. In January 2020, we acquired Defenders, which was our largest authorized dealer in 2019. While this acquisition expands our direct go-to-market operations, we cannot be certain that we can maintain the level of new account generation through Defenders as was achieved through Defenders prior to the acquisition or that we can maintain as effective a third-party dealer.
model, having removed our largest dealer from this sales channel. We are also currently exploring the option of offering certain of our monitoring and cybersecurity services under non-ADT brands to international markets outside of the U.S. Additionally, any new alliances or customer acquisition channels could require developmental investments or have higher cost structures than our current arrangements, which could reduce operating margins and require more working capital. In the event that working capital requirements exceed operating cash flow, we could be required to draw on our revolving credit facility, or pursue other external financing, which may not be readily available. Any of these factors could materially adversely affect our business, financial condition, results of operations, and cash flows.

**We continue to integrate our acquisitions, which may divert management’s attention from our ongoing operations. We may not achieve all of the anticipated benefits, synergies, or cost savings from our acquisition.**

Our acquisitions require the integration of many separate companies that have previously operated independently. While the integration of our acquisitions with our business and systems is ongoing, the anticipated financial and operational benefits, including increased revenues, synergies, and cost savings depends in part on our ability to successfully combine and integrate our acquisitions with our other business. There can be no assurance regarding the extent to which we will be able to realize increased revenues, synergies, cost savings, or other benefits from our acquisitions. These benefits may not be achieved within the anticipated time frame and we may not realize all of these anticipated benefits.

The continued integration of operations, products, and personnel from our acquisitions will continue to require the attention of our management and place demands on other internal resources. The diversion of management’s attention, and any difficulties encountered in the transition and integration process, could materially adversely affect our business, financial condition, results of operations and cash flows. In addition, the overall continued integration of our acquired businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, and loss of customer relationships. The difficulties of combining the operations of the companies may generally include, among others:

- difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects from the combination;
- difficulties in the integration of operations and systems;
- difficulties in replacing numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll, data privacy, and security and regulatory compliance, many of which may be dissimilar;
- conforming standards, controls, procedures, accounting and other policies, equipment ownership models, business cultures, and compensation structures;
- difficulties in establishing a SOX compliant control environment;
- difficulties which may arise from matters not revealed or understood in the pre-acquisition diligence process such as external and internal threats and vulnerabilities in systems, websites or products and other cyber-related concerns, theft of data or other assets of the acquired company, legacy claims in tax, litigation or otherwise of the acquired company;
- difficulties in the assimilation of employees, including possible culture conflicts and different opinions on technical decisions and product roadmaps;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in keeping existing customers and obtaining new customers;
- challenges in gaining acceptance of the acquisition within the investment community;
- challenges in attracting and retaining key personnel, particularly with acquired businesses having rates of employee attrition that are significantly higher than our own;
- challenges in ensuring the sales practices of acquired businesses conform to the regulatory environment within which we operate, including, among others, with respect to marketing and sales practices; and
- coordinating a geographically dispersed organization.

While we have not experienced any material difficulties to date in connection with integrating our acquisitions, many of these factors are outside our control and any one of them could result in increased costs, decreases in the amount of expected revenues, and further diversion of management’s time and energy, which could materially adversely affect our business, financial condition, results of operations and cash flows.
Our customer generation strategies through third parties, including our authorized dealer and affinity marketing programs, and the competitive market for customer accounts may affect our future profitability.

An element of our business strategy is the generation of new customer accounts through third parties, including our authorized dealers, which accounted for approximately half of our new customer accounts for 2019. Our future operating results will depend in large part on our ability to continue to manage this business generation strategy effectively. We currently generate accounts through hundreds of independent third parties, including authorized dealers, a significant portion of our accounts originate from a smaller number of such third parties. We experience loss of third-party sales partnerships, including authorized dealers from our authorized dealer program, due to various factors, such as dealers and third parties becoming inactive or discontinuing their electronic security business, non-renewal of our dealer and sales generation contracts, and competition from other alarm monitoring companies. If we experience a loss of authorized dealers or third-party sellers representing a significant portion of our customer account generation, or if we are unable to replace or recruit authorized dealers, other third-party sellers, or alternate distribution channel partners in accordance with our business strategy, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

In addition, successful promotion of our brands depends on the effectiveness of our marketing efforts and on our ability to offer member discounts and special offers for our products and services to our partners. We have actively pursued affinity marketing programs, which provide members of participating organizations with special offers on our products and services. The organizations with which we have affinity marketing programs typically closely monitor their relationships with us, as well as their members’ satisfaction with our products and services. These organizations may require us to pay higher fees to them, decrease our pricing for their members, introduce additional competitive options, or otherwise alter the terms of our participation in their marketing programs in ways that are unfavorable to us. These organizations may also terminate their relationships with us if we fail to meet member satisfaction standards, among other things. If any of our affinity or marketing relationships is terminated or altered in an unfavorable manner, we may lose a source of sales leads, and our business, financial condition, results of operations, and cash flows could be materially adversely affected.

We may not be able to continue to develop and execute a competitive yet profitable pricing structure.

In addition to other traditional providers of security and automation solutions, we face competition from cable and telecommunications companies that are actively targeting the home automation and monitored security market, as well as from large technology companies that are expanding into the connected home market either through the development of their own solutions or the acquisition of other companies with home automation solution offerings. We also face competition for business customers from large global industrial companies and smaller regional providers of commercial fire and security solutions with highly specialized skills, strong pre-existing relationships with customers and, in some cases, the ability to provide equipment and services to locations outside the U.S. This increased competition could result in pricing pressure, a shift in customer preferences toward the services of these companies, reduce our market share, and make it more difficult for us to compete on brand-name recognition and reputation. Continued pricing pressure from competitors or failure to achieve pricing based on the competitive advantages could prevent us from maintaining competitive price points for our products and services resulting in lost customers or in our inability to attract new customers and have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We face risks in acquiring and integrating customer accounts.

An element of our business strategy may involve the bulk acquisition of customer accounts. Acquisitions of customer accounts involve a number of special risks, including the possibility of unexpectedly high rates of attrition and unanticipated deficiencies in the accounts and systems acquired despite our investigations prior to acquisition. We face competition from other alarm monitoring companies, including companies that may offer higher prices and more favorable terms for customer accounts purchased, and/or lower minimum financial or operational qualification or requirements for purchased accounts. This competition could reduce the acquisition opportunities available to us, slowing our rate of growth, and/or increase the price we pay for such account acquisitions, thus reducing our return on investment and negatively impacting our revenue and results of operations. We can provide no assurance that we will be able to purchase customer accounts on favorable terms in the future.

The purchase price we pay for customer accounts is affected by the recurring revenue historically generated by such accounts, as well as several other factors, including the level of competition, our prior experience with accounts purchased in bulk from specific sellers, the geographic location of accounts, the number of accounts purchased, the customers’ credit scores, and the type of security or automation equipment or platform used by the customers. In purchasing accounts, we have relied on management’s knowledge of the industry, due diligence procedures, and representations and warranties of bulk account sellers. We can provide no assurance that in all instances the representations and warranties made by bulk account sellers are true and complete or, if the representations and warranties are inaccurate, that we will be able to recover damages from bulk account sellers in an amount sufficient to fully compensate us for any resulting losses. If any of these risks materialize, our business, financial condition, results of operations, and cash flows could be materially adversely affected.
Unauthorized use of our brand names by third parties, and the expenses incurred in developing and preserving the value of our brand names, may materially adversely affect our business.

Our brand names are critical to our success. Unauthorized use of our brand names by third parties may materially adversely affect our business and reputation, including the perceived quality and reliability of our products and services. We rely on trademark law, company brand name protection policies, and agreements with our employees, customers, business partners, and others to protect the value of our brand names. Despite our precautions, we cannot provide assurance that those procedures are sufficiently effective to protect against unauthorized third-party use of our brand names. In particular, in recent years, various third parties have used our brand names to engage in fraudulent activities, including unauthorized telemarketing conducted in our names to induce our existing customers to switch to competing monitoring service providers, lead generation activities for competitors, and obtaining personally identifiable or personal financial information. Third parties sometimes use our names and trademarks, or other confusingly similar variances thereof, in other contexts that may impact our brands. We may not be successful in detecting, investigating, preventing, or prosecuting all unauthorized third-party use of our brand names. Future litigation with respect to such unauthorized use could also result in substantial costs and diversion of our resources. These factors could materially adversely affect our reputation, business, financial condition, results of operations, and cash flows.

Third parties hold rights to certain key brand names outside of the U.S.

Our success depends in part on our continued ability to use trademarks to capitalize on our brands’ name-recognition and to further develop our brands in the U.S, as well as in other international markets should we choose to expand our business in the future. Not all of the trademarks that are used by our brands have been registered in all of the countries in which we may do business in the future, and some trademarks may never be registered in any or all of these countries. Rights in trademarks are generally territorial in nature and are obtained on a country-by-country basis by the first person to obtain protection through use or registration in that country in connection with specified products and services. Some countries’ laws do not protect unregistered trademarks at all, or make them more difficult to enforce, and third parties may have filed for “ADT,” “PROTECTION ONE,” or similar marks in countries where we have not registered these brands as trademarks. Accordingly, we may not be able to adequately protect our brands everywhere in the world and use of such brands may result in liability for trademark infringement, trademark dilution, or unfair competition.

In particular, certain trademarks associated with the ADT brand, including “ADT” and the blue octagon, are owned in all territories outside of the U.S and Canada by Johnson Controls, which acquired and merged with and into Tyco. In certain instances, such trademarks are licensed in certain territories outside the U.S. and Canada by Johnson Controls to third parties. Pursuant to a trademark agreement entered into between The ADT Corporation and Tyco (“Tyco Trademark Agreement”) in connection with the separation of The ADT Corporation from Tyco in 2012, which endures in perpetuity, we are prohibited from ever registering, attempting to register or using such trademarks outside the U.S. (including Puerto Rico and the US Virgin Islands) and Canada, and we may not challenge Tyco’s rights in such trademarks outside the U.S. and Canada. Additionally, under the Tyco Trademark Agreement, we and Tyco each has the right to propose new secondary source indicators (e.g., “Pulse”) to become designated source indicators of such party. To qualify as a designated source indicator, certain specified criteria must be met, including that the indicator has not been used as a material indicator by the non-proposing party or its affiliates over the previous seven years. If we are unable to object to Tyco’s proposal for a new designated source indicator by successfully asserting that the new indicator did not meet the requisite criteria, we would subsequently be precluded from using, registering, or attempting to register such indicator in any jurisdiction, including the U.S. and Canada, whether alone or in connection with an ADT brand. While we and Tyco are each required to (i) adhere to specified quality control standards with respect to the use of the subject trademarks in their respective jurisdictions, (ii) cooperate with respect to enforcement in their respective territories, and (iii) cooperate to avoid and correct any potential or actual customer confusion over the proper ownership of the ADT brand in any particular territory, it is nonetheless possible that dilution, infringement, or customer confusion may result from the arrangement, which could materially adversely affect our reputation, business, financial condition, results of operations, and cash flows.

In addition, in November 2019, we sold all of our shares of ADT Canada to TELUS. In connection with the sale of ADT Canada, we and TELUS, among other things, entered into a non-competition and non-solicitation agreement pursuant to which we agreed not to directly or indirectly engage in a business competitive with ADT Canada, subject to limited exceptions for cross-border commercial customers and mobile safety applications, for a period of seven years. In connection with our sale of ADT Canada, we also entered into a patent and trademark license agreement with TELUS granting them (i) the use of our patents in Canada for a period of seven years and (ii) the exclusive rights to use our trademarks in Canada for a period of five years followed by non-exclusive use of our trademarks for an additional two years. Any violation by TELUS of our agreements with them, or their misuse of our intellectual property or behavior by TELUS in a manner that incorrectly reflects poorly on us because of TELUS’s use of our intellectual property could damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows.
Infringement of our intellectual property rights could negatively affect us.

We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality provisions, and licensing arrangements to establish and protect our proprietary rights. We cannot guarantee, however, that the steps we have taken to protect our intellectual property rights will be adequate to prevent infringement of our rights or misappropriation of our intellectual property or technology. Adverse events affecting the use of our trademarks could affect our use of those trademarks and negatively impact our brands. In addition, if we expand our business outside of the U.S. in the future, effective patent, trademark, copyright, and trade secret protection may be unavailable or limited in some jurisdictions. Furthermore, while we enter into confidentiality agreements with certain of our employees and third parties to protect our intellectual property, such confidentiality agreements could be breached or otherwise may not provide meaningful protection for our confidential information, trade secrets, and know-how related to the design, manufacture, or operation of our products and services. If it becomes necessary for us to resort to litigation to protect our intellectual property rights, any proceedings could be burdensome and costly, and we may not prevail. Further, adequate remedies may not be available in the event of an unauthorized use or disclosure of our confidential information, trade secrets, or know-how. If we fail to successfully enforce our intellectual property rights, our competitive position could suffer, which could materially adversely affect our business, financial condition, results of operations, and cash flows.

Allegations that we have infringed upon the intellectual property rights of third parties could negatively affect us.

We may be subject to claims of intellectual property infringement by third parties. In particular, as our services have expanded, we have become subject to claims alleging infringement of intellectual property, including litigation brought by special purpose or so-called “non-practicing” entities that focus solely on extracting royalties and settlements by alleging infringement and threatening enforcement of patent rights. Such claims may increase in number should we establish a new proprietary platform or expand upon our existing intellectual property in the future. These companies typically have little or no business or operations, and there are few effective deterrents available to prevent such companies from filing patent infringement lawsuits against us. In addition, we rely on licenses and other arrangements with third parties covering intellectual property related to many of the products and services that we market. Notwithstanding these arrangements, we could be at risk for infringement claims from third parties. Additionally, while we are party to a patent agreement with Tyco, which generally includes a covenant by Tyco not to bring an action against us alleging that the manufacture, use, or sale of any products or services in existence as of the date of our separation from Tyco infringes any patents owned or controlled by Tyco and used by us or prior to such date, such agreement does not protect us from infringement claims for future product or service expansions. In general, if a court determines that one or more of our services infringes on intellectual property rights owned by others, we may be required to cease marketing those services, to obtain licenses from the holders of the intellectual property at a material cost or on unfavorable terms, or to take other potentially costly or burdensome actions to avoid infringing third-party intellectual property rights. The litigation process is costly and subject to inherent uncertainties, and we may not prevail in litigation matters regardless of the merits of our position. Intellectual property lawsuits or claims may become extremely disruptive if the plaintiffs succeed in blocking the trade of our products and services and may have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We are subject to credit risk and other risks associated with our dealers.

Under the standard alarm monitoring contract acquisition agreements that we enter into with our dealers, if a subscriber terminates their service with us during the first twelve months after the alarm monitoring contract has been acquired, the dealer is typically required to compensate us in an amount based on the original acquisition cost of the terminating alarm monitoring contract. We are subject to the risk that dealers will breach their obligation to provide a comparable substitute alarm monitoring contract for a terminating alarm monitoring contract or compensate us in an amount based on the original acquisition cost of the terminating alarm monitoring contract. We are subject to the risk that dealers may not have sufficient funds to compensate us or that any such dealer will otherwise breach its obligation to compensate us for a terminating alarm monitoring contract. To the extent defaults by dealers of the obligations under their agreements are greater than anticipated, our business, financial condition, results of operations and cash flows could be materially adversely affected.

20
**Our dealers may expose us to additional risks.**

We are subject to reputational risks that may arise from the actions of our dealers and their employees, independent contractors, and other agents that are wholly or partially beyond our control, such as violations of our marketing policies and procedures as well as any failure to comply with applicable laws and regulations. If our dealers engage in marketing practices that are not in compliance with local laws and regulations, we may be in breach of such laws and regulations, which may result in regulatory proceedings and potential penalties that could materially impact our business, financial condition, results of operations and cash flows. In addition, unauthorized activities in connection with sales efforts by employees, independent contractors, and other agents or our dealers, including calling consumers in violation of the Telephone Consumer Protection Act and predatory door-to-door sales tactics and fraudulent misrepresentations, could subject us to governmental investigations and class action lawsuits for, among others, false advertising and deceptive trade practice damage claims, against which we will be required to defend. Such defense efforts will be costly and time-consuming, and there can be no assurance that such defense efforts will be successful, all of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**We may be subject to securities class actions and other lawsuits which may harm our business and results of operations.**

We have previously been subject to securities class actions relating to our 2018 IPO and we may in the future be subject to additional securities litigation in connection with our 2018 IPO, in connection with issues arising subsequent to the 2018 IPO or in connection with issues that may have arisen prior to the acquisition of what was then The ADT Corporation. We may also be subject to class action litigation involving alleged violations of consumer protection laws, employment laws or other matters. This type of litigation may be lengthy and may result in substantial costs and a diversion of management’s attention and resources. Results cannot be predicted with certainty and an adverse outcome in such litigation could result in monetary damages or injunctive relief that could materially adversely affect our business, financial condition, results of operations and cash flows.

In addition, we are currently and may in the future become subject to legal proceedings and commercial or contractual disputes. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes with our suppliers, intellectual property matters, third-party liability, including product liability claims and employment claims. There is a possibility that such claims may have a material adverse effect on our business, financial condition, results of operations and cash flows that is greater than we anticipate and/or negatively affect our reputation.

**Increasing government regulation of telemarketing, email marketing, door-to-door sales, and other marketing methods may increase our costs and restrict the operation and growth of our business.**

We rely on telemarketing, email marketing, door-to-door sales, and other marketing channels, including social media conducted internally and through third parties to generate a substantial number of leads for our business, all of which is subject to federal, state and local regulation. Telemarketing and email marketing activities are subject to an increasing amount of regulation in the U.S. Regulations have been issued by the FTC and the FCC that place restrictions on unsolicited telephone calls to residential and wireless telephone subscribers, whether direct dial or by means of automatic telephone dialing systems, prerecorded, or artificial voice messages and telephone fax machines, and require us to maintain a “do not call” list and to train our personnel to comply with these restrictions. The FTC regulates sales practices generally and email marketing and telemarketing specifically and has broad authority to prohibit a variety of advertising or marketing practices that may constitute “unfair or deceptive acts or practices.” Most of the statutes and regulations in the U.S. applicable to telemarketing and email marketing allow a private right of action for the recovery of damages or provide for enforcement by the FTC and FCC, state attorneys general, or state agencies permitting the recovery of significant civil or criminal penalties, costs and attorneys’ fees if regulations are violated. We strive to comply with all such applicable regulations, but can provide no assurance that we, our authorized dealers or third parties that we rely on for telemarketing, email marketing, and other lead generation activities will be in compliance with all applicable regulations at all times. Although our contractual arrangements with our authorized dealers, affinity marketing partners, and other third parties generally require them to comply with all such regulations and to indemnify us for damages arising from their failure to do so, we can provide no assurance that the FTC and FCC, private litigants, or others will not attempt to hold us responsible for any unlawful acts conducted by our authorized dealers, affinity marketing partners and other third parties or that we could successfully enforce or collect upon any indemnities. Additionally, certain FCC rulings and FTC enforcement actions may support the legal position that we may be held vicariously liable for the actions of third parties, including any telemarketing violations by our independent, third-party authorized dealers that are performed without our authorization or that are otherwise prohibited by our policies. The FCC and FTC have relied on certain actions to support the notion of vicarious liability, including, but not limited to, the use of our brand or trademark, the authorization or approval of telemarketing scripts, or the sharing of consumer prospect lists. Changes in such regulations or the interpretation thereof that further restrict such activities could result in a material reduction in the number of leads for our business and could have a material adverse effect on our business, financial condition, results of operations, and cash flows.
Our use of celebrities and social media influencers may harm our business and reputation.

We rely on marketing by influencers and celebrity spokespersons that represent the ADT brand to generate new customers. The promotion of our brand, products and services by influencers and celebrities is subject to FTC regulations, including the requirement to disclose any compensatory arrangements between ADT and the influencer in any reviews or public statements by the influencer about ADT or our products and services. These influencers and celebrities, with whom we maintain relationships, could also engage in activities or behaviors or use their platforms to communicate directly with our customers in a manner that violates applicable regulations or reflects poorly on our brand and may be attributed to us or otherwise adversely affect us, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our business operates in a regulated industry.

Our operations and employees are subject to various federal, state, and local laws and regulations in such areas as consumer protection, occupational licensing, environmental protection, labor and employment, tax, and other laws and regulations. Most states in which we operate have licensing laws directed specifically toward the sale, installation, monitoring and maintenance of fire and security devices. Our business relies heavily upon the use of both wireline and wireless telecommunications to communicate signals, and telecommunications companies are regulated by federal, state, and local governments.

In certain jurisdictions, we are required to obtain licenses or permits to comply with standards governing employee selection and training and to meet certain standards in the conduct of our business. The loss of such licenses or permits or the imposition of conditions to the granting or retention of such licenses or permits could have a material adverse effect on us. Furthermore, in certain jurisdictions, certain security systems must meet fire and building codes to be installed, and it is possible that our current or future products and service offerings will fail to meet such codes, which could require us to make costly modifications to our products and services or to forego operating in certain jurisdictions.

We must also comply with numerous federal, state, and local laws and regulations that govern matters relating to our interactions with residential customers, including those pertaining to privacy and data security, consumer financial and credit transactions, home improvement contracts, warranties, and door-to-door solicitation. These laws and regulations are dynamic and subject to potentially differing interpretations, and various federal, state, and local legislative and regulatory bodies may initiate investigations, expand current laws or regulations, or enact new laws and regulations, regarding these matters. As we expand our product and service offerings and enter into new jurisdictions, we may be subject to more expansive regulation and oversight. For example, as a result of our acquisition of various commercial businesses, we are expanding commercial offerings and exploring markets outside of the U.S., and we will need to identify and comply with laws and regulations that apply to such services in the relevant jurisdictions. In addition, any financing or lending activity will subject us to various rules and regulations, such as the U.S. federal Truth in Lending Act and analogous state legislation. In addition, should we expand our sales to government entities, we will be subject to additional contracting regulations, disclosure obligations, and various civil and criminal penalties, among other things, in a significant manner that we are not subject to today.

Changes in these laws or regulations or their interpretation could dramatically affect how we do business, acquire customers, and manage and use information we collect from and about current and prospective customers and the costs associated therewith. We strive to comply with all applicable laws and regulations relating to our interactions with all customers. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices.

Changes in laws or regulations could require us to change the way we operate or to utilize resources to maintain compliance, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses. If laws and regulations were to change or if we or our products failed to comply with them, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

We could be assessed penalties for false alarms.

Some local governments impose assessments, fines, penalties, and limitations on either customers or the alarm companies for false alarms. Certain municipalities have adopted ordinances under which both permit and alarm dispatch fees are charged directly to the alarm companies. Our alarm service contracts generally allow us to pass these charges on to customers, but we may not be able to collect these charges if customers are unwilling or unable to pay them and such outcome may materially and adversely affect our business, financial condition, results of operations and cash flows. Furthermore, our customers may elect to terminate or not renew our services if assessments, fines, or penalties for false alarms become significant. If more local governments were to impose assessments, fines, or penalties, our customer base, business, financial condition, results of operations and cash flows could be materially adversely affected.
Police departments could refuse to respond to calls from monitored security service companies.

Police departments in certain jurisdictions do not respond to calls from monitored security service companies unless certain conditions are met, such as video or other verification or eyewitness accounts of suspicious activities, either as a matter of policy or by local ordinance. We offer video verification in certain jurisdictions which increases costs of some security systems, which may increase costs to customers. As an alternative to video cameras in some jurisdictions, we have offered affected customers the option of receiving response from private guard companies, at least as an initial means to verify suspicious activities. In most cases this is accomplished through contracts with private guard companies, which increases the overall cost to customers. If more police departments were to refuse to respond or be prohibited from responding to calls from monitored security service companies unless certain conditions are met, such as video or other verification or eyewitness accounts of suspicious activities, our ability to attract and retain customers could be negatively impacted and our business, financial condition, results of operations, and cash flows could be materially adversely affected.

Adoption of statutes and governmental policies purporting to characterize certain of our charges as unlawful may adversely affect our business.

Generally, if a customer cancels their contract with us prior to the end of the initial contract term, other than in accordance with the contract, we may charge the customer an early cancellation fee. Consumer protection policies or legal precedents could be proposed or adopted to restrict the charges we can impose upon contract cancellation. Such initiatives could compel us to increase our prices during the initial term of our contracts and consequently lead to less demand for our services and increased customer attrition. Adverse judicial determinations regarding these matters could cause us to incur legal exposure to customers against whom such charges have been imposed and expose us to the risk that certain of our customers may seek to recover such charges through litigation, including class action lawsuits. Any such loss in demand for our services, increase in attrition, or the costs of defending such litigation and enforcement actions could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

In the absence of regulation, certain providers of Internet access may block our services or charge their customers more for using our services, or government regulations relating to the Internet could change, which could materially adversely affect our revenue and growth.

Our interactive and home automation services are primarily accessed through the Internet and our security monitoring services, including those utilizing video streaming, are increasingly delivered using internet technologies. Users who access our services through mobile devices, such as smart phones, laptops, and tablet computers must have a high-speed Internet connection, such as broadband, 3G, CDMA or 4G/LTE, to use our services. Currently, this access is provided by telecommunications companies and Internet access service providers that have significant and increasing market power in the broadband and Internet access marketplace. In the absence of government regulation, these providers could take measures that affect our customers’ ability to use our products and services, such as degrading the quality of the data packets we transmit over their lines, giving our packets low priority, giving other packets higher priority than ours, blocking our packets entirely, or attempting to charge our customers more for using our products and services. To the extent that Internet service providers implement usage-based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks, we could incur greater operating expenses and customer acquisition and retention could be negatively impacted, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. Furthermore, to the extent network operators were to create tiers of Internet access service and either charge us or prohibit our services from being available to our customers through these tiers, our business could be negatively impacted. Some of these providers also offer products and services that directly compete with our own offerings, which could potentially give them a competitive advantage. In addition, the FCC recently rolled back net neutrality protections in the U.S. as described below and most other countries have not adopted formal net neutrality or open Internet rules.

On February 26, 2015, the FCC reclassified broadband Internet access services in the U.S. as a telecommunications service subject to some elements of common carrier regulation, including the obligation to provide service on just and reasonable terms, and adopted specific net neutrality rules prohibiting the blocking, throttling, or “paid prioritization” of content or services. However, in December 2017, the FCC re-classified broadband Internet access service as an unregulated information service and repealed the specific rules against blocking, throttling, or “paid prioritization” of content or services. It retained a rule requiring Internet service providers to disclose their practices to consumers, entrepreneurs and the FCC. A number of parties appealed this order, and on October 1, 2019, the US Court of Appeals for the DC Circuit upheld a portion of the FCC’s 2017 ruling, while invalidating the portion that preempted state and local governments from enacting their own net neutrality rules. On December 13, 2019, the plaintiffs asked the full DC Circuit to rehear their case. It is possible Congress may adopt legislation establishing clear net neutrality requirements at some point. The elimination of net neutrality rules and any changes to the rules could affect the market for broadband Internet access service in a way that impacts our business and could have a material adverse effect on our business, financial condition, results of operations, and cash flows. For example, if Internet access providers provide better Internet access for their
Accordingly, there that adjustments that would reduce our tax attributes or otherwise affect our tax liability will not be proposed by the tax authorities. Further, any future and/or subject us to tax liabilities if tax authorities make adverse determinations with respect to our NOL or tax credits carryforwards. There can be no assurance that this limitation will impact our ability to utilize these tax attributes. 

In addition, audits by the U.S. Internal Revenue Service (“IRS”) as well as state, territorial, provincial, and local tax authorities could reduce our tax attributes and affect our financial results. Changes in accounting standards or practices may adversely impact our financial results and could affect the consolidated financial statements for periods prior to the effective date of the change. Refer to our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report for additional information about new accounting standards and other new accounting pronouncements. Implementation of new accounting standards could have a significant impact on our financial results, and any difficulties in implementing new accounting standards or any other new accounting pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline, harm investors’ confidence in the Company and management, and materially adversely affect our stock price.

Changes in accounting principles may adversely affect our financial results.

We present our results of operations and financial condition consistent with U.S. generally accepted accounting principles and standards issued by the Financial Accounting Standards Board (“FASB”). Preparation of our consolidated financial statements is highly complex and involves many assumptions, estimates, and judgments. Changes in accounting standards or practices may adversely impact our financial results and could affect the consolidated financial statements for periods prior to the effective date of the change. Refer to our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report for additional information about new accounting standards and other new accounting pronouncements. Implementation of new accounting standards could have a significant impact on our financial results, and any difficulties in implementing new accounting standards or any other new accounting pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline, harm investors’ confidence in the Company and management, and materially adversely affect our stock price.

We have significant deferred tax assets, and any impairments of or valuation allowances against these deferred tax assets in the future could materially adversely affect our results of operations, financial condition, and cash flows.

We are subject to income taxes in the U.S. and in Canada up to the sale of ADT Canada and for back years as per the sale agreement with respect to the sale of ADT Canada, and in various state, territorial, provincial, and local jurisdictions. The amount of income taxes we pay is subject to our interpretation and application of tax laws in jurisdictions in which we file. Changes in current or future laws or regulations, the imposition of new or changed tax laws or regulations, or new related interpretations by taxing authorities in the jurisdictions in which we file could materially adversely affect our financial condition, results of operations, and cash flows.

Our future consolidated federal and state income tax liability may be significantly reduced by tax credits and tax net operating loss (“NOL”) carryforwards available to us under the applicable tax codes. Each of ASG Intermediate Holding Corp., Protection One, Inc., and The ADT Corporation had material NOL carryforwards prior to our acquisition of such entity. Our ability to fully utilize these deferred tax assets, however, may be limited for various reasons, such as if projected future taxable income becomes insufficient to recognize the full benefit of our NOL carryforwards prior to their expirations. If a corporation experiences an “ownership change,” Sections 382 and 383 of the Internal Revenue Code (“IRC”) provide annual limitations with respect to the ability of a corporation to utilize its NOL (as well as certain built-in losses) and tax credit carryforwards against future U.S. taxable income. In general, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of the corporation by more than 50 percentage points over a three-year testing period.

The Formation Transactions and the ADT Acquisition resulted in an ownership change of each of those entities. Our ability to fully utilize the NOL carryforwards of those entities is subject to the limitations under Section 382 of the IRC. We do not expect that this limitation will impact our ability to utilize these tax attributes. However, it is possible that future changes in the direct or indirect ownership in our equity might result in additional ownership changes that may trigger the imposition of additional limitations under Section 382 of the IRC with respect to these tax attributes.

In addition, audits by the U.S. Internal Revenue Service (“IRS”) as well as state, territorial, provincial, and local tax authorities could reduce our tax attributes and/or subject us to tax liabilities if tax authorities make adverse determinations with respect to our NOL or tax credits carryforwards. There can be no assurance that adjustments that would reduce our tax attributes or otherwise affect our tax liability will not be proposed by the tax authorities. Further, any future disallowance of some or all of our tax credits or NOL carryforwards as a result of legislative change could materially adversely affect our tax obligations. Accordingly, there...
can be no assurance that in the future we will not be subject to increased taxation or experience limitations with respect to recognizing the benefits of our NOL carryforwards and other tax attributes. Any such increase in taxation or limitation of benefits could have a material adverse effect on our financial condition, results of operations, or cash flows. As of December 31, 2019, all tax years through 2015 have been audited and resolved with the IRS. The 2010 through 2018 tax years remain subject to examination for state income tax purposes.

In connection with the Tax Cuts and Jobs Act of 2017 (“Tax Reform”), a new limitation under IRC Section 163(j) was imposed on the amount of interest expense allowed as a deduction in our tax returns each year. The amounts disallowed each year can be carried forward indefinitely and used in subsequent years if an excess limitation exists. We have begun to accumulate a significant deferred tax asset related to this disallowed interest carryforward. However, there is a risk that we will not recognize the benefit of this deferred tax asset in the foreseeable future due to our annual interest expense exceeding the imposed limitation. We may need to record a valuation allowance against this deferred tax asset in the future as the deferred tax asset grows, which may have adverse effects on our future financial condition and results of operations.

The annual interest disallowance is not expected to have an immediate adverse impact on our financial condition and cash flows, as we have NOL carryforwards available to offset the increased taxable income resulting from the disallowed interest expense deductions. We expect to have NOLs available for another three to five years, after which there is a risk that the interest disallowance will have an adverse impact on our financial condition and cash flows.

We are exposed to greater risks of liability for employee acts or omissions or system failures than may be inherent in other businesses.

If a customer or third-party believes that it has suffered harm to person or property due to an actual or alleged act or omission of one of our authorized dealers, independent contractors, employees or other agents, or a security or interactive system failure, they (or their insurers) may pursue legal action against us, and the cost of defending the legal action and of any judgment against us could be substantial. In particular, because our products and services are intended to help protect lives and real and personal property, we may have greater exposure to litigation risks than businesses that provide other commercial, consumer, and small business products and services. Our standard customer contracts contain a series of risk-mitigation provisions that serve to limit our liability and/or limit a claimant’s ability to pursue legal action; however, in the event of litigation with respect to such matters, it is possible that these risk-mitigation provisions may be deemed not applicable or unenforceable and, regardless of the ultimate outcome, we may incur significant costs of defense that could materially adversely affect our business, financial condition, results of operations, and cash flows, and there can be no assurance that any such defense efforts will be successful.

If we are unable to recruit and retain key personnel, our ability to manage our business could be materially and adversely affected.

Our success will depend in part upon the continued services of key personnel, including, our management team, sales representatives, installation and service technicians and call center personnel. Our ability to recruit and retain key personnel for management, sales, technician and call center positions could be impacted adversely by the competitive labor environment and require us to pay wages and incur other costs in excess of our planned expenditure. According to the U.S. Bureau of Labor Statistics, the national unemployment rate in the U.S. was 3.5% at the end of 2019 and is even lower in certain parts of the U.S. where we operate. In addition, we may acquire businesses from time to time that have rates of employee attrition significantly higher than our own and we may experience difficulty or delay in hiring to fill positions at these higher rates or in bringing the employee attrition rate of such acquired businesses to a level consistent with our own. The loss, incapacity, or unavailability for any reason of key members of our management team, higher than expected payroll and other costs associated with the hiring and retention of personnel and the inability or delay in hiring new key employees, such as, sales, technician and call center personnel, could materially adversely affect our ability to manage our business and our future operational and financial results.

The loss of or changes to our senior management could disrupt our business.

Our senior management is important to the success of our business because there is significant competition for executive personnel with experience in the security and home automation industry. As a result of this need and the competition for a limited pool of industry-based executive experience, we may not be able to retain our existing senior management. Our future success will partly depend on our Chief Executive Officer, Mr. James D. DeVries’ ability, along with the ability of other senior management and key employees, to effectively implement our business strategies. In addition, we may not be able to fill new positions or vacancies created by expansion or turnover. Moreover, we do not currently have and do not expect to have in the future “key person” insurance on the lives of any member of our senior management. The loss of any member of our senior management team or changes in strategy or execution as a result of their replacement (either from inside or outside our existing management team) could have a material adverse effect on our business, financial condition, results of operations and cash flows.
Adverse developments in our relationship with our employees could materially and adversely affect our business, results of operations, and financial condition.

As of December 31, 2019, approximately 1,445 of our employees at various sites, or approximately 8% of our total workforce, were represented by unions and covered by collective bargaining agreements. We are currently a party to approximately 30 collective bargaining agreements. Almost one-third of these agreements are up for renewal in any given year. We cannot predict the outcome of negotiations of the collective bargaining agreements covering our employees. If we are unable to reach new agreements or renew existing agreements, employees subject to collective bargaining agreements may engage in strikes, work slowdowns, or other labor actions, which could materially disrupt our ability to provide services. New labor agreements or the renewal of existing agreements may impose significant new costs on us, which could materially adversely affect our business, financial condition, results of operations and cash flows in the future.

We may be required to make indemnification payments relating to The ADT Corporation’s separation from Tyco.

In connection with its separation from Tyco, The ADT Corporation entered into a tax sharing agreement (“2012 Tax Sharing Agreement”) with Tyco and Pentair Ltd., formerly Tyco Flow Control International, Ltd. (“Pentair”), which governs the rights and obligations of The ADT Corporation, Tyco, and Pentair for certain pre-separation tax liabilities. The 2012 Tax Sharing Agreement provides that The ADT Corporation, Tyco, and Pentair will share (i) certain pre-separation income tax liabilities that arise from adjustments made by tax authorities to The ADT Corporation’s, Tyco’s, and Pentair’s U.S. and certain non-U.S. income tax returns, and (ii) payments required to be made by Tyco in respect of a tax sharing agreement it entered into in connection with a 2007 spinoff transaction (collectively, “Shared Tax Liabilities”). Tyco is responsible for the first $500 million of Shared Tax Liabilities. The ADT Corporation and Pentair share 58% and 42%, respectively, of the next $225 million of Shared Tax Liabilities. The ADT Corporation, Tyco, and Pentair share 27.5%, 52.5%, and 20.0%, respectively, of Shared Tax Liabilities above $725 million. In addition, The ADT Corporation retained sole liability for certain specified U.S. and non-U.S. income and non-income tax items. In 2010, The ADT Corporation acquired Broadview Security, a business formerly owned by The Brink’s Company. In connection with Broadview Security’s separation from The Brink’s Company, in 2008 it entered into a tax sharing agreement, which allocates historical and separation related tax liabilities between Broadview Security and The Brink’s Company (“2008 Tax Sharing Agreement”). Under the 2012 Tax Sharing Agreement, The ADT Corporation bears 100% of all tax liabilities related to Broadview Security, including any tax liability that may be asserted under the 2008 Tax Sharing Agreement. To our knowledge, no such tax liability has been asserted to date.

Under the terms of the 2012 Tax Sharing Agreement, Tyco controls all U.S. income tax audits relating to the pre-separation taxable period (including the separation itself). Tyco has been subject to federal income tax audits for the 1997—2012 tax years, and as of December 31, 2019, all tax years through 2012 have been audited and resolved with the IRS. The 2010 through 2012 tax years remain subject to examination for state income tax purposes.

In addition, under the terms of the 2012 Tax Sharing Agreement, in the event the distribution of The ADT Corporation’s common shares to the Tyco stockholders, the distribution of Pentair common shares to the Tyco stockholders, or certain internal transactions undertaken in connection therewith were determined to be taxable as a result of actions taken by The ADT Corporation, Pentair, or Tyco after the distributions, the party responsible for such failure would be responsible for all taxes imposed on The ADT Corporation, Pentair, or Tyco as a result thereof. If such failure is not the result of actions taken after the distributions by The ADT Corporation, Pentair, or Tyco, then The ADT Corporation, Pentair, and Tyco would be responsible for any distribution taxes imposed on The ADT Corporation, Pentair, or Tyco as a result of such determination in the same manner and in the same proportions as the Shared Tax Liabilities.

We may be required to make indemnification payments relating to the sale of our Canadian business to Telus Corporation.

In connection with the sale of ADT Canada, we entered into an agreement with TELUS which provides that we are liable for all taxes of the Canadian business for all pre-closing tax periods. We are liable to indemnify TELUS for any tax liabilities assessed by the Canadian tax authorities in the future that are related to pre-closing tax years. We have no assurance that adjustments that would affect our pre-disposition tax liabilities will not be proposed by the tax authorities, as there is a potential for adverse determinations to be made on tax years that remain subject to audit. Our agreement with TELUS provides that we manage all tax audits relating to the pre-closing tax years. As of December 31, 2019, ADT Canada has resolved all income tax audits through the 2015 tax year.
We may be subject to liability for obligations of The Brink’s Company under the Coal Act or other coal-related liabilities of The Brink’s Company.

On May 14, 2010, The ADT Corporation acquired Broadview Security, a business formerly owned by The Brink’s Company. Under the Coal Industry Retiree Health Benefit Act of 1992, as amended (“Coal Act”), The Brink’s Company and its majority-owned subsidiaries as of July 20, 1992 (including certain legal entities acquired in the Broadview Security acquisition) are jointly and severally liable with certain of The Brink’s Company’s other current and former subsidiaries for health care coverage obligations provided for by the Coal Act. A Voluntary Employees’ Beneficiary Association (“VEBA”) trust has been established by The Brink’s Company to pay for these liabilities, although the trust may have insufficient funds to satisfy all future obligations. We cannot rule out the possibility that certain legal entities acquired in the Broadview Security acquisition may also be liable for other liabilities in connection with The Brink’s Company’s former coal operations. At the time of the separation of Broadview Security from The Brink’s Company in 2008, Broadview Security entered into an agreement pursuant to which The Brink’s Company agreed to indemnify it for any and all liabilities and expenses related to The Brink’s Company’s former coal operations, including any health care coverage obligations. The Brink’s Company has agreed that this indemnification survives The ADT Corporation’s acquisition of Broadview Security. We in turn agreed to indemnify Tyco for such liabilities in our separation from it. If The Brink’s Company and the VEBA are unable to satisfy all such obligations, we could be held liable, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our use of independent contractors for certain functions may expose us to additional risks.

In order to meet our evolving customer needs, we rely on third-party independent contractors in addition to our existing workforce to perform certain tasks including installation and service of our customer alarm systems. From time to time, we are involved in lawsuits and claims that assert that certain independent contractors should be treated as our employees. The state of the law regarding independent contractor status varies from state to state and is subject to change based on court decisions, legislation, and regulation. For example, on April 30, 2018, the California Supreme Court adopted a new standard, the “ABC” test, for determining whether a company “employs” or is the “employer” for purposes of the California Wage Orders in its decision in the Dynamex Operations West, Inc. v. Superior Court case. The California legislature adopted this standard as the test not only for purposes of the California Wage Order, but also for all provisions of the Labor Code and Unemployment Insurance Code. The “ABC” test alters the analysis of whether an individual, who is classified by a hiring entity as an independent contractor in California, has been properly classified as an independent contractor. Under the new test, an individual is considered an employee unless the hiring entity establishes three criteria: (i) the worker is free from the control and direction of the hirer in connection with the performance of the work, both under the contract for the performance of such work and in fact; (ii) the worker performs work that is outside the usual course of the hiring entity’s business; and (iii) the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed for the hiring entity. There are some exemptions to the “ABC” test that could apply to ADT.

Adverse determinations regarding the independent contractor status of any of our subcontractors could, among other things, entitle such individuals to the reimbursement of certain expenses and to the benefit of wage-and-hour laws, result in ADT being liable for employment and withholding tax and benefits for such individuals, and result in ADT being liable to such individuals for violations of other laws protecting employees. Any such adverse determination could result in a material reduction of the number of subcontractors we can use for our business or significantly increase our costs to serve our customers, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

New tariffs and other trade restrictions imposed on imports from China or other countries where our end-user equipment is manufactured, or any counter-measures taken in response, may harm our business and results of operations.

New tariffs imposed on imports from China, where certain components included in our end-user equipment are manufactured, and any counter-measures taken in response to such new tariffs, may harm our business and results of operations. In September 2018, the U.S. federal government imposed new tariffs of 10% on certain alarm equipment components manufactured in China, and new tariffs of 25% on other categories of electronic equipment manufactured in China that we install in our customers’ premises, such as batteries and thermostats. The U.S. federal government had announced that the 10% tariff on certain alarm and other electronic equipment would increase to 25% in January 2019 but in December 2018 the President announced that the proposed increase to 25% would be postponed for 90 days to allow for trade talks to continue with China. In February 2019, the U.S. Trade Representative’s office announced that it was taking action to further delay the proposed increase to 25%. On May 10, 2019, the tariffs were ultimately increased to 25%. These new tariffs have increased our costs for such equipment as a result of some or all of such new tariffs being passed on to us by the sellers of such equipment. On January 15, 2020, President Trump signed an initial trade deal with China, reducing some tariffs, but leaving most unchanged. If any or all of the costs of these tariffs continue to be passed on to us by the sellers of our end-user equipment, we may be required to raise our prices, which could result in the loss of customers and harm our business and results of operations. Alternatively, we may seek to find new sources of end-user products,
which may result in higher costs and disruption to our business. In addition, the U.S. federal government’s 2018 National Defense Authorization Act imposed a ban on the use of certain surveillance, telecommunications, and other equipment manufactured by certain of our suppliers based in China, to help protect critical infrastructure and other sites deemed to be sensitive for national security purposes in the U.S. This federal government ban implemented in August 2019 has required us to find new sources of end-user products, which will result in higher costs and disruption to our business. In addition to the current tariffs, it is possible further tariffs will be imposed on imports of equipment that we install in end-user premises, or that our business will be impacted by retaliatory trade measures taken by China or other countries, causing us to raise our prices or make changes to our business, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

**If we fail to maintain effective internal control over financial reporting at a reasonable assurance level, we may not be able to accurately report our financial results, which could have a material adverse effect on our operations, investor confidence in our business and the trading prices of our securities.**

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis. If material weaknesses in our internal controls are discovered, they may adversely affect our ability to record, process, summarize and report financial information timely and accurately and, as a result, our financial statements may contain material misstatements or omissions.

In addition, it is possible that control deficiencies could be identified by our management or by our independent registered public accounting firm in the future or may occur without being identified. Such a failure could result in regulatory scrutiny, and cause investors to lose confidence in our reported financial condition, lead to a default under our indebtedness and otherwise have a material adverse effect on our business, financial condition, cash flow or results of operations.

**Risks Related to our Indebtedness**

*Our substantial indebtedness could materially adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from making debt service payments.*

As of December 31, 2019, we had $9.9 billion face value of outstanding indebtedness, which excludes finance leases.

During the year ended December 31, 2019, our cash flow used for debt service, excluding finance leases, totaled $559 million, which includes scheduled quarterly principal payments on our debt of $18 million, and interest payments on our debt of $541 million.

During the year ended December 31, 2019, our cash flows from operating activities totaled $1.9 billion, which included interest paid on our debt of $541 million. As such, our cash flows from operating activities before giving effect to the payment of interest amounted to $2.4 billion. Cash payments used to service our debt represented approximately 23% of our net cash flows from operating activities before giving effect to the payment of interest.

In addition, our cash flows included a net repayment on our long-term borrowings of $417 million as well as payments on our finance leases of $25 million, which excluded $4 million of interest payments on our finance leases.

Our substantial indebtedness and the restrictive covenants under the agreements governing such indebtedness could:

- limit our ability to borrow money for our working capital, capital expenditures, debt service requirements, strategic initiatives, or other purposes;
- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to the repayment of our indebtedness, thereby reducing funds available to us for other purposes;
- limit our flexibility in planning for, or reacting to, changes in our operations or business;
- make us more highly leveraged than some of our competitors, which may place us at a competitive disadvantage;
- make us more vulnerable to downturns in our business or the economy;
• restrict us from making strategic acquisitions, engaging in development activities, introducing new technologies, or exploiting business opportunities;
• cause us to make non-strategic divestitures;
• limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds or dispose of assets;
• expose us to the risk of increased interest rates, as certain of our borrowings are at variable rates of interest; or
• expose us to risk of refinancing periodically at increased interest rates for both fixed rates and variable rate borrowings.

In addition, the agreements governing our indebtedness contain restrictive covenants that may limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our indebtedness.

**Despite our substantial indebtedness, we may still be able to incur significantly more debt, which could intensify the risks associated with our substantial indebtedness.**

We and our subsidiaries may be able to incur substantial indebtedness in the future. Although the terms of the agreements governing our indebtedness contain certain restrictions on our and our subsidiaries’ ability to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. Additionally, the covenants under any future debt instruments could allow us to incur a significant amount of additional indebtedness. The more leveraged we become, the more we, and in turn our security holders, will be exposed to certain risks described above under “—Our substantial indebtedness could materially adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from making debt service payments.”

**We may not be able to generate sufficient cash to service all of our indebtedness and to fund our working capital and capital expenditures, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful.**

Our ability to satisfy our debt obligations (including any payments of principal upon the maturity of such obligations) depends upon, among other things:
• our future financial and operating performance (including the realization of any cost savings described herein), which will be affected by prevailing economic, industry, and competitive conditions and financial, business, legislative, regulatory and other factors, many of which are beyond our control;
• our future ability to refinance or restructure our existing debt obligations, which depends on, among other things, the condition of the capital markets, our financial condition, and the terms of existing or future debt agreements; and
• our future ability to borrow under our revolving credit facility, the availability of which depends on, among other things, our complying with the covenants in the credit agreement governing such facility.

We can provide no assurance that our business will generate cash flow from operations, or that we will be able to draw under our revolving credit facility or otherwise, in an amount sufficient to fund our liquidity needs.

If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. Our Sponsor and its affiliates have no continuing obligation to provide us with debt or equity financing. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, could result in a material adverse effect on our business, financial condition and results of operations and could negatively impact our ability to satisfy our obligations under our indebtedness.
If we cannot make scheduled payments on our indebtedness, we will be in default and lenders of our indebtedness could (a) declare all outstanding principal and interest to be due and payable, (b) terminate commitments to loan money under our revolving credit facility, (c) foreclose against the assets securing our indebtedness, and (d) force us into bankruptcy or liquidation.

If our indebtedness is accelerated, we may need to repay or refinance all or a portion of our indebtedness before maturity. There can be no assurance that we will be able to obtain sufficient funds to enable us to repay or refinance our debt obligations on commercially reasonable terms, or at all.

Our debt agreements contain restrictions that limit our flexibility.

Our debt agreements contain, and any future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions on us, including restrictions on our and our subsidiaries’ ability to, among other things:

- incur additional debt, guarantee indebtedness, or issue certain preferred equity interests;
- pay dividends on or make distributions in respect of, or repurchase or redeem, our capital stock, or make other restricted payments;
- prepay, redeem, or repurchase certain debt;
- make loans or certain investments;
- sell certain assets;
- create liens on certain assets;
- consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries’ ability to pay dividends; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we will continue to be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We have pledged a significant portion of our assets as collateral under our debt agreements. If any of the holders of our indebtedness accelerate the repayment of such indebtedness, there can be no assurance that we will have sufficient assets to repay our indebtedness.

A failure to comply with the covenants under our debt agreements or any future indebtedness could result in an event of default, which, if not cured or waived, could have a material adverse effect on our business, financial condition, and results of operations. In the event of any such default, the lenders thereunder:

- will not be required to lend any additional amounts to us;
- could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable; or
- could require us to apply all of our available cash to repay these borrowings.

Such actions by the lenders could cause cross-defaults under our other indebtedness. If we are unable to repay those amounts, our secured lenders could proceed against the collateral granted to them to secure that indebtedness.

If any of our outstanding indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.
Our variable-rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Certain of our borrowings are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on certain of our variable-rate indebtedness will increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. In addition, in July 2017, the U.K. Financial Conduct Authority announced that it intends to stop collecting LIBOR rates from banks after 2021. The announcement indicates that LIBOR will not continue to exist on the current basis. We are unable to predict the effect of any changes to LIBOR, the establishment and success of any alternative reference rates, or any other reforms to LIBOR or any replacement of LIBOR that may be enacted in the United Kingdom or elsewhere. Such changes, reforms or replacements relating to LIBOR could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, derivatives or other financial instruments or extensions of credit held by us. As such, LIBOR-related changes could affect our overall results of operations and financial condition.

We currently have entered into, and in the future we may continue to enter into, interest rate swaps that involve the exchange of floating for fixed-rate interest payments to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable-rate indebtedness, and any such swaps may not fully mitigate our interest rate risk, may prove disadvantageous, or may create additional risks. As of December 31, 2019, each 0.125% change in interest rates would result in a change of approximately $350 thousand in annual interest expense on our variable-rate debt, including the impact of our interest rate swaps and assuming our revolving credit facility is fully drawn.

Risks Related to the Ownership of our Common Stock

Our stock price may fluctuate significantly.

The market price of our common stock could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our common stock, you could lose a substantial part or all of your investment in our common stock. The following factors could affect our stock price:

- our operating and financial performance and prospects;
- quarterly variations in the rate of growth (if any) of our financial indicators, such as net income per share, net income and revenues;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by our competitors;
- changes in operating performance and the stock market valuations of other companies;
- announcements related to litigation;
- our failure to meet revenue or earnings estimates made by research analysts or other investors;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts;
- speculation in the press or investment community;
- sales of our common stock by us or our stockholders, or the perception that such sales may occur;
- changes in accounting principles, policies, guidance, interpretations, or standards;
- additions or departures of key management personnel;
- actions by our stockholders;
- general market conditions;
- domestic and international economic, legal, and regulatory factors unrelated to our performance;
- material weakness in our internal controls over financial reporting; and
- the realization of any risks described under this “Risk Factors” section, or other risks that may materialize in the future.
The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company’s securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management’s attention and resources, and harm our business, financial condition, results of operations and cash flows.

**We incur significant costs and devote substantial management time as a result of operating as a public company.**

As a public company, we continue to incur significant legal, accounting, and other expenses. For example, we are required to comply with certain of the requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC, and the rules of the NYSE, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these requirements increases our legal and financial compliance costs and makes some activities more time-consuming and costly. In addition, our management and other personnel divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to continue incurring significant expenses and to devote substantial management effort toward ensuring compliance with the requirements of the Sarbanes-Oxley Act.

In addition, we continue to integrate the financial reporting systems of Protection One, Inc., ASG Intermediate Holding Corp., The ADT Corporation, Red Hawk Fire & Security, Defenders and our other acquisitions. Successfully implementing our business plan and complying with the Sarbanes-Oxley Act and other regulations described above requires us to be able to prepare timely and accurate consolidated financial statements. Any delay in this implementation of, or disruption in, the transition to new or enhanced systems, procedures, or controls, may cause us to present restatements or cause our operations to suffer, and we may be unable to conclude that our internal controls over financial reporting are effective and to obtain an unqualified report on internal controls from our auditors.

**We continue to be controlled by Apollo, and Apollo’s interests may conflict with our interests and the interests of other stockholders.**

Apollo has the power to elect a majority of our directors. Therefore, individuals affiliated with Apollo will have effective control over the outcome of votes on all matters requiring approval by our stockholders, including entering into significant corporate transactions such as mergers, tender offers, and the sale of all or substantially all of our assets and issuance of additional debt or equity. The interests of Apollo and its affiliates, including funds affiliated with Apollo, could conflict with or differ from our interests or the interests of our other stockholders. For example, the concentration of ownership held by funds affiliated with Apollo could delay, defer, or prevent a change in control of our company or impede a merger, takeover, or other business combination which may otherwise be favorable for us. Additionally, Apollo and its affiliates are in the business of making investments in companies and may, from time to time, acquire and hold interests in or provide advice to businesses that compete directly or indirectly with us, or are suppliers or customers of ours. Apollo and its affiliates may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. Any such investment may increase the potential for the conflicts of interest discussed in this risk factor. So long as funds affiliated with Apollo continue to directly or indirectly own a significant amount of our equity, even if such amount is less than 50%, Apollo and its affiliates will continue to be able to substantially influence or effectively control our ability to enter into corporate transactions. In addition, we have an executive committee that serves at the discretion of our board of directors and is composed of two Apollo designees and our CEO, who are authorized to exercise all of the powers of our board of directors (subject to certain exceptions) when the board of directors is not in session that the executive committee reasonably determines are appropriate.

**We are a “controlled company” within the meaning of the NYSE rules and, as a result, qualify for and intend to rely on exemptions from certain corporate governance requirements.**

Apollo controls a majority of the voting power of our outstanding voting stock, and as a result, we are a controlled company within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors;
- the nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities;
• the compensation committee be composed entirely of independent directors with a written charter addressing the committee’s purpose and responsibilities; and
• there be an annual performance evaluation of the nominating and corporate governance and compensation committees.

We intend to utilize these exemptions as long as we remain a controlled company. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

Our organizational documents may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium on their shares.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws may make it more difficult for, or prevent a third-party from, acquiring control of us without the approval of our board of directors. These provisions include:

• providing that our board of directors will be divided into three classes, with each class of directors serving staggered three-year terms;
• providing for the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class, if less than 50.1% of our outstanding common stock is beneficially owned by funds affiliated with Apollo;
• empowering only the board to fill any vacancy on our board of directors (other than in respect of a director designated by the Sponsor), whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
• authorizing the issuance of “blank check” preferred stock without any need for action by stockholders;
• prohibiting stockholders from acting by written consent if less than 50.1% of our outstanding common stock is beneficially owned by funds affiliated with Apollo;
• to the extent permitted by law, prohibiting stockholders from calling a special meeting of stockholders if less than 50.1% of our outstanding common stock is beneficially owned by funds affiliated with Apollo; and
• establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

Additionally, Section 203 of the Delaware General Corporation Law (“DGCL”) prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, unless the business combination is approved in a prescribed manner. An interested stockholder includes a person, individually or together with any other interested stockholder, who within the last three years has owned 15% of our voting stock. However, our amended and restated certificate of incorporation, which became effective on the consummation of the IPO, includes a provision that restricts us from engaging in any business combination with an interested stockholder for three years following the date that person becomes an interested stockholder. Such restrictions shall not apply to any business combination between our Sponsor and any affiliate thereof or their direct and indirect transferees, on the one hand, and us, on the other.

Our issuance of shares of preferred stock could delay or prevent a change in control of the Company. Our board of directors has the authority to cause us to issue, without any further vote or action by the stockholders, shares of preferred stock, par value $0.01 per share, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges, and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices, and liquidation preferences of such series. The issuance of shares of our preferred stock may have the effect of delaying, deferring, or preventing a change in control without further action by the stockholders, even where stockholders are offered a premium for their shares.

In addition, as long as funds affiliated with or managed by Apollo beneficially own a majority of our outstanding common stock, Apollo will be able to control all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, and certain corporate transactions. Together, these charter, bylaw and statutory provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions, as well as the significant common stock beneficially owned by funds affiliated with Apollo and its right to nominate a specified number of directors in certain circumstances, could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquisitions of the Company, thereby reducing the likelihood that holders of our common stock could receive a premium for their common stock in an acquisition.
Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees, or agents to us or our stockholders; (c) any action asserting a claim arising pursuant to any provision of the DGCL or of our amended and restated certificate of incorporation or our amended and restated bylaws; or (d) any action asserting a claim related to or involving the Company that is governed by the internal affairs doctrine. The choice of forum provision provides that any person or entity who acquires an interest in the capital stock of the Corporation will be deemed to have notice of and consented to the provisions of such provision. Stockholders cannot waive, and will not be deemed to have waived under the exclusive forum provision, our compliance with the federal securities laws and the rules and regulations thereunder. Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, this exclusive forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. Further, in the event a court finds the exclusive forum provision contained in the amended and restated certificate of incorporation to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, financial condition, results of operations and cash flows.

Our amended and restated certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities.

In connection with the ADT Acquisition in May 2016, funds affiliated with or managed by Apollo and certain other investors in our indirect parent entities (“Co-Investors”) received certain rights, including the right to designate one person to serve as a director (such director, the “Co-Investor Designee”) as long as such Co-Investor’s ownership exceeds a specified threshold. As of March 8, 2018, one Co-Investor has the right to designate a Co-Investor Designee. Under the Stockholders Agreement (see “Certain Relationships and Related Transactions—Stockholders Agreement” in our 2020 Proxy Statement), Ultimate Parent has the right, but not the obligation, to nominate the Co-Investor Designee to serve as members of our board of directors. Ultimate Parent’s right to nominate the Co-Investor Designee is in addition to Ultimate Parent’s right to nominate a specified percentage of the directors (“Apollo Designees”) based on the percentage of our outstanding common stock beneficially owned by the Sponsor. For more information regarding Ultimate Parent and the Co-Investor’s rights to appoint directors, see “Certain Relationships and Related Transactions - Stockholders Agreement” in our 2020 Proxy Statement.

Under our amended and restated certificate of incorporation, none of Apollo, the one Co-Investor that maintains a right to appoint a director, or any of their respective portfolio companies, funds, or other affiliates, or any of their officers, directors, agents, stockholders, members, or partners have any duty to refrain from engaging, directly or indirectly, in the same business activities, similar business activities, or lines of business in which we operate. In addition, our amended and restated certificate of incorporation provides that, to the fullest extent permitted by law, no officer or director of ours who is also an officer, director, employee, managing director, or other affiliate of Apollo or the Co-Investor will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to Apollo or the Co-Investor, as applicable, instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director, or other affiliate has directed to Apollo or the Co-Investor, as applicable. For instance, a director of our company who also serves as a director, officer, or employee of Apollo, the Co-Investor, or any of their respective portfolio companies, funds, or other affiliates may pursue certain acquisitions or other opportunities that may be complementary to our business and, as a result, such acquisition or other opportunities may not be available to us. As of the date of this Annual Report, this provision of our amended and restated certificate of incorporation relates only to the Apollo Designees and the Co-Investor Designee. There are currently eleven directors of our Company, six of whom are Apollo Designees and one of whom is a Co-Investor Designee. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations, cash flows, or prospects if attractive corporate opportunities are allocated by Apollo or the Co-Investor to itself or their respective portfolio companies, funds, or other affiliates instead of to us.
We are a holding company and rely on dividends, distributions, and other payments, advances, and transfers of funds from our subsidiaries to meet our obligations.

We are a holding company that does not conduct any business operations of our own. As a result, we are largely dependent upon cash dividends and distributions and other transfers, including for payments in respect of our indebtedness, from our subsidiaries to meet our obligations. The agreements governing the indebtedness of our subsidiaries impose restrictions on our subsidiaries’ ability to pay dividends or other distributions to us. Refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Each of our subsidiaries is a distinct legal entity, and under certain circumstances legal and contractual restrictions may limit our ability to obtain cash from them and we may be limited in our ability to cause any future joint ventures to distribute their earnings to us. The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could also limit or impair their ability to pay dividends or other distributions to us.

You may be diluted by the future issuance of additional common stock or convertible securities in connection with our incentive plans, acquisitions or otherwise, which could adversely affect our stock price.

Our amended and restated certificate of incorporation authorizes us to issue shares of common stock and options, rights, warrants, and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Refer to Item 5. “Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities” of this Annual Report under the caption "Securities Authorized for Issuance Under Equity Compensation Plans" for details of the number of options outstanding, which are exercisable into shares of our common stock and details of shares reserved and issuable under our equity incentive plans. Any common stock that we issue, including under our equity incentive plan or other equity incentive plans that we may adopt in the future, as well as under outstanding options, restricted stock units, or other equity awards would dilute the percentage ownership held by holders of our common stock. From time to time in the future, we may also issue additional shares of our common stock or securities convertible into common stock pursuant to a variety of transactions, including acquisitions. For example, in January 2020, we issued approximately 16 million shares of our common stock in connection with the Defenders Acquisition. Our issuance of additional shares of our common stock or securities convertible into our common stock would dilute the percentage ownership of the Company held by holders of our common stock and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our common stock. For further discussion regarding our equity incentive plans, please see our 2020 Proxy Statement.

Future sales of our common stock in the public market, or the perception in the public market that such sales may occur, could reduce our stock price.

The number of outstanding shares of common stock includes shares beneficially owned by Apollo and certain of our employees that are “restricted securities,” as defined under Rule 144 under the Securities Act of 1933, as amended (“Rule 144”), and eligible for sale in the public market subject to the requirements of Rule 144. All of the issued and outstanding shares of our common stock beneficially owned by Apollo and certain of our employees prior to the IPO is now eligible for sale, subject to the applicable volume, manner of sale, holding periods, and other limitations of Rule 144. In addition, Apollo has certain rights to require us to register the sale of common stock held by Apollo, including in connection with underwritten offerings. Sales of significant amounts of stock in the public market or the perception that such sales may occur could adversely affect prevailing market prices of our common stock or make it more difficult for you to sell your shares of common stock at a time and price that you deem appropriate. Refer to our 2020 Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management” for further details on the number of shares of our common stock beneficially owned by Apollo and certain of our employees.

There can be no assurances that a viable public market for our common stock will be maintained.

An active, liquid, and orderly trading market for our common stock may not be maintained. Active, liquid, and orderly trading markets usually result in less price volatility and more efficiency in carrying out investors’ purchase and sale orders. We cannot predict the extent to which investor interest in our common stock will result in an ongoing active trading market on the NYSE or otherwise or how liquid that market will be. If an active public market for our common stock is not sustained, it may be difficult for holders of our common stock to sell their shares at a price that is attractive or at all.
If securities or industry analysts do not publish research or reports about our business or publish negative reports, our stock price could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our common stock or if our operating results do not meet their expectations, our stock price could decline.

We may issue preferred securities, the terms of which could adversely affect the voting power or value of our common stock.

Our amended and restated certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred securities having such designations, preferences, limitations, and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred securities could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred securities the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred securities could affect the residual value of the common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.
None.

ITEM 2. PROPERTIES.
As of December 31, 2019, we operated through a network of over 200 sales and service offices, 9 U.L.-listed monitoring centers, 13 customer and field support locations, two national sales call centers, and two regional distribution centers located throughout the U.S.

The majority of the properties described above are leased. We lease approximately 3 million square feet of space in the U.S., including approximately 140 thousand square feet of office space for our corporate headquarters located in Boca Raton, Florida. We lease this property under a long-term operating lease with a third party. We also own approximately 500 thousand square feet of space throughout the U.S.

We believe our properties are adequate and suitable for our business as presently conducted and are adequately maintained.

ITEM 3. LEGAL PROCEEDINGS.
We are subject to various claims and lawsuits in the ordinary course of business, which include contractual disputes; worker’s compensation; employment matters; product, general and auto liability claims; claims that we infringed on the intellectual property rights of others; claims related to alleged security system failures; and consumer and employment class actions. We are also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. In connection with such formal and informal inquiries, we receive numerous requests, subpoenas, and orders for documents, testimony, and information in connection with various aspects of our activities. We record accruals for losses that are probable and reasonably estimable. Additional information in response to this Item is included in Note 14 “Commitments and Contingencies” in the Notes to Consolidated Financial Statements and is incorporated by reference into Part I of this Annual Report. Our consolidated financial statements and the accompanying Notes to Consolidated Financial Statements are filed as part of this Annual Report under “Item 15. Exhibits, Financial Statement Schedules” and are set forth beginning on page F-1 immediately following the signature pages of this Annual Report.

ITEM 4. MINE SAFETY DISCLOSURES.
Not Applicable.
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information for our Common Stock

In January 2018, we completed an IPO of 105,000,000 shares of our common stock at an initial public offering price of $14.00 per share pursuant to a Registration Statement on Form S-1 (Registration No. 333-222233), which was declared effective by the SEC on January 18, 2018. Shares of our common stock are listed on the NYSE under the symbol “ADT.” Prior to that time, there was no public market for our common stock.

Stockholders of Record

As of February 21, 2020, there were 69 stockholders of record of our common stock. This does not include the number of stockholders who hold our common stock through banks, brokers, and other financial institutions.

Stock Performance Graph

The following graph and table provide a comparison of the cumulative total stockholder return on our common stock from January 19, 2018 (first day of trading following the effective date of our IPO) through December 31, 2019 to the returns of the Standard & Poor's (“S&P”) 500 Index and the S&P North America Commercial & Professional Services Index, a peer group. The graph and table assume that $100 was invested on January 19, 2018 in each of our common stock, the S&P 500 Index, and the S&P North America Commercial & Professional Services Index and that any dividends were reinvested. The graph is not, and is not intended to be, indicative of future performance of our common stock.

Comparison of Cumulative Total Return for ADT Inc., the S&P 500 Index, and the S&P North America Commercial & Professional Services Index

<table>
<thead>
<tr>
<th></th>
<th>1/19/2018</th>
<th>6/30/2018</th>
<th>12/31/2018</th>
<th>6/30/2019</th>
<th>12/31/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADT Inc.</td>
<td>$100.00</td>
<td>$70.40</td>
<td>$49.35</td>
<td>$50.82</td>
<td>$72.00</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>$100.00</td>
<td>$96.73</td>
<td>$89.20</td>
<td>$104.68</td>
<td>$114.96</td>
</tr>
<tr>
<td>S&amp;P North America Commercial &amp; Professional Services Index</td>
<td>$100.00</td>
<td>$103.64</td>
<td>$93.90</td>
<td>$119.69</td>
<td>$128.55</td>
</tr>
</tbody>
</table>
Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2019 with respect to our common shares issuable under our equity compensation plans. All numbers in the following table are presented after giving effect to the 1.681-for-1 stock split of our common stock that was effected on January 4, 2018. In addition, the exercise prices of outstanding stock options were reduced by $0.70 in accordance with the provisions of both listed compensation plans as a result of the payment of a special dividend on December 23, 2019.

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)</th>
<th>Weighted-average exercise price of outstanding options, warrants, and rights (b)</th>
<th>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by stockholders:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 Equity Incentive Plan(1)</td>
<td>3,758,499</td>
<td>$</td>
<td>6.08</td>
</tr>
<tr>
<td>2018 Omnibus Incentive Plan(2)</td>
<td>35,966,221</td>
<td>$</td>
<td>7.83</td>
</tr>
<tr>
<td>Total</td>
<td>39,724,720</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) The 2016 Equity Incentive Plan (the “2016 Plan”) provides for the award of stock options, restricted stock units ("RSUs"), restricted stock awards ("RSAs"), and other equity and equity-based awards to our board of directors, officers, and non-officer employees. Amounts shown in the column denoted by (a) includes 1,829,338 of shares that may be issued upon the exercise of service-based stock options and 1,929,161 of shares that may be issued upon the exercise of performance-based stock options. We do not expect to issue additional share-based compensation awards under the 2016 Plan.

(2) The 2018 Omnibus Incentive Plan (the “2018 Plan”) provides for the award of stock options, RSUs, RSAs, and other equity and equity-based awards to our board of directors, officers, and non-officer employees. Amounts shown in the column denoted by (a) includes 19,290,356 of shares that may be issued upon the exercise of service-based stock options and 9,360,746 of shares that may be issued upon the exercise of performance-based stock options, 6,097,799 shares that may be issued upon the vesting of service-based RSUs, 1,161,287 shares that may be issued upon the vesting of performance-based RSUs, and 56,033 shares that may become freely transferable upon the vesting of service-based RSAs. The weighted-average exercise price in column (b) is inclusive of the outstanding RSUs and RSAs, both of which can result in the issuance of shares for no consideration. Excluding the RSUs and RSAs, the weighted-average exercise price is equal to $9.83.

Recent Sales of Unregistered Equity Securities

There were no sales of unregistered equity securities during the three months ended December 31, 2019.

Use of Proceeds from Registered Equity Securities

We did not receive any proceeds from sales of registered equity securities during the three months ended December 31, 2019.

Issuer Purchases of Equity Securities

On February 27, 2019, we approved a share repurchase program (the “Repurchase Program”), which permits us to repurchase up to $150 million of our shares of common stock through February 27, 2021. We announced the Repurchase Program on March 11, 2019, and thereafter we repurchased shares of our common stock pursuant to one or more trading plans in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions, or pursuant to an accelerated share repurchase program. The Repurchase Program was conducted in accordance with Securities Exchange Act Rule 10b-18. During the three months ended December 31, 2019, there were no repurchases of any shares of our common stock under the Repurchase Program and as of December 31, 2019, we had $132 thousand remaining in the Repurchase Program.
ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data presented in the table below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the accompanying consolidated financial statements and the related notes included elsewhere in this Annual Report. The selected Consolidated Balance Sheet data as of December 31, 2019 and 2018, and the related selected Consolidated Statement of Operations data for the years ended December 31, 2019, 2018, and 2017, have been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The selected Consolidated Balance Sheet data as of December 31, 2017, December 31, 2016, and December 31, 2015 (Successor), and the related selected Consolidated Statement of Operations data for the year ended December 31, 2016, the Successor period from May 15, 2015 (“Inception”) through December 31, 2015, and for the Predecessor period from January 1, 2015 through June 30, 2015 have been derived from our audited consolidated financial statements not included in this Annual Report.

Prior to the Formation Transactions, ADT Inc. was a holding company with no assets or liabilities. Protection One, Inc. is the predecessor of ADT Inc. for accounting purposes and our selected financial data through June 30, 2015 consists solely of Protection One, Inc.’s historical financial data. From July 1, 2015, our selected financial data includes the selected financial data of Protection One, Inc. and ASG Intermediate Holding Corp. From May 2, 2016, our selected financial data includes the selected financial data of The ADT Corporation as a result of the ADT Acquisition. Historical results are not necessarily indicative of the results to be expected in the future.

39
(in thousands, except per share data)

### Statement of operations data:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$5,125,657</td>
<td>$4,581,673</td>
<td>$4,315,502</td>
<td>$2,949,766</td>
<td>$311,567</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>196,444</td>
<td>277,840</td>
<td>282,439</td>
<td>(229,315)</td>
<td>(39,774)</td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
<td>(424,150)</td>
<td>(609,155)</td>
<td>342,627</td>
<td>(536,587)</td>
<td>(18,591)</td>
</tr>
</tbody>
</table>

### Net (loss) income per share:

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
<th>Basic</th>
<th>Diluted</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash dividends declared per common share</strong></td>
<td>$0.84</td>
<td>$0.14</td>
<td>$1.17</td>
<td>—</td>
<td>$—</td>
</tr>
</tbody>
</table>

### Balance sheet data (at period end):

<table>
<thead>
<tr>
<th></th>
<th>Cash and cash equivalents</th>
<th>Total assets</th>
<th>Total debt</th>
<th>Mandatorily redeemable preferred securities(m)</th>
<th>Total liabilities</th>
<th>Total stockholders' equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$48,736</td>
<td>$16,083,652</td>
<td>$9,692,275</td>
<td>—</td>
<td>$12,899,283</td>
<td>$3,184,369</td>
</tr>
</tbody>
</table>

(a) During 2019, net loss included loss on extinguishment of debt of approximately $104 million primarily due to various financing transactions throughout the year.
(b) During 2019, operating income and net loss included a loss on sale of business of $62 million and a goodwill impairment loss of $45 million related to the sale of ADT Canada in November 2019.
(c) During 2019, we paid a special dividend of $0.70 per share to common stockholders.
(d) In January 2018, we completed an IPO in which we received net proceeds of $1.4 billion, after deducting underwriting discounts, commissions, and offering expenses. The proceeds received from the IPO were used to reduce our debt and redeem the mandatorily redeemable preferred securities in full, which resulted in an aggregate loss on extinguishment of debt of $275 million. In addition, we modified certain share-based compensation awards as well as granted one-time awards in connection with the IPO, which represented approximately $116 million of share-based compensation expense during 2018.
(e) During 2018, operating income and net loss included a goodwill impairment loss of $88 million related to the Canada reporting unit.
(f) In December 2018, we completed the Red Hawk Acquisition.
(g) During 2017, net income included a beneficial impact associated with Tax Reform.
(h) During 2017, we paid a special dividend of $750 million to common stockholders.
(i) In May 2016, we completed the ADT Acquisition.
(j) In July 2015, we completed the Formation Transactions.
(k) Total assets and liabilities were adjusted to reflect the impact of the accounting standards adopted in 2016 related to the presentation of debt issuance costs and income taxes. Total debt for these years was also adjusted to reflect the impact from the accounting standard adoption related to the presentation of debt issuance costs.
(l) The weighted-average share numbers are presented after giving effect to the 1.681-for-1 stock split of our common stock that was effected in January 2018, and have been adjusted retroactively for the Successor periods presented.
(m) In May 2016, we issued mandatorily redeemable preferred securities in connection with the ADT Acquisition. In July 2018, we redeemed the mandatorily redeemable preferred securities in full using the proceeds from our IPO and cash on hand.
ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report to enhance the understanding of our financial condition, changes in financial condition, and results of operations. The following discussion and analysis contain forward-looking statements about our business, operations, and financial performance based on current plans and estimates that involve risks, uncertainties, and assumptions. Actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in the sections of this Annual Report titled “Item 1A. Risk Factors” and “Cautionary Statements Regarding Forward-Looking Statements.”

OVERVIEW

We are a leading provider of security, automation, and smart home solutions servicing consumer and business customers in the U.S. We offer many ways to help protect customers by providing 24/7 professional monitoring services as well as delivering lifestyle-driven solutions via professionally installed, do-it-yourself (“DIY”), mobile, and digital-based offerings for consumer, small business, and larger commercial customers.

Our security and automation offerings involve the installation and monitoring of security and premises automation systems designed to detect intrusion; control access; sense movement, smoke, fire, carbon monoxide, flooding, temperature, and other environmental conditions and hazards; and address personal emergencies such as injuries, medical emergencies, or incapacitation. Our products and services include interactive and smart home solutions which allow our customers to remotely monitor and manage their residential and commercial environments. Depending on the service plan and type of product installation, customers are able to remotely access information regarding the security of their residential or commercial environment, arm and disarm their security systems, adjust lighting or thermostat levels, monitor and react to defined events, or view real-time video from cameras covering different areas of their premises from web-enabled devices (such as smart phones, laptops, and tablet computers) and a customized web portal. Additionally, our interactive and smart home solutions enable customers to create customized and automated schedules for managing lights, thermostats, appliances, garage doors, cameras, and other connected devices. These systems can also be programmed to perform additional functions such as recording and viewing live video and sending text messages or other alerts based on triggering events or conditions.

As part of our innovative and dynamic growth markets, we are extending the concept of security from the physical home or business to personal on-the-go security and safety and cybersecurity. Customers’ increasingly mobile and active lifestyles have created new opportunities for us in the fast-growing market for self-monitored DIY products and mobile technology. Our technology also allows us to integrate with various third-party connected and wearable devices so that we can service our customers whether they are at home or on-the-go.

As of December 31, 2019, we served approximately 6.5 million recurring customers, excluding contracts monitored but not owned. We are one of the largest full-service companies with a national footprint and we deliver an integrated customer experience by maintaining the industry’s largest sales, installation, and service field force, as well as a 24/7 professional monitoring network.

BASIS OF PRESENTATION

All financial information presented in this section has been prepared in U.S. dollars in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and includes the accounts of ADT Inc. and its subsidiaries. All intercompany transactions have been eliminated. We report financial and operating information in one segment.

The following represents the discussion and analysis of our results of operations for the years ended December 31, 2019 and 2018 and for the comparison of the year ended December 31, 2019 to the year ended December 31, 2018. Discussion and analysis for the year ended December 31, 2017 and for the comparison of the year ended December 31, 2018 to the year ended December 31, 2017 are omitted from this Annual Report and are located in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the SEC on March 11, 2019.
FACTORS AFFECTING OPERATING RESULTS

Our subscriber-based business requires significant upfront investment to generate new customers, which in turn provides predictable recurring revenue generated from our monitoring and other services. In order to optimize returns on customer acquisitions and cash flow generation, we focus on the following key drivers of our business: best-in-class customer service; customer retention; disciplined, high-quality customer additions; efficient customer acquisition; and costs incurred to provide ongoing services to customers.

Our ability to add new subscribers depends on the overall demand for our products and services, which is driven by a number of external factors. The overall economic condition in the geographies in which we operate can impact our ability to attract new customers and grow our business in all customer channels. Growth in our residential customer base can be influenced by the overall state of the housing market. Growth in our commercial customer base can be influenced by the rate at which new businesses begin operations or existing businesses grow. The demand for our products and services is also impacted by the perceived threat of crime, as well as the quality of the service of our competitors.

The monthly fees that we generate from any individual customer vary based on the level of service provided and customer tenure. We offer a wide range of services at various price points from basic burglar alarm monitoring to our full suite of interactive services. Our ability to increase monthly fees at the individual customer level depends on a number of factors, including our ability to effectively introduce and market additional features and services that increase the value of our offerings to customers, which we believe drives customers to purchase higher levels of service and supports our ability to make periodic adjustments to pricing.

A portion of our customer base can be expected to cancel its service every year. Customers may choose not to renew or may terminate their contracts for a variety of reasons, including, but not limited to, relocation, cost, loss to competition, or service issues. Attrition has a direct impact on our financial results, including revenue, operating income, and cash flows.

Radio Conversion Costs

The providers of 3G and Code-Division Multiple Access (“CDMA”) cellular networks have notified us that they will be retiring their 3G and CDMA networks during 2022. Accordingly, during 2019 we commenced a program to replace the 3G and CDMA cellular equipment used in many of our security systems. We continue to estimate the range of costs for this replacement program at $200 million to $325 million through 2022, of which we have incurred $25 million during 2019 and we expect to incur $100 million to $150 million during 2020. This range is net of any revenue we collect from customers associated with these radio replacements and cellular network conversions. We seek to minimize these costs by converting customers during routine service visits whenever possible. The replacement program and pace of replacement are subject to change and may be influenced by cost-sharing opportunities with suppliers, carriers, and customers as well as new and innovative technologies.

Defenders Acquisition and Business Model Initiative

Subsequent to December 31, 2019, we undertook certain initiatives which we believe will enhance long term shareholder value. We are in the early stages of each such initiative and we cannot be certain that either initiative will achieve its desired outcomes. Accordingly, the results of these initiatives could have a material adverse effect on our business, financial condition, results of operations, cash flows, and key performance indicators.

In January 2020, we completed the Defenders Acquisition, which represented the acquisition of our largest independent dealer, for (a) a contractually stated base cash price of $260 million, which was partially funded from a revolving credit facility, and (b) approximately 16 million shares of our common stock. In addition, during February 2020, we launched a new business model initiative for residential customers which offers certain customers the ability to finance their up-front system installation cost, revises our equipment and installation pricing structure, introduces a sixty-month contractual period for certain residential transactions, and provides flexibility for various go-to-market alternatives.
SIGNIFICANT EVENTS

The comparability of our results of operations has been impacted by the following:

Initial Public Offering

In January 2018, we completed our IPO in which we issued and sold 105,000,000 shares of common stock at an initial public offering price of $14.00 per share. Net proceeds from the IPO were $1.4 billion, after deducting underwriting discounts, commissions, and offering expenses. The proceeds received from the IPO were used to reduce our debt and redeem the mandatorily redeemable preferred securities in full, which resulted in an aggregate loss on extinguishment of debt of $275 million. In addition, we modified certain share-based compensation awards as well as granted one-time awards in connection with the IPO, which represented approximately $116 million of share-based compensation expense during 2018.

As a result of our IPO, we incur additional legal, accounting, board compensation, and other expenses that we did not previously incur prior to becoming a public company, including costs associated with SEC reporting and corporate governance requirements. These requirements include compliance with the Sarbanes-Oxley Act of 2002, as amended, as well as other rules implemented by the SEC and the national securities exchanges. Our consolidated financial statements following our IPO reflect the impact of these expenses.

Red Hawk Acquisition

On December 3, 2018, we acquired all of the issued and outstanding capital stock of Red Hawk Fire & Security, a leader in commercial fire, life safety, and security services, for total consideration of approximately $316 million and cash paid of $299 million, net of cash acquired. We funded the Red Hawk Acquisition from a combination of debt financing and cash on hand. This acquisition accelerated our growth in the commercial security market and expanded our product portfolio with the introduction of commercial fire safety related solutions.

Disposition of Canadian Operations

In November 2019, we sold ADT Canada to TELUS for a selling price of $519 million (CAD $683 million), a portion of which was placed in escrow and remains subject to certain post-closing purchase price adjustments. In connection with the sale of ADT Canada, we entered into a transition services agreement with TELUS whereby we will provide certain post-closing services to TELUS related to the business of ADT Canada. Additionally, we entered into a non-competition and non-solicitation agreement with TELUS pursuant to which we will not have any operations in Canada, subject to limited exceptions for cross-border commercial customers and mobile safety applications, for a period of seven years. Finally, we entered into a patent and trademark license agreement with TELUS granting the usage of our trademarks and patents in Canada to TELUS for a period of seven years.

The sale of ADT Canada did not represent a strategic shift that will have a major effect on our operations and financial results, and therefore, did not meet the criteria to be reported as discontinued operations.

KEY PERFORMANCE INDICATORS

In evaluating our results, we utilize key performance indicators which include non-GAAP measures as well as certain other operating metrics such as recurring monthly revenue and gross customer revenue attrition. Our computations of key performance indicators may not be comparable to other similarly titled measures reported by other companies. Additionally, our operating metric key performance indicators are approximated as there may be variations to reported results in each period due to certain adjustments we might make in connection with the integration over several periods of acquired companies that calculated these metrics differently, or otherwise, including periodic reassessments and refinements in the ordinary course of business. These refinements, for example, may include changes due to systems conversion or historical methodology differences in legacy systems.

Recurring Monthly Revenue (“RMR”)

RMR is generated by contractual recurring fees for monitoring and other recurring services provided to our customers, including contracts monitored but not owned. We believe the presentation of RMR is useful because it measures the volume of revenue under contract at a given point in time.
Gross Customer Revenue Attrition

Gross customer revenue attrition is defined as RMR lost as a result of customer attrition, net of dealer charge-backs and reinstated customers, excluding contracts monitored but not owned and DIY customers. Customer sites are considered canceled when all services are terminated. Dealer charge-backs represent customer cancellations charged back to the dealers because the customer canceled service during the charge-back period, which is generally twelve to fifteen months.

Gross customer revenue attrition is calculated on a trailing twelve-month basis, the numerator of which is the RMR lost during the period due to attrition, net of dealer charge-backs and reinstated customers, excluding contracts monitored but not owned and DIY customers, and the denominator of which is total annualized RMR based on an average of RMR under contract at the beginning of each month during the period.

As of January 1, 2019, in conjunction with the acquisition of LifeShield LLC, we began presenting gross customer revenue attrition excluding existing and new DIY customers. As a result, trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this Annual Report. For all prior reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY customers as of December 31, 2018 and 2017 rounds to the same percentage as presented in this Annual Report.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure that we believe is useful to investors to measure the operational strength and performance of our business. Our definition of Adjusted EBITDA, a reconciliation of Adjusted EBITDA to net income (loss) (the most comparable GAAP measure), and additional information, including a description of the limitations relating to the use of Adjusted EBITDA, are provided under “—Non-GAAP Measures.”

Free Cash Flow

Free Cash Flow is a non-GAAP measure that our management employs to measure cash that is available to repay debt, make other investments, and pay dividends. Our definition of Free Cash Flow, a reconciliation of Free Cash Flow to cash flows from operating activities (the most comparable GAAP measure), and additional information, including a description of the limitations relating to the use of Free Cash Flow, are provided under “—Non-GAAP Measures.”
RESULTS OF OPERATIONS

The following table sets forth our consolidated results of operations, summary cash flow data, and key performance indicators for the periods presented.

(in thousands, except as otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,307,582</td>
<td>$4,109,939</td>
<td>$4,029,279</td>
<td>$197,643</td>
<td>$80,660</td>
</tr>
<tr>
<td>Installation and other</td>
<td>818,075</td>
<td>471,734</td>
<td>286,223</td>
<td>346,341</td>
<td>185,511</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$5,125,657</td>
<td>$4,581,673</td>
<td>$4,315,502</td>
<td>$543,984</td>
<td>$266,171</td>
</tr>
</tbody>
</table>

Cost of revenue (exclusive of depreciation and amortization shown separately below)

| Selling, general and administrative expenses | $1,406,532 | $1,246,950 | $1,209,200 | $159,582 | $37,750 |
| Depreciation and intangible asset amortization | $1,989,082 | $1,930,929 | $1,863,299 | $58,153 | $67,630 |
| Merger, restructuring, integration, and other | $35,882 | $(3,344) | 64,828 | 39,226 | (68,172) |
| Goodwill impairment                     | 45,482 | 87,962 | — | (42,480) | 87,962 |
| Loss on sale of business               | 61,951 | — | — | — | 61,951 |

**Operating income**

| Interest expense, net | $(619,573) | $(663,204) | $(732,841) | $43,631 | $69,637 |
| Loss on extinguishment of debt | $(104,075) | $(274,836) | $(4,331) | $170,761 | $(270,505) |
| Other income | 5,012 | 27,582 | 33,047 | $(22,570) | $(5,465) |

**Loss before income taxes**

| Net cash provided by operating activities | $1,873,117 | $1,787,607 | $1,591,930 | $85,510 | $195,677 |
| Net cash used in investing activities | $(978,177) | $(1,738,210) | $(1,413,310) | $760,033 | $(324,900) |
| Net cash (used in) provided by financing activities | $(1,214,204) | $193,001 | $(143,069) | $(1,407,205) | $336,070 |

**Summary Cash Flow Data:**

| Net (loss) income | $(424,150) | $(609,155) | $342,627 | $185,005 | $(951,782) |

**Key Performance Indicators:**

| RMR | $336,128 | $346,751 | $334,810 | $(10,623) | $11,941 |
| Gross customer revenue attrition (percentage) | 13.4% | 13.3% | 13.7% | 10bps | (40)bps |
| Adjusted EBITDA | $2,483,210 | $2,453,497 | $2,352,803 | $29,713 | $100,694 |
| Free Cash Flow | $502,283 | $390,993 | $225,361 | $111,290 | $165,632 |

1 Refer to the “—Key Performance Indicators” section for the definitions of these key performance indicators.
2 Trailing twelve-month gross customer revenue attrition excludes DIY customers for all periods presented in this Annual Report. For all prior reports covering periods prior to January 1, 2019, trailing twelve-month gross customer revenue attrition included DIY customers. Including DIY customers as of December 31, 2018 and 2017 rounds to the same percentage as presented in this Annual Report. Refer to the “—Key Performance Indicators” section for further details.
3 Adjusted EBITDA and Free Cash Flow are non-GAAP measures. Refer to the “—Non-GAAP Measures” section for the definitions of these terms and reconciliations to the most comparable GAAP measures.
2019 Compared to 2018

Monitoring and Related Services Revenue

The increase in monitoring and related services revenue was driven by an increase in recurring revenue as well as service revenue. Recurring revenue increased primarily due to incremental revenue from recent acquisitions as well as improvements in average pricing, which was driven by the addition of new customers at higher rates as new customers generally select higher priced services as compared to our existing customers as well as price escalations in our existing customer base. The increase in recurring revenue was partially offset by customer attrition, a lower volume of customer additions, and a reduction of revenue due to the sale of ADT Canada. The increase in service revenue was primarily due to incremental revenue from recent acquisitions.

The decrease in RMR to $336 million as of December 31, 2019 from $347 million as of December 31, 2018 was primarily due to the sale of ADT Canada, which decreased RMR by approximately $16 million. The decrease in RMR was partially offset by an increase in RMR due to U.S. operations as a result of recent acquisitions and improvements in average pricing. As of December 31, 2019 and December 31, 2018, gross customer revenue attrition was 13.4% and 13.3%, respectively. The increase in attrition was primarily due to a higher rate of voluntary and non-payment disconnects.

Installation and Other Revenue

The increase in installation and other revenue was primarily due to an increase of $318 million related to revenue from security equipment sold outright to customers as a result of incremental revenue associated with recent acquisitions and the continued execution of our commercial growth strategy. The remaining increase was due to additional amortization of deferred subscriber acquisition revenue during 2019.

Cost of Revenue

The increase in cost of revenue was primarily due to an increase of $256 million related to installation costs associated with a higher volume of sales where equipment was sold outright to customers as a result of incremental volume associated with recent acquisitions and the continued execution of our commercial growth strategy. The remaining increase was primarily due to incremental field service costs associated with recent acquisitions.

Selling, General and Administrative Expenses

The increase in selling, general and administrative expenses was primarily due to $117 million of incremental expenses associated with recent acquisitions, an increase in radio conversion costs of $25 million related to the initiation of a new program during 2019, an increase in financing and consent fees of $14 million as a result of our financing transactions during 2019, an increase in legal expenses of $17.5 million as a result of two favorable legal settlements during 2018, an increase of $10 million related to the write-off of notes receivable from a strategic investment during 2019, as well as increases in advertising and selling expenses, which includes amortization of deferred subscriber acquisition costs. These increases were partially offset by a reduction in share-based compensation of approximately $49 million, which was primarily due to certain awards with accelerated vesting conditions that became fully vested in July 2018 as a result of our IPO, as well as a reduction in expenses as a result of the sale of ADT Canada.

Depreciation and Intangible Asset Amortization

The increase in depreciation and intangible asset amortization was primarily due to an increase of $82 million associated with the amortization of customer contracts acquired under the ADT Authorized Dealer Program with the remainder of the increase due to the impact of recent acquisitions, capital expenditures, and subscriber system assets. The increase in depreciation and intangible asset amortization was partially offset by a decrease in amortization expense related to trade names of $39 million primarily associated with the Protection One trade name, which became fully amortized in June 2018, as well as a reduction in depreciation and amortization as a result of the sale of ADT Canada.

Merger, Restructuring, Integration, and Other

The increase in merger, restructuring, integration, and other was primarily due to the timing and amount of fair value remeasurements on a strategic investment, which resulted in a loss of $13 million in 2019 compared to a gain of $11 million in 2018. The remainder of the increase in merger, restructuring, integration, and other was primarily due to an increase of $9 million related to acquisition costs.

46
Goodwill Impairment
During 2019, we recorded a goodwill impairment loss of $45 million in connection with the sale of ADT Canada. During 2018, we recorded a goodwill impairment loss of $88 million due to the underperformance of the Canada reporting unit relative to expectations as part of our annual goodwill impairment tests.

Loss on Sale of Business
During 2019, we recorded a loss on sale of business of $62 million in connection with the sale of ADT Canada. We did not sell any businesses in 2018.

Interest Expense, net
The decrease in interest expense, net was primarily driven by the reduction in interest expense of $102 million on the 9.250% second-priority senior secured notes due 2023 (the “Prime Notes”) due to the decrease in principal associated with the timing of partial redemptions in 2018 and 2019, and the reduction in interest expense of $53 million on our prior mandatorily redeemable preferred securities, which were fully redeemed in July of 2018. These decreases were partially offset by the increase in interest expense of (a) $70 million related to the issuance of the 5.250% first-priority senior secured notes due 2024 (the “First Lien Notes due 2024”) and the 5.750% first-priority senior secured notes due 2026 (the “First Lien Notes due 2026”) in April 2019, and (b) $30 million related to our variable-rate first lien term loans under our first lien credit agreement (the “First Lien Credit Agreement”) primarily due to increasing interest rates and the timing of borrowings and repayments, including the net impact of our interest rate swaps.

Loss on Extinguishment of Debt
During 2019, loss on extinguishment of debt totaled $104 million and included $22 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the $300 million partial redemption of the Prime Notes in February 2019, $61 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the $1 billion partial repayment and cancellation of the Prime Notes in April 2019, $6 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the $500 million repayment of the first lien term loan due in May 2022 (“First Lien Term B-1 Loan”) in April 2019, and $13 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the amendment and restatement to the First Lien Credit Agreement in September 2019.

During 2018, loss on extinguishment of debt totaled $275 million and included $213 million associated with the full redemption of our prior mandatorily redeemable securities in July 2018, which related to the payment of the redemption premium and tax reimbursements, as well as the write-off of the unamortized discount and deferred financing costs. In addition, loss on extinguishment of debt included $62 million primarily associated with the partial redemption of the Prime Notes in February 2018, which related to the payment of the call premium, as well as the write-off of a portion of the unamortized deferred financing costs.

Other Income
Other income was not material during 2019. During 2018, other income primarily included $22 million of non-recurring licensing fees as well as a gain of $7.5 million from the sale of equity in a third-party that we received as part of a settlement.

Income Tax Benefit
Income tax benefit for 2019 was $98 million, resulting in an effective tax rate for the period of 18.8%. The effective tax rate primarily represents the federal income tax rate of 21.0%, a 9.4% unfavorable impact from valuation allowances established on the net capital losses generated in the U.S. and Canada related to the sale of ADT Canada, a 2.3% unfavorable impact from non-deductible goodwill impairment loss, offset by a 6.8% favorable impact from net capital losses generated in the U.S. and Canada related to the sale of ADT Canada, and a 1.9% favorable impact from amendments to prior year tax returns.

Income tax benefit for 2018 was $23 million, resulting in an effective tax rate for the period of 3.7%. The effective tax rate primarily represents the federal income tax rate of 21%, a 10.3% unfavorable impact from permanent non-deductible expenses primarily associated with our prior mandatorily redeemable preferred securities, a 5.8% unfavorable impact from future non-deductible share-based compensation, a 3.7% unfavorable impact from non-deductible goodwill impairment loss, and a 3.2% unfavorable impact from state legislative changes, offset by a 3.8% favorable impact of tax adjustments related to prior year state returns filed in the first quarter of 2018.
NON-GAAP MEASURES

To provide investors with additional information in connection with our results as determined in accordance with GAAP, we disclose Adjusted EBITDA and Free Cash Flow as non-GAAP measures. These measures are not financial measures calculated in accordance with GAAP and should not be considered as a substitute for net income, operating income, cash flows, or any other measure calculated in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies.

Adjusted EBITDA

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about our operating profitability adjusted for certain non-cash items, non-routine items that we do not expect to continue at the same level in the future, as well as other items that are not core to our operations. Further, we believe Adjusted EBITDA provides a meaningful measure of operating profitability because we use it for evaluating our business performance, making budgeting decisions, and comparing our performance against that of other peer companies using similar measures.

We define Adjusted EBITDA as net income or loss adjusted for (i) interest, (ii) taxes, (iii) depreciation and amortization, including depreciation of subscriber system assets and other fixed assets and amortization of dealer and other intangible assets, (iv) amortization of deferred costs and deferred revenue associated with subscriber acquisitions, (v) share-based compensation expense, (vi) merger, restructuring, integration, and other, (vii) losses on extinguishment of debt, (viii) radio conversion costs, (ix) financing and consent fees, (x) foreign currency gains/losses, (xi) acquisition related adjustments, and (xii) other charges and non-cash items.

There are material limitations to using Adjusted EBITDA. Adjusted EBITDA does not take into account certain significant items, including depreciation and amortization, interest, taxes, and other adjustments which directly affect our net income or loss. These limitations are best addressed by considering the economic effects of the excluded items independently and by considering Adjusted EBITDA in conjunction with net income or loss as calculated in accordance with GAAP.

Free Cash Flow

We believe that the presentation of Free Cash Flow is appropriate to provide additional information to investors about our ability to repay debt, make other investments, and pay dividends.

We define Free Cash Flow as cash flows from operating activities less cash outlays related to capital expenditures. We define capital expenditures to include purchases of property, plant, and equipment; subscriber system asset additions; and accounts purchased through our network of authorized dealers or third parties outside of our authorized dealer network. These items are subtracted from cash flows from operating activities because they represent long-term investments that are required for normal business activities.

Free Cash Flow adjusts for cash items that are ultimately within management’s discretion to direct, and therefore, may imply that there is less or more cash that is available than the most comparable GAAP measure. Free Cash Flow is not intended to represent residual cash flow for discretionary expenditures since debt repayment requirements and other non-discretionary expenditures are not deducted. These limitations are best addressed by using Free Cash Flow in combination with the cash flows as calculated in accordance with GAAP.
**Adjusted EBITDA**

The table below reconciles Adjusted EBITDA to net (loss) income for the periods presented:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
<th>$ Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>$ (424,150)</td>
<td>$ (609,155)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>619,573</td>
<td>663,204</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>(98,042)</td>
<td>(23,463)</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,989,082</td>
<td>1,930,929</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition costs</td>
<td>80,128</td>
<td>59,928</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition revenue</td>
<td>(107,284)</td>
<td>(79,136)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>85,626</td>
<td>135,012</td>
</tr>
<tr>
<td>Merger, restructuring, integration and other</td>
<td>35,882</td>
<td>(3,344)</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>45,482</td>
<td>87,962</td>
</tr>
<tr>
<td>Loss on sale of business</td>
<td>61,951</td>
<td>—</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>104,075</td>
<td>274,836</td>
</tr>
<tr>
<td>Radio conversion costs, net(1)</td>
<td>24,983</td>
<td>5,099</td>
</tr>
<tr>
<td>Financing and consent fees(2)</td>
<td>23,250</td>
<td>8,857</td>
</tr>
<tr>
<td>Foreign currency (gains)/losses(3)</td>
<td>(1,250)</td>
<td>3,228</td>
</tr>
<tr>
<td>Acquisition related adjustments(4)</td>
<td>22,285</td>
<td>16,178</td>
</tr>
<tr>
<td>Licensing fees(5)</td>
<td>—</td>
<td>(21,533)</td>
</tr>
<tr>
<td>Other(6)</td>
<td>21,619</td>
<td>4,895</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>$ 2,483,210</td>
<td>$ 2,453,497</td>
</tr>
</tbody>
</table>

(1) Represents costs, net of any incremental revenue earned, associated with replacing cellular technology used in many of our security systems pursuant to a replacement program.
(2) Represents fees expensed associated with financing transactions.
(3) Represents the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
(4) Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
(5) Represents other income related to $22 million of one-time licensing fees.
(6) Represents other charges and non-cash items as well as certain advisory and other costs associated with our transition to a public company. During 2019, includes a $10 million write-off of notes receivable from a strategic investment. During 2018, includes a gain of $7.5 million from the sale of equity in a third-party that we received as part of a settlement.

**2019 Compared to 2018**

During 2019, Adjusted EBITDA increased by $30 million. This increase was primarily due to recent acquisitions which resulted in an increase in monitoring and related services revenue combined with an increase in installation revenue, partially offset by the associated costs and an increase in selling, general and administrative expenses, excluding items outside of our definition of Adjusted EBITDA.

Refer to the discussions above under “—Results of Operations” for further details.

**Free Cash Flow**

The table below reconciles Free Cash Flow to cash flows from operating activities for the periods presented:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
<th>$ Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$ 1,873,117</td>
<td>$ 1,787,607</td>
</tr>
<tr>
<td>Dealer generated customer accounts and bulk account purchases</td>
<td>(669,683)</td>
<td>(693,525)</td>
</tr>
<tr>
<td>Subscriber system assets</td>
<td>(542,305)</td>
<td>(576,290)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(158,846)</td>
<td>(126,799)</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>$ 502,283</td>
<td>$ 390,993</td>
</tr>
</tbody>
</table>

49
**Cash Flows from Operating Activities**

Refer to the discussion below under “—Liquidity and Capital Resources” for further details regarding cash flows from operating activities.

**Cash Outlays Related to Capital Expenditures**

Dealer generated customer accounts and bulk account purchases, subscriber system assets, and capital expenditures are included in cash flows from investing activities. Refer to the discussion below under “—Liquidity and Capital Resources” for further details regarding cash flows from investing activities.

**LIQUIDITY AND CAPITAL RESOURCES**

**Liquidity**

Our principal liquidity requirements are to finance current operations, investments in acquiring and retaining customers, expenditures for property and equipment, debt service requirements, and potential mergers and acquisitions. Our liquidity requirements are primarily funded by our cash flows from operations, which include cash received from monthly recurring revenue and upfront fees received from customers, less cash costs to provide services to our customers, including general and administrative costs, certain costs associated with acquiring new customers, and interest payments.

We expect our ongoing sources of liquidity to include cash generated from operations, as well as borrowings under our revolving credit facility and the issuance of equity and/or debt securities as appropriate given market conditions. Our future cash needs are expected to include cash for operating activities, working capital, capital expenditures, strategic investments, periodic principal and interest payments on our debt, and potential dividend payments to our stockholders. We may, from time to time, seek to repay, redeem, repurchase, or refinance our indebtedness, or seek to retire or purchase our outstanding securities through cash purchases in the open market or through privately negotiated transactions or through a 10b5-1 repurchase plan or otherwise, and any such transactions may involve material amounts. We believe our cash position, borrowing capacity available under our revolving credit facility, and cash flows from operating activities are, and will continue to be, adequate to meet our operational and business needs in the next twelve months as well as our long-term liquidity needs.

Our ability to meet our debt service obligations and other capital requirements, including capital expenditures, as well as make acquisitions, will depend on our future operating performance, which is subject to future general economic, financial, business, competitive, legislative, regulatory, and other conditions, many of which are beyond our control. Changes in our operating plans, material changes in anticipated sales, increased expenses, acquisitions, or other events may cause us to seek equity and/or debt financing in future periods. There can be no guarantee that financing will be available on acceptable terms or at all. Debt financing, if available, could impose additional cash payment obligations and subject us to additional covenants and operating restrictions.

We are a highly leveraged company with significant debt service requirements. As of December 31, 2019, we had $49 million in cash and cash equivalents and $400 million available under our revolving credit facility. The carrying amount of total debt outstanding was approximately $9.7 billion as of December 31, 2019.

**Long-Term Debt**

As of December 31, 2019, we had the following outstanding debt balances (excluding finance leases, deferred financing costs, discount, premium, and fair value adjustments):

<table>
<thead>
<tr>
<th>Debt Description</th>
<th>Issued</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Interest Payable</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Term Loan due 2026</td>
<td>9/23/2019</td>
<td>9/23/2026</td>
<td>Adj. LIBOR +3.25%</td>
<td>Quarterly</td>
<td>$3,102,225</td>
</tr>
<tr>
<td>Prime Notes</td>
<td>5/2/2016</td>
<td>5/15/2023</td>
<td>9.250%</td>
<td>5/15 and 11/15</td>
<td>1,246,000</td>
</tr>
<tr>
<td>First Lien Notes due 2026</td>
<td>4/4/2019</td>
<td>4/15/2026</td>
<td>5.750%</td>
<td>3/15 and 9/15</td>
<td>1,350,000</td>
</tr>
<tr>
<td>ADT Notes due 2021</td>
<td>10/1/2013</td>
<td>10/15/2021</td>
<td>6.250%</td>
<td>4/15 and 10/15</td>
<td>1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2022</td>
<td>7/5/2012</td>
<td>7/15/2022</td>
<td>3.500%</td>
<td>1/15 and 7/15</td>
<td>1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2023</td>
<td>1/14/2013</td>
<td>6/15/2023</td>
<td>4.125%</td>
<td>6/15 and 12/15</td>
<td>700,000</td>
</tr>
<tr>
<td>ADT Notes due 2032</td>
<td>5/2/2016</td>
<td>7/15/2032</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>728,016</td>
</tr>
<tr>
<td>ADT Notes due 2042</td>
<td>7/5/2012</td>
<td>7/15/2042</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>21,896</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$9,898,137</td>
</tr>
</tbody>
</table>
First Lien Credit Agreement

Concurrently with the consummation of the Formation Transactions, we entered into the First Lien Credit Agreement, which has since been amended and restated on May 2, 2016, June 23, 2016, December 28, 2016, February 13, 2017, June 29, 2017, March 16, 2018, December 3, 2018, March 15, 2019 (effective April 4, 2019), and September 23, 2019. The First Lien Credit Agreement consisted of the following:

- The first lien term loan due 2026 (the “First Lien Term Loan due 2026”) which had an outstanding aggregate principal balance of $3.1 billion as of December 31, 2019 due to the following events:
  - July 2015 - $1.1 billion of borrowings in connection with the Formation Transactions;
  - May 2016 - $1.6 billion of borrowings in connection with the ADT Acquisition;
  - June 2016 - $125 million of borrowings in order to payoff and terminate a second lien term loan;
  - February 2017 - $800 million of borrowings in order to fund a special dividend;
  - December 2018 - $425 million of borrowings in order to partially fund the Red Hawk Acquisition and to fund the partial redemption of the Prime Notes in February 2019;
  - April 2019 - $500 million repayment in connection with the amendment and restatement dated as of March 15, 2019 (effective April 4, 2019), which authorized the partial redemption of the Prime Notes and the issuance of the First Lien Notes due 2024 and First Lien Notes due 2026 in April 2019.
  - September 2019 - approximately $300 million repayment in connection with the amendment and restatement dated as of September 23, 2019, which refinanced and replaced the $3.4 billion aggregate principal amount of the First Lien Term B-1 Loan with $3.1 billion aggregate principal amount of the First Lien Term Loan due 2026;
  - Reduced by regularly scheduled quarterly principal payments.

- The First Lien Term Loan due 2026 requires scheduled quarterly payments equal to 0.25% of the aggregate outstanding principal amount, or approximately $8 million per quarter, with the remaining balance payable at maturity. In addition, we are required to make annual prepayments on the outstanding First Lien Term Loan due 2026 with a percentage of our excess cash flow, as defined in the First Lien Credit Agreement, if our excess cash flow exceeds a certain specified threshold. We were not required to make any annual prepayments based on our excess cash flow as of December 31, 2019. We may make voluntary prepayments on the First Lien Term Loan due 2026 at any time prior to maturity at par, subject to a 1.00% prepayment premium in the event of certain specified events at any time during the first six months after the closing date of the amendment. The First Lien Term Loan due 2026 has an interest rate calculated as, at our option, either (a) LIBOR determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs (“Adjusted LIBOR”) with a floor of 1.00%, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the prime rate published by the Wall Street Journal, and (iii) one-month Adjusted LIBOR plus 1.00% per annum (“Base Rate”), in each case, plus the applicable margin of 3.25% for Adjusted LIBOR loans and 2.25% for Base Rate loans and is payable at least quarterly.

- The first lien revolving credit facility with an aggregate available commitment of up to $400 million through March 16, 2023 (the “First Lien Revolving Credit Facility”). As of December 31, 2019, there were no amounts outstanding under the First Lien Revolving Credit Facility.

Borrowings under the First Lien Revolving Credit Facility will bear interest at a rate equal to, at our option, either (a) Adjusted LIBOR, or (b) the Base Rate, plus the applicable margin of 2.75% for Adjusted LIBOR loans and 1.75% for Base Rate loans. Additionally, we are required to pay a commitment fee between 0.375% and 0.50% (determined based on a net first lien leverage ratio) with respect to the unused commitments under the First Lien Revolving Credit Facility.

Prime Notes

As of December 31, 2019, the Prime Notes had an outstanding balance of $1.2 billion due to the following events:

- May 2016 - $3.1 billion of borrowings in connection with the ADT Acquisition;
- February 2018 - $594 million of the aggregate principal amount was voluntarily redeemed at a price of $649 million using proceeds from the IPO;
- February 2019 - $300 million of the aggregate principal amount was voluntarily redeemed at a price of $319 million; and
• April 2019 - $1 billion of the aggregate principal amount was voluntarily repurchased and cancelled at a price of $1.1 billion in connection with the issuance of the First Lien Notes due 2024 and First Lien Notes due 2026.

The Prime Notes are due at maturity, however, may be redeemed at our option, in whole at any time or in part from time to time, at a redemption price equal to 104.625% of the principal amount of the Prime Notes redeemed and accrued and unpaid interest as of, but excluding, the redemption date. The redemption price decreases to 102.313% on or after May 15, 2020, and decreases to 100% on or after May 15, 2021. Additionally, upon the occurrence of specified change of control events, we must offer to repurchase the Prime Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

The indenture underlying the outstanding $1.2 billion aggregate principal amount of Prime Notes as of December 31, 2019 was discharged in January 2020 and the Prime Notes were redeemed in February 2020.

**First Lien Notes due 2024 and First Lien Notes due 2026**

As of December 31, 2019, the First Lien Notes due 2024 had an outstanding balance of $750 million and the First Lien Notes due 2026 had an outstanding balance of $1.4 billion due to the following events:

• April 2019 - the issuance of $750 million First Lien Notes due 2024 and the issuance of $750 million First Lien Notes due 2026, the proceeds of which were used to repurchase and cancel $1 billion of the Prime Notes and repay $500 million of the First Lien Term B-1 Loan; and

• September 2019 - the issuance of $600 million additional First Lien Notes due 2026, the proceeds of which were used to repay approximately $300 million of the First Lien Term B-1 Loan and repurchase and cancel $300 million of the 5.250% notes due 2020 issued by The ADT Corporation (the “ADT Notes due 2020”).

Both the First Lien Notes due 2024 and the First Lien Notes due 2026 are due at maturity, and may be redeemed, in whole or in part, at any time at a make-whole premium plus accrued and unpaid interest to, but excluding, the redemption date. Additionally, upon the occurrence of specified change of control events, we must offer to repurchase the notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

**ADT Notes**

As of December 31, 2019, our notes originally issued by The ADT Corporation (collectively, the “ADT Notes”) had an outstanding balance of $3.4 billion due to the following events:

• May 2016 - $3.7 billion of the ADT Notes were assumed in connection with the ADT Acquisition and $718 million of the ADT Notes due 2042 were exchanged for new ADT Notes due 2032;

• August 2016 - $10 million of the ADT Notes due 2042 were exchanged for ADT Notes due 2032;

• September 2019 - $147 million of the ADT Notes due 2020 were repurchased and cancelled at a price of $149 million; and

• October 2019 - $153 million of the remaining ADT Notes due 2020 were redeemed at a price of $155 million.

The ADT Notes are due at maturity, and may be redeemed, in whole at any time or in part from time to time, at a redemption price equal to the principal amount of the notes to be redeemed, plus a make-whole premium, plus accrued and unpaid interest as of, but excluding, the redemption date. Additionally, upon the occurrence of specified change of control events, we must offer to repurchase the ADT Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

**Debt Covenants**

The First Lien Credit Agreement and indentures associated with the borrowings above contain certain covenants and restrictions that limit our ability to, among other things, incur additional debt or issue certain preferred equity interests; create liens on certain assets; make certain loans or investments (including acquisitions); pay dividends on or make distributions in respect of the capital stock or make other restricted payments; consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets; sell assets; enter into certain transactions with affiliates; enter into sale-leaseback transactions; restrict dividends from our subsidiaries or restrict liens; change our fiscal year; and modify the terms of certain debt or organizational agreements.

We are also subject to a springing financial maintenance covenant under the First Lien Credit Agreement, which requires us to not exceed a specified first lien leverage ratio at the end of each fiscal quarter if the testing conditions are satisfied. The covenant
is tested if the outstanding loans under the First Lien Revolving Credit Facility, subject to certain exceptions, exceed 30% of the total commitments under the First Lien Revolving Credit Facility at the testing date (i.e., the last day of any fiscal quarter).

As of December 31, 2019, we were in compliance with all financial covenant and other maintenance tests for all our debt obligations.

**Subsequent Event: Debt Refinancing**

In January 2020, we issued $1.3 billion aggregate principal amount of 6.25% second-priority senior secured notes due 2028 (the “Second Lien Notes due 2028”). The proceeds from the Second Lien Notes due 2028, along with cash on hand and borrowings under the First Lien Revolving Credit Facility, were used to redeem the outstanding $1.2 billion aggregate principal amount of Prime Notes and pay any related fees and expenses, including the call premium on the Prime Notes.

The Second Lien Notes due 2028 will mature on January 15, 2028 with semi-annual interest payment dates of January 15 and July 15, and may be redeemed at our option as follows:

- Prior to January 15, 2023, in whole at any time or in part from time to time, (a) at a redemption price equal to 100% of the principal amount of the Second Lien Notes due 2028 redeemed, plus a make-whole premium and accrued and unpaid interest as of, but excluding, the redemption date or (b) for up to 40% of the original aggregate principal amount of the Second Lien Notes due 2028 and in an aggregate amount equal to the net cash proceeds of any equity offerings, at a redemption price equal to 106.250%, plus accrued and unpaid interest, so long as at least 50% of the original aggregate principal amount of the Second Lien Notes due 2028 shall remain outstanding after each such redemption.

- On or after January 15, 2023, in whole at any time or in part from time to time, at a redemption price equal to 103.125% of the principal amount of the Second Lien Notes due 2028 redeemed and accrued and unpaid interest as of, but excluding, the redemption date. The redemption price decreases to 101.563% on or after January 15, 2024 and decreases to 100% on or after January 15, 2025.

Additionally, upon the occurrence of specified change of control events, we must offer to repurchase the Second Lien Notes due 2028 at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The Second Lien Notes due 2028 also provide for customary events of default.

**Subsequent Event: Securitization Financing Agreement**

In March 2020, we entered into the Securitization Financing Agreement which permits securitization financing of up to $200 million and matures on March 5, 2021, subject to extension. The Securitization Financing Agreement provides us with an opportunity to obtain financing from the sale of certain installment receivables.

We will sell or contribute the installment receivables to our wholly-owned consolidated bankruptcy-remote special purpose entity (the “SPE”), and the SPE will obtain financing backed by the installment receivables. The SPE is a separate legal entity with its own creditors who will be entitled, prior to and upon the liquidation of the SPE, to be satisfied out of the SPE’s assets prior to any assets in the SPE becoming available to us. Accordingly, the assets of the SPE are not available to pay our creditors (other than the SPE), although collections from these receivables in excess of amounts required to repay the SPE’s creditors may be remitted to us during and after the term of the Securitization Financing Agreement.

**Dividends**

In February 2019, we approved a dividend reinvestment plan (the “DRIP”), which allows stockholders to designate all or a portion of the cash dividends on their shares of common stock for reinvestment in additional shares of our common stock. The number of shares issued is determined based on the volume weighted average closing price per share of our common stock for the five trading days preceding the dividend payment and adjusted for any discounts, as applicable. The DRIP will terminate upon the earlier of (a) February 27, 2021 and (b) the date upon which an aggregate of 18,750,000 shares of common stock have been issued pursuant to the DRIP.
During the years ended 2019 and 2018, we declared the following dividends on common stock:

<table>
<thead>
<tr>
<th>Declared Date</th>
<th>Dividend per Share</th>
<th>Record Date</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 15, 2018</td>
<td>$0.035</td>
<td>March 26, 2018</td>
<td>April 5, 2018</td>
</tr>
<tr>
<td>May 9, 2018</td>
<td>$0.035</td>
<td>June 25, 2018</td>
<td>July 10, 2018</td>
</tr>
<tr>
<td>August 8, 2018</td>
<td>$0.035</td>
<td>September 18, 2018</td>
<td>October 2, 2018</td>
</tr>
<tr>
<td>November 7, 2018</td>
<td>$0.035</td>
<td>December 14, 2018</td>
<td>January 4, 2019</td>
</tr>
<tr>
<td>March 11, 2019</td>
<td>$0.035</td>
<td>April 2, 2019</td>
<td>April 12, 2019</td>
</tr>
<tr>
<td>May 7, 2019</td>
<td>$0.035</td>
<td>June 11, 2019</td>
<td>July 2, 2019</td>
</tr>
<tr>
<td>August 6, 2019</td>
<td>$0.035</td>
<td>September 11, 2019</td>
<td>October 2, 2019</td>
</tr>
<tr>
<td>November 12, 2019</td>
<td>$0.700</td>
<td>December 13, 2019</td>
<td>December 23, 2019</td>
</tr>
<tr>
<td>November 12, 2019</td>
<td>$0.035</td>
<td>December 13, 2019</td>
<td>January 3, 2020</td>
</tr>
</tbody>
</table>

During 2019, we declared $633 million (or $0.84 per share) in dividends, which includes a special dividend of $0.70 per share. For dividends declared during 2019, approximately $538 million represents the portion of the dividends settled in cash and $68 million represents the portion of the dividends settled in shares of common stock, which resulted in the issuance of 11 million shares of common stock during 2019.

Apollo has elected to discontinue participation in the DRIP with respect to our dividends subsequent to the October 2, 2019 dividend payment.

During 2018, we declared dividends of $107 million (or $0.14 per share), of which $79 million was paid in 2018.

On March 5, 2020, we announced a dividend of $0.035 per share to common stockholders of record on March 19, 2020, which will be distributed on April 2, 2020.

**Share Repurchase Program**

In February 2019, we approved the Repurchase Program, which permits us to repurchase up to $150 million of our shares of common stock through February 27, 2021. During 2019, we repurchased 24 million shares of common stock for approximately $150 million under the Repurchase Program and as of December 31, 2019, we had $132 thousand remaining in the Repurchase Program.

**Cash Flow Analysis**

The following table is a summary of our cash flow activity for the periods presented:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
<th>$ Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$1,873,117</td>
<td>$1,787,607</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$(978,177)</td>
<td>$(1,738,210)</td>
</tr>
<tr>
<td>Net cash (used in) provided by financing activities</td>
<td>$(1,214,204)</td>
<td>$193,001</td>
</tr>
</tbody>
</table>

**Cash Flows from Operating Activities**

During 2019, cash flows from operating activities increased by approximately $86 million compared to 2018 primarily due to a decrease in interest payments of $142 million, which was largely due to the full redemption of our prior mandatorily redeemable preferred securities in July of 2018, and an increase in monitoring and related services revenue combined with an increase in installation revenue, partially offset by the associated costs and an increase in selling, general and administrative expenditures. The remainder of the activity in cash flows from operating activities relates to changes in assets and liabilities due to the volume and timing of other operating cash receipts and payments with respect to when the transactions are reflected in earnings.

Refer to the discussions above under “—Results of Operations” for further details.
Cash Flows from Investing Activities

During 2019, cash used in investing activities decreased by approximately $760 million compared to 2018 due to (i) $496 million proceeds received, net of cash sold, related to the sale of ADT Canada in 2019, (ii) a decrease of $244 million related to cash used for business acquisitions, net of cash acquired, primarily as a result of the Red Hawk Acquisition in 2018, and (iii) a decrease in the volume and timing of dealer and bulk additions, spend on subscriber system assets, and non-subscriber capital expenditures.

Cash Flows from Financing Activities

During 2019, cash used in financing activities primarily consisted of (i) $565 million related to dividend payments on common stock; (ii) $442 million related to the net repayment of long-term borrowings; (iii) $150 million related to repurchases of common stock; and (iv) $54 million related to the payment of deferred financing fees. The net repayments on our long-term borrowings included $319 million related to the partial redemption of the Prime Notes in February 2019, which included the related call premium; $57 million related to the payment of call premiums associated with our refinancing transactions; and $25 million related to payments on our finance leases.

During 2018, cash provided by financing activities consisted of net proceeds from the IPO of $1.4 billion, after deducting related fees, offset by net repayments on our long-term borrowings of $1.1 billion and dividend payments on our common stock of $79 million. The net repayments on our long-term borrowings included the redemption of mandatorily redeemable preferred securities of $853 million and the repayment of long-term borrowings of $700 million primarily due to the partial redemption of the Prime Notes, offset by net proceeds of $423 million from additional long-term borrowings.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table provides a summary of our commitments and contractual obligations for debt, leases, and other purchase obligations as of December 31, 2019:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt principal(1)</td>
<td>$31,100</td>
<td>$1,031,100</td>
<td>$1,031,100</td>
<td>$1,977,100</td>
<td>$781,100</td>
<td>$5,046,637</td>
<td>$9,898,137</td>
</tr>
<tr>
<td>Interest payments(2)</td>
<td>568,480</td>
<td>565,856</td>
<td>499,150</td>
<td>382,879</td>
<td>300,501</td>
<td>707,425</td>
<td>3,024,291</td>
</tr>
<tr>
<td>Operating leases(3)</td>
<td>33,164</td>
<td>33,115</td>
<td>30,127</td>
<td>24,471</td>
<td>12,325</td>
<td>17,664</td>
<td>150,866</td>
</tr>
<tr>
<td>Finance leases(4)</td>
<td>28,528</td>
<td>25,137</td>
<td>19,704</td>
<td>6,669</td>
<td>342</td>
<td>10</td>
<td>80,390</td>
</tr>
<tr>
<td>Purchase obligations(5)</td>
<td>188,619</td>
<td>59,697</td>
<td>41,834</td>
<td>6,525</td>
<td>5,185</td>
<td>637</td>
<td>302,497</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$849,891</strong></td>
<td><strong>$1,714,905</strong></td>
<td><strong>$1,621,915</strong></td>
<td><strong>$2,397,644</strong></td>
<td><strong>$1,091,453</strong></td>
<td><strong>$5,772,373</strong></td>
<td><strong>$13,456,181</strong></td>
</tr>
</tbody>
</table>

(1) Represents the contractual principal payments of our debt obligations as of December 31, 2019. Finance lease obligations, discounts, deferred financing costs, and purchase accounting fair value adjustments are excluded.
(2) Represents the estimated interest payments on our debt obligations as of December 31, 2019. Interest payments on our variable-rate debt, including the effects of our interest rate swaps, are calculated based on a forward LIBOR curve (or floor, whichever is higher) plus the applicable margin in effect as of December 31, 2019.
(3) Represents lease payments on our operating lease obligations as of December 31, 2019.
(4) Represents the principal and interest payments on our finance lease obligations as of December 31, 2019.
(5) Represents contractual obligations for purchases of goods or services, including purchase orders, related to agreements entered into in the ordinary course of business that are enforceable and legally binding and that specify all significant terms of the transaction as of December 31, 2019.

We have not included in the contractual obligations table approximately $65 million of unrecognized tax benefits, excluding interest and penalties, related to various tax positions we have taken. These liabilities may increase or decrease over time primarily as a result of tax examinations, and given the status of the examinations, we cannot reliably estimate the period of any cash settlement with the respective taxing authorities. In addition, we have not included the minimum required contributions to our defined benefit pension plans as the aggregate contributions are not material.

As of December 31, 2019, our guarantees totaled $47 million and primarily related to standby letters of credit on our insurance programs.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2019, our guarantees totaled $47 million and primarily related to standby letters of credit on our insurance programs. We do not have any other material off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.
CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the accompanying consolidated financial statements in accordance with GAAP requires us to select accounting policies and make estimates that affect amounts reported in the consolidated financial statements and the accompanying notes. Management’s estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions. The following accounting policies are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties.

Revenue Recognition

We generate revenue primarily through contractual monthly recurring fees received for monitoring and related services provided to customers. In transactions in which we provide monitoring and related services but retain ownership of the security system, our performance obligations primarily include monitoring, related services (such as maintenance agreements), and a material right associated with the non-refundable fees received in connection with the initiation of a monitoring contract (referred to as deferred subscriber acquisition revenue) that the customer will not need to pay upon a renewal of the contract. The portion of the transaction price associated with monitoring and related services revenue is recognized as those services are provided and is reflected in monitoring and related services revenue in the Consolidated Statements of Operations.

Deferred subscriber acquisition revenue is deferred and reported as deferred subscriber acquisition revenue in the Consolidated Balance Sheets upon initiation of a monitoring contract. Deferred subscriber acquisition revenue is amortized on a pooled basis into installation and other revenue in the Consolidated Statements of Operations over the estimated life of the customer relationship using an accelerated method consistent with the amortization of subscriber system assets and deferred subscriber acquisition costs associated with the transaction.

In transactions involving a security system that is sold outright to the customer, our performance obligations generally include monitoring, related services, and the sale and installation of the security system. For such arrangements, we allocate a portion of the transaction price to each performance obligation based on a relative standalone selling price. Revenue associated with the sale and installation of a security system is recognized either at a point in time or over time based upon the nature of the transaction and contractual terms and is reflected in installation and other revenue in the Consolidated Statements of Operations. Revenue associated with monitoring and related services is recognized as those services are provided and is reflected in monitoring and related services revenue in the Consolidated Statements of Operations.

Subscriber System Assets, net and Deferred Subscriber Acquisition Costs, net

We capitalize certain costs associated with transactions in which we retain ownership of the security system as well as incremental selling expenses related to acquiring customers. These costs include equipment, installation costs, and other incremental costs and are recorded in subscriber system assets, net and deferred subscriber acquisition costs, net in the Consolidated Balance Sheets. These assets embody a probable future economic benefit as they contribute to the generation of future monitoring and related services revenue for us.

Subscriber system assets represent capitalized equipment and installation costs incurred in connection with transactions in which we retain ownership of the security system. Upon customer termination, we may retrieve such assets. Deferred subscriber acquisition costs represent incremental selling expenses (primarily commissions) related to acquiring customers.

Subscriber system assets and any related deferred subscriber acquisition costs resulting from customer acquisitions are accounted for on a pooled basis on the month and year of acquisition. We depreciate and amortize our pooled subscriber system assets and related deferred subscriber acquisition costs using an accelerated method over the estimated life of the customer relationship, which is 15 years. We periodically perform lifing studies to estimate the expected life of the customer relationship and the attrition pattern of our customers. The lifing studies are based on historical customer terminations and are used to establish the amortization rates of our customer account pools in order to reflect the pattern of future benefit. The results of the lifing studies indicate that we can expect attrition to be the greatest in the initial years of asset life; therefore, an accelerated method best matches the future amortization cost with the estimated revenue stream from these customer pools. In order to align the depreciation and amortization of subscriber system assets and related deferred costs to the pattern in which their economic benefits are consumed, the accelerated method utilizes an average declining balance rate of approximately 250% and converts to straight-line methodology when the resulting charge is greater than that from the accelerated method, resulting in an average charge of approximately 55% of the pool within the first five years, 25% within the second five years, and 20% within the final five years.
Definite-Lived Intangible Assets

Definite-lived intangible assets relate to customer relationships, dealer relationships, and other definite-lived intangible assets that originated from business acquisitions as well as contracts with customers purchased under the ADT Authorized Dealer Program or from other third parties.

Customer relationships, which primarily originated from the Formation Transactions and the ADT Acquisition, are amortized over a period of up to 20 years based on management estimates about the amounts and timing of estimated future revenue from customer accounts and average customer account life that existed at the time of the related business acquisition. Dealer relationships originated from the Formation Transactions and the ADT Acquisition and are primarily amortized over 19 years based on management estimates about the longevity of the underlying dealer network and the attrition of those respective dealers that existed at the time of the related business acquisition. Other definite-lived intangible assets are amortized over a period of up to 10 years on a straight-line basis.

We maintain a network of agreements with third-party independent alarm dealers who sell alarm equipment and ADT Authorized Dealer-branded monitoring and interactive services to end users. The dealers in this program generate new end-user contracts with customers which we have the right, but not the obligation, to purchase from the dealer. Purchases of contracts with customers under the ADT Authorized Dealer Program, or from other third parties, are considered asset acquisitions and are recorded at their contractually determined purchase price. We may charge back the purchase price of any end-user contract if the contract is canceled during the charge-back period, which is generally twelve to fifteen months from the date of purchase. We record the amount of the charge back as a reduction to the purchase price.

Purchases of contracts with customers under the ADT Authorized Dealer Program, or from other third parties, are accounted for on a pooled basis based on the month and year of acquisition. We amortize our pooled contracts with customers using an accelerated method over the estimated life of the customer relationship, which is 15 years. The accelerated method for amortizing these contracts utilizes an average declining balance rate of approximately 300% and converts to straight-line methodology when the resulting amortization charge is greater than that from the accelerated method, resulting in an average amortization of approximately 65% of the pool within the first five years, 25% within the second five years, and 10% within the final five years.

Long-Lived Asset Impairments

We review long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset or asset group may not be fully recoverable. We group assets at the lowest level for which cash flows are separately identified. Recoverability is measured by a comparison of the carrying amount of the asset group to its expected future undiscounted cash flows. If the expected future undiscounted cash flows of the asset group are less than its carrying amount, an impairment loss is recognized based on the amount by which the carrying amount exceeds the fair value less costs to sell. The calculation of the fair value less costs to sell of an asset group is based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

Goodwill and Indefinite-Lived Intangible Assets Impairment

Goodwill and indefinite-lived intangible assets are not amortized and are tested for impairment at least annually as of the first day of the fourth quarter of each year and more often if an event occurs or circumstances change which indicate it is more-likely-than-not that fair value is less than carrying amount. The annual impairment tests of goodwill and indefinite-lived intangible assets may be completed through qualitative assessments. We may elect to bypass the qualitative assessment and proceed directly to a quantitative impairment test for any reporting unit or indefinite-lived intangible asset in any period. We may resume the qualitative assessment for any reporting unit or indefinite-lived intangible asset in any subsequent period.

Goodwill

Under a qualitative approach, the impairment test for goodwill consists of an assessment of whether it is more-likely-than-not that a reporting unit’s fair value is less than its carrying amount. If we elect to bypass the qualitative assessment for any reporting unit, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying amount of a reporting unit exceeds its fair value, we proceed to a quantitative approach.

Under a quantitative approach, we estimate the fair value of a reporting unit and compare it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of a reporting unit is determined using the income approach, which discounts projected cash flows using market participant assumptions. The income approach includes significant assumptions including, but not limited to, forecasted revenue, operating profit margins, operating expenses, cash flows, perpetual growth rates, and long-term discount rates. The resulting fair value under a quantitative approach is sensitive to changes in the underlying assumptions. In developing these assumptions, we rely on various factors including

57
operating results, business plans, economic projections, anticipated future cash flows, and other market data. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying judgments and factors and ultimately impact the estimated fair value determinations may include such items as a prolonged downturn in the business environment, changes in economic conditions that significantly differ from our assumptions in timing or degree, volatility in equity and debt markets resulting in higher discount rates, and unexpected regulatory changes. As a result, there are inherent uncertainties related to these judgments and factors in applying them to the goodwill impairment test.

**Indefinite-Lived Intangible Assets**

Under a qualitative approach, the impairment test for an indefinite-lived intangible asset consists of an assessment of whether it is more-likely-than-not that an asset’s fair value is less than its carrying amount. If we elect to bypass the qualitative assessment for any indefinite-lived intangible asset, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying amount of such asset exceeds its fair value, we proceed to a quantitative approach.

Under a quantitative approach, we estimate the fair value of an asset and compare it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of an indefinite-lived intangible asset is determined based on the nature of the underlying asset. Our only indefinite-lived intangible asset is the ADT trade name. The fair value of the ADT trade name is determined under a relief from royalty method, which is an income approach that estimates the cost savings that accrue to us that we would otherwise have to pay in the form of royalties or license fees on revenue earned through the use of the asset. The utilization of the relief from royalty method requires us to make significant assumptions including revenue growth rates, the implied royalty rate, and the discount rate.

**Business Combinations**

We account for business acquisitions under the acquisition method of accounting. The assets acquired and liabilities assumed in connection with business acquisitions are recorded at the date of acquisition at their estimated fair values, with any excess of the purchase price over the estimated fair values of the net assets acquired recorded as goodwill. Significant judgment is required in estimating the fair value of assets acquired and liabilities assumed and in assigning their respective useful lives. Accordingly, we may engage third-party valuation specialists to assist in these determinations. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain.

**Loss Contingencies**

We record accruals for losses that are probable and reasonably estimable. These accruals are based on a variety of factors such as judgment, probability of loss, opinions of internal and external legal counsel, and actuarially determined estimates of claims incurred but not yet reported based upon historical claims experience. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred. Additionally, we record insurance recovery receivables from third-party insurers when recovery has been determined to be probable.

**Income Taxes**

Our federal income tax accounts are determined on a consolidated return basis for U.S. entities and on a standalone basis for Canadian entities.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the temporary differences between the recognition of revenue and expenses for income tax and financial reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. We record the effect of a tax rate or law change on our deferred tax assets and liabilities in the period of enactment. Future tax rate or law changes could have a material effect on our results of operations, financial condition, or cash flows.

In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including our past operating results, the existence of cumulative losses in the most recent years, and our forecast of future taxable income. In estimating future taxable income, we develop assumptions related to the amount of future pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage our underlying businesses.

We recognize positions taken or expected to be taken in a tax return in the consolidated financial statements when it is more-likely-than-not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement. We record liabilities for positions that have been taken but do not meet the more-likely-than-not recognition threshold.

58
We adjust the liabilities for unrecognized tax benefits in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a change to the estimated liabilities.

ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 “Description of Business and Summary of Significant Accounting Policies” in the Notes to Consolidated Financial Statements in Item 15 for further discussion about recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our operations expose us to a variety of market risks, including the effects of changes in interest rates and foreign currency exchange rates. We monitor and manage these financial exposures as an integral part of our overall risk management program. Our policies allow for the use of specified financial instruments for hedging purposes only. Use of derivatives for speculation purposes is prohibited.

Interest Rate Risk

We have both fixed-rate and variable rate debt, and as a result, we are exposed to fluctuations in interest rates on our debt. In order to manage our exposure to fluctuations in interest rates, we may, from time to time, enter into interest rate swap transactions with financial institutions acting as principal counterparties.

As of December 31, 2019, the carrying amount of our debt, excluding finance leases, was $9.6 billion with a fair value of $10.2 billion. In addition, we had interest rate swap contracts with aggregate notional amounts of $3.2 billion with a fair value of $84 million as a net liability. As of December 31, 2019, a hypothetical 10% change in interest rates would change the fair value of our debt and interest rate swap contracts by approximately $214 million and $34 million, respectively. The exposure associated with our variable-rate debt, including the impact from our interest rate swap contracts, from a hypothetical 10% change in interest rates would not be material to earnings, fair values, or cash flows.

As of December 31, 2018, the carrying amount of our debt, excluding finance leases, was $10.0 billion with a fair value of $9.8 billion. In addition, we had interest rate swap contracts with aggregate notional amounts of $3.5 billion with a fair value of $20 million as a net liability. As of December 31, 2018, a hypothetical 10% change in interest rates would change the fair value of our debt and interest rate swaps by approximately $244 million and $20 million, respectively.

Foreign Currency Risk

Prior to the sale of ADT Canada, we had exposure to the effects of foreign currency exchange rate fluctuations related to the translation of our Canadian operations into our reporting currency as well as related to foreign currency gains and losses on transactions denominated in currencies other than the respective functional currencies, which primarily related to the conversion of intercompany loans denominated in Canadian dollars. As a result of the sale of ADT Canada, our exposure to the effects of foreign currency exchange rate fluctuations significantly decreased as we no longer have any Canadian operations, subject to limited exceptions for cross-border commercial customers and mobile safety applications. We generally did not enter into derivative transactions to hedge our risk to foreign currency exchange rates.

The effects of translating our Canadian operations into our reporting currency were reflected as a component of accumulated other comprehensive (loss) income (“AOCI”) in the Consolidated Balance Sheets. As a result of the sale of ADT Canada, we reclassified $35 million of cumulative translation adjustments, net of tax, into earnings during 2019. Foreign currency gains and losses are reflected in the Consolidated Statements of Operations and were not material during 2019 and 2018.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Report of Independent Registered Public Accounting Firm, our consolidated financial statements, and the accompanying Notes to Consolidated Financial Statements that are filed as part of this Annual Report are listed under “Item 15. Exhibits, Financial Statement Schedules” and are set forth beginning on page F-1 immediately following the signature pages of this Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.
ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2019, our disclosure controls and procedures were effective in recording, processing, summarizing, and reporting, within the time periods specified in the SEC’s rules and forms, information required to be disclosed in the reports that we file or submit under the Exchange Act, and that such information was accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined under Exchange Act Rules 13a-15(f) and 15d-15(f)). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2019 based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

Based on our assessment and those criteria, our management determined that our internal control over financial reporting was effective as of December 31, 2019.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an audit report on our internal control over financial reporting as of December 31, 2019 as set forth in its Report of Independent Registered Public Accounting Firm included in Part IV of this Annual Report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in our management’s evaluation pursuant to Rules 13a-15(d) and 15d-15(d) of the Exchange Act during the three months ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.
PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item 10. “Directors, Executive Officers and Corporate Governance” is incorporated herein by reference from our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed with the SEC within 120 days after our fiscal year end of December 31, 2019 (the “Proxy Statement”).

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item 11. “Executive Compensation” is incorporated herein by reference from our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” other than the information regarding an Apollo margin loan agreement set forth below required by Item 403(c) of Regulation S-K, is incorporated herein by reference from our Proxy Statement. Also, incorporated herein by reference is information concerning compensation plans under which our equity securities are authorized for issuance which is found in Item 5. “Market for Registrant’s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities” of this Annual Report under the caption "Securities Authorized for Issuance Under Equity Compensation Plans."

Apollo Margin Loan Agreement

As of October 3, 2019, certain investment funds directly or indirectly managed by Apollo (the “Apollo Funds”), the Company’s controlling stockholder, informed the Company that they have pledged all of their 651,848,348 shares of the Company’s common stock pursuant to a margin loan agreement and related documentation on a non-recourse basis. Apollo has informed the Company that the loan to value ratio of the margin loan on March 6, 2020 was equal to approximately 21%. Apollo has also informed the Company that the margin loan agreement contains customary default provisions and that in the event of a default under the margin loan agreement the secured parties may foreclose upon any and all shares of the Company’s common stock pledged to them.

Certain members of the Company’s executive team and certain employees of the Company are entitled to receive their share of the margin loan proceeds (based on their share ownership of the Apollo Funds). Such persons have the option to either (a) receive such proceeds as distributed or (b) to defer receipt of such proceeds until their attributable share of the obligations under the margin loan have been satisfied in full. In the case of elections to receive such proceeds as distributed, such proceeds remain subject to recall until such time as all obligations under the margin loan agreement and related documentation are satisfied in full.

The Company has not independently verified the foregoing disclosure. When the margin loan agreement was entered into, the Company delivered customary letter agreements to the secured parties in which it has, among other things, agreed, subject to applicable law and stock exchange rules, not to take any actions that are intended to hinder or delay the exercise of any remedies by the secured parties under the margin loan agreement and related documentation. Except for the foregoing, the Company is not a party to the margin loan agreement and related documentation and does not have, and will not have, any obligations thereunder.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this Item 13. “Certain Relationships and Related Transactions and Director Independence” is incorporated herein by reference from our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item 14. “Principal Accounting Fees and Services” is incorporated herein by reference from our Proxy Statement.
PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. Financial Statements

See Index to Consolidated Financial Statements appearing on page F-1.

2. Financial Statement Schedules

All financial statement schedules called for under Regulation S-X are omitted because either they are not required under the related instructions, are included in the consolidated financial statements or notes thereto included elsewhere in this Annual Report on Form 10-K, or are not material.

3. Exhibits

The exhibits listed on the accompanying Exhibit Index are filed or incorporated by reference as part of this report.

Exhibits Index

The information required by this Item is set forth on the exhibit index.

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Exhibit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1^</td>
<td>Share Purchase Agreement, dated September 30, 2019, among ADT Security Holdings Canada Ltd., ADT Inc., and TELUS Communications Inc.</td>
</tr>
<tr>
<td>3.1*</td>
<td>Amended and Restated Certificate of Incorporation of ADT Inc.</td>
</tr>
<tr>
<td>3.2</td>
<td>Amended and Restated Bylaws of ADT Inc.</td>
</tr>
<tr>
<td>4.1</td>
<td>Indenture, dated as of July 5, 2012, by and between The ADT Corporation and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.2</td>
<td>First Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.3</td>
<td>Second Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.4</td>
<td>Third Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.5</td>
<td>Fourth Supplemental Indenture, dated as of January 14, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.6</td>
<td>Fifth Supplemental Indenture, dated as of October 1, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.7</td>
<td>Sixth Supplemental Indenture, dated as of April 8, 2016, under 2012 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.8</td>
<td>Seventh Supplemental Indenture, dated as of April 22, 2016, under 2012 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.9</td>
<td>Eighth Supplemental Indenture, dated as of May 2, 2016, under 2012 Base Indenture, by and among Prime Finance, Inc., The ADT Corporation and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.10</td>
<td>Ninth Supplemental Indenture, dated as of November 15, 2017, under 2012 Base Indenture, by and among The ADT Security Corporation, DataShield, LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.11</td>
<td>Tenth Supplemental Indenture, dated as of April 18, 2018, under 2012 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.12</td>
<td>Eleventh Supplemental Indenture, dated as of August 17, 2018, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.13</td>
<td>Twelfth Supplemental Indenture, dated as of January 7, 2019, under 2012 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.14</td>
<td>Thirteenth Supplemental Indenture, dated as of January 30, 2019, under 2012 Base Indenture, by and among The ADT Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.15</td>
<td>Fourteenth Supplemental Indenture, dated as of March 12, 2019, under 2012 Base Indenture, by and among The ADT Corporation, LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.16*</td>
<td>Fifteenth Supplemental Indenture, dated as of November 14, 2019, under 2012 Base Indenture, by and among The ADT Security Corporation, I-View Now LLC and Wells Fargo Bank, National Association</td>
</tr>
</tbody>
</table>
4.17* Sixth Supplemental Indenture, dated as of January 31, 2020, under 2012 Base Indenture, by and among The ADT Security Corporation, Defender Security Canada, Inc., ADT MS2 LLC, DPL Two LLC, Defenders LLC, Home Defender, Inc. and Wells Fargo Bank, National Association

4.18* Seventh Supplemental Indenture, dated as of March 19, 2014, by and between The ADT Corporation and Wells Fargo Bank, National Association

4.19* Officer’s Certificate, dated as of December 18, 2014, of The ADT Corporation, establishing the terms of its 5.250% Senior Notes due 2020 (including form Note)

4.20* First Supplemental Indenture, dated as of April 8, 2016 under 2014 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association

4.21* Second Supplemental Indenture, dated as of May 2, 2016, under 2014 Base Indenture, by and among Prime Finance, Inc., The ADT Corporation and the Wells Fargo Bank, National Association

4.22* Third Supplemental Indenture, dated as of November 15, 2017, under 2014 Base Indenture, by and among The ADT Security Corporation, DataShield, LLC and Wells Fargo Bank, National Association

4.23* Fourth Supplemental Indenture, dated as of April 18, 2018, under 2014 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association

4.24* Fifth Supplemental Indenture, dated as of August 17, 2018, under 2014 Base Indenture, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association

4.25* Sixth Supplemental Indenture, dated as of January 7, 2019, under 2014 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association

4.26* Seventh Supplemental Indenture, dated as of January 30, 2019, under 2014 Base Indenture, by and among The ADT Security Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association

4.27* Eighth Supplemental Indenture, dated as of March 12, 2019, under 2014 Base Indenture, by and among The ADT Corporation, LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association

4.28* Indenture, dated as of May 2, 2016, by and between Prime Security One MS, Inc. and the Wells Fargo Bank, National Association

4.29* First Supplemental Indenture, dated as of May 2, 2016, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association

4.30* Second Supplemental Indenture, dated as of August 9, 2016, by and between The ADT Corporation, the Notes Guarantors and Wells Fargo Bank, National Association

4.31* Third Supplemental Indenture, dated as of November 15, 2017, by and among The ADT Security Corporation, DataShield, LLC and Wells Fargo Bank, National Association

4.32* Fourth Supplemental Indenture, dated as of April 18, 2018, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association

4.33* Fifth Supplemental Indenture, dated as of August 17, 2018, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association

4.34* Sixth Supplemental Indenture, dated as of January 7, 2019, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association

4.35* Seventh Supplemental Indenture, dated as of January 30, 2019 by and among the ADT Security Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association

4.36* Eighth Supplemental Indenture, dated as of March 12, 2019 by and among the ADT Corporation, LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association

4.37* Ninth Supplemental Indenture, dated as of November 14, 2019, by and among The ADT Security Corporation, I-View Now LLC and Wells Fargo Bank, National Association

4.38* Tenth Supplemental Indenture, dated as of January 31, 2020, by and among The ADT Security Corporation, Defender Security Canada, Inc., ADT MS2 LLC, DPL Two LLC, Defenders LLC, Home Defender, Inc. and Wells Fargo Bank, National Association


4.40* Second Lien Notes Supplemental Indenture, dated as of May 2, 2016, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Prime Guarantors and ADT Guarantors

4.41* Second Lien Notes Second Supplemental Indenture, dated as of November 15, 2017, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., DataShield, LLC and Wells Fargo Bank, National Association

4.42* Second Lien Notes Third Supplemental Indenture, dated as of April 18, 2018, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto and Wells Fargo Bank, National Association


4.44* Second Lien Notes Fifth Supplemental Indenture, dated as of January 7, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto and Wells Fargo Bank, National Association


4.46* Second Lien Notes Seventh Supplemental Indenture, dated as of March 12, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., LifeShield, LLC, LifeShield Security LLC and Wells Fargo Bank, National Association
Second Lien Notes Eighth Supplemental Indenture, dated as of November 14, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., I-View Now LLC and Wells Fargo Bank, National Association

Indenture, dated as of April 4, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto from time to time, and Wells Fargo Bank, National Association, as trustee, relating to the $750 million aggregate principal amount of 5.250% first-priority senior secured notes due 2026.

First Supplemental Indenture, dated as of November 14, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., I-View Now LLC and Wells Fargo Bank, National Association


Indenture, dated as of January 28, 2020, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto from time to time, and Wells Fargo Bank, National Association, as trustee, relating to the $1,300 6.250% Second-Priority Senior Secured Notes due 2028


Description of Securities

Fifth Amended and Restated First Lien Credit Agreement, dated July 1, 2015, as amended and restated as of May 2, 2016, as further amended and restated as of June 23, 2016, December 28, 2016, February 13, 2017 and June 29, 2017, among Prime Security Services Holdings, LLC, as Holdings, Prime Security Services Borrower, LLC, as Borrower, the Lenders Party thereto and Barclays Bank PLC, as Administrative Agent

Incremental Assumption and Amendment Agreement No. 6, dated as of March 16, 2018, by and among Prime Security Services Borrower, LLC, Prime Security Services Holdings, LLC, the lenders party thereto, Barclays Bank PLC and the other parties party thereto

Incremental Assumption and Amendment Agreement No. 7, dated as of December 3, 2018, by and among Prime Security Services Borrower, LLC, Prime Security Services Holdings, LLC, certain of Prime Security Services Borrower’s subsidiaries, the lenders party thereto, Barclays Bank PLC, as administrative agent and the other parties party thereto.

Incremental Assumption and Amendment Agreement No. 8, dated as of March 15, 2019, by and among Prime Security Services Borrower, LLC, Prime Security Services Holdings, LLC, certain of Prime Security Services Borrower’s subsidiaries, the lenders party thereto, Barclays Bank PLC, as administrative agent and the other parties party thereto.

Incremental Assumption and Amendment Agreement No. 9, dated as of September 23, 2019, by and among Prime Security Services Borrower, LLC, Prime Security Services Holdings, LLC, the lenders party thereto, Barclays Bank PLC, as administrative agent and the other parties party thereto.

Subsidiary Guarantee Agreement (First Lien), dated July 1, 2015, among the Subsidiaries of Prime Security Services Borrower, LLC named therein and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent

Supplement No. 1, dated as of May 2, 2016, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC and Barclays Bank PLC, as Collateral Agent

Supplement No. 2, dated as of October 31, 2017, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent

Supplement No. 3, dated as of January 22, 2018, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent

Supplement No. 4, dated as of February 28, 2018, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent

Supplement No. 5, dated as of August 17, 2018, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent

Supplement No. 6, dated as of January 7, 2019, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent

Supplement No. 7, dated as of January 30, 2019, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent

Supplement No. 8, dated as of March 11, 2019, to the Subsidiary Guarantee Agreement (First Lien) dated as of July 1, 2015, by each subsidiary of Prime Security Services Borrower, LLC party thereto and Barclays Bank PLC, as Collateral Agent

64
| 10.15 | Holdings Guarantee and Pledge Agreement (First Lien), dated and effective as of July 1, 2015, between Prime Security Services Holdings, LLC, as Holdings, and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent |
| 10.16 | Collateral Agreement (First Lien), dated as of July 1, 2015 among Prime Security Services Borrower, LLC, each Subsidiary of Prime Security Services Borrower, LLC from time to time identified therein as a party and Barclays Bank PLC, as collateral agent |
| 10.17 | Collateral Agreement (Second Lien), dated as of May 2, 2016, among Prime Security Services Borrower, LLC, as Issuer, Prime Finance Inc., as Co-Issuer, each Subsidiary Guarantor party thereto and Wells Fargo Bank, National Association, as Collateral Agent |
| 10.18 | Collateral Agreement (Second Lien), dated as of January 28, 2020, among Prime Security Services Borrower LLC, as Issuer, Prime Finance, Inc., as Co-Issuer, each Subsidiary Guarantor party thereto and Wells Fargo Bank, National Association, as Collateral Agent |
| 10.19 | First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016 among Barclays Bank PLC, as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, Wells Fargo Bank, National Association, as the Initial Other Authorized Representative, and each additional Authorized Representative from time to time party thereto relating to Prime Security Services Borrower, LLC |
| 10.20 | First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Credit Suisse AG, Cayman Islands Branch, as First Lien Facility Agent and Applicable First Lien Agent, and Credit Suisse AG, Cayman Islands Branch, as Second Lien Facility Agent and Applicable Second Lien Agent relating to Prime Security Services Borrower, LLC |
| 10.21* | Receivables Purchase Agreement, dated as of March 3, 2020, among ADT LLC, individually and as servicer, ADT Finance LLC, as seller, various purchasers and purchaser agents from time to time party thereto, and Mizuho Bank, LTD., as Administrative Agent, Arranger, Collateral Agent and Structuring Agent |
| 10.24 | Trademark Agreement, dated as of September 25, 2012, by and among ADT Services GmbH, ADT US Holdings, Inc., Tyco International Ltd. and The ADT Corporation |
| 10.25 | Patent Agreement, dated as of September 26, 2012, by and between Tyco International Ltd. and The ADT Corporation |
| 10.26 | Separation and Distribution Agreement, dated September 26, 2012 by and among Tyco International Ltd., Tyco International Finance S.A., The ADT Corporation and ADT LLC |
| 10.27 | ADT LLC Supplemental Savings and Retirement Plan, effective as of April 1, 2017 |
| 10.28 | Stockholders Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP |
| 10.29 | Registration Rights Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP |
| 10.30 | Amendment to the Registration Rights Agreement between ADT Inc. and Prime Security Services TopCo Parent, L.P. |
| 10.31+ | Amendment to Amended and Restated Employment Agreement, dated May 3, 2019, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Jeffrey Likosar |
| 10.32+ | Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Jamie Haenggi |
| 10.33+ | Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Daniel M. Bresingham |
| 10.34+ | Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and James D. DeVries |
| 10.35+ | Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and Jeffrey Likosar |
| 10.36+ | ADT Inc. 2018 Omnibus Incentive Plan |
| 10.37+ | First Amendment to ADT Inc. 2018 Omnibus Incentive Plan dated April 25, 2019 |
| 10.38+ | Form of Restricted Stock Unit Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan |
| 10.39+ | Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan |
| 10.40+ | Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption) |
| 10.41+ | Form of Amendment to Non-Qualified Award Agreement for use under ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption) |
| 10.42+ | Form of Common Stock Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan |
| 10.43+ | ADT Inc. 2018 Omnibus Incentive Plan Restricted Stock Unit Non-Employee Director Award Agreement |
| 10.44+ | Timothy J. Whall’s Retirement Agreement |
| 10.45+ | Amendment to Retirement Agreement, dated October 11, 2019, by and among Mr. Timothy J. Whall and the parties thereto |
| 10.46+ | Second Amended & Restated Employment Agreement with James D. DeVries |
| 10.47+ | Amendment to Second Amended & Restated Employment Agreement of James D. DeVries |
| 21* | Subsidiaries of ADT Inc. |
ITEM 16. FORM 10-K SUMMARY.

None.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADT Inc.

Date: March 10, 2020

By: /s/ James D. DeVries
Name: James D. DeVries
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 10, 2020.

Name                        Title
__________________________  __________________________
/s/ James D. DeVries        President, Chief Executive Officer and Director
                            (Principal Executive Officer)
/s/ Jeffrey Likosar         Executive Vice President, Chief Financial Officer and
                            Treasurer
/s/ Zachary Susil           Vice President, Chief Accounting Officer and Controller
                            (Principal Financial Officer)
/s/ Marc E. Becker          Director
/s/ Reed B. Rayman          Director
/s/ Matthew H. Nord         Director
/s/ Andrew D. Africk        Director
/s/ Eric L. Press           Director
/s/ Lee J. Solomon          Director
/s/ Stephanie Drescher      Director
/s/ David Ryan              Director
/s/ Matthew E. Winter       Director
/s/ Tracey Griffin          Director

67
| Report of Independent Registered Public Accounting Firm | F-2 |
| Consolidated Balance Sheets as of December 31, 2019 and 2018 | F-4 |
| Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017 | F-5 |
| Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2019, 2018, and 2017 | F-6 |
| Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2019, 2018, and 2017 | F-7 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018, and 2017 | F-8 |
| Notes to Consolidated Financial Statements | F-9 |
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of ADT Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of ADT Inc. and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive (loss) income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 10, 2020

We have served as the Company or its predecessor’s auditor since 2010.
### ADT INC. AND SUBSIDIARIES
#### CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$48,736</td>
<td>$363,177</td>
</tr>
<tr>
<td>Accounts receivable trade, less allowance for doubtful accounts of $44,337 and $39,765, respectively</td>
<td>287,243</td>
<td>245,714</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>104,219</td>
<td>89,178</td>
</tr>
<tr>
<td>Work-in-progress</td>
<td>34,183</td>
<td>26,137</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>151,102</td>
<td>129,811</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>625,483</td>
<td>854,017</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>328,731</td>
<td>326,565</td>
</tr>
<tr>
<td>Subscriber system assets, net</td>
<td>2,739,296</td>
<td>2,907,701</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>6,669,645</td>
<td>7,488,194</td>
</tr>
<tr>
<td>Goodwill</td>
<td>4,959,658</td>
<td>5,081,887</td>
</tr>
<tr>
<td>Deferred subscriber acquisition costs, net</td>
<td>513,320</td>
<td>429,965</td>
</tr>
<tr>
<td>Other assets</td>
<td>247,519</td>
<td>120,279</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$16,083,652</td>
<td>$17,208,608</td>
</tr>
</tbody>
</table>

| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $58,049 | $58,184 |
| Accounts payable | 241,954 | 221,341 |
| Deferred revenue | 342,359 | 334,886 |
| Accrued expenses and other current liabilities | 477,366 | 398,079 |
| **Total current liabilities** | 1,119,728 | 1,012,490 |
| Long-term debt | 9,634,226 | 9,944,112 |
| Deferred subscriber acquisition revenue | 673,625 | 544,429 |
| Deferred tax liabilities | 1,166,269 | 1,342,168 |
| Other liabilities | 305,435 | 140,604 |
| **Total liabilities** | 12,899,283 | 12,983,803 |

Commitments and contingencies (Note 14)

Stockholders' equity:

- Preferred stock—authorized 250,000 shares of $0.01 par value; none issued and outstanding as of December 31, 2019 and 2018
- Common stock—authorized 3,999,000,000 shares of $0.01 par value; issued and outstanding shares of 753,622,044 and 766,881,453 as of December 31, 2019 and 2018, respectively
- Additional paid-in capital
- Accumulated deficit
- Accumulated other comprehensive loss

**Total stockholders' equity** | 3,184,369 | 4,224,805 |

**Total liabilities and stockholders' equity** | $16,083,652 | $17,208,608 |

See Notes to Consolidated Financial Statements

F-4
<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,307,582</td>
<td>$4,109,939</td>
<td>$4,029,279</td>
</tr>
<tr>
<td>Installation and other</td>
<td>818,075</td>
<td>471,734</td>
<td>286,223</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>5,125,657</td>
<td>4,581,673</td>
<td>4,315,502</td>
</tr>
<tr>
<td>Cost of revenue (exclusive of depreciation and amortization shown separately below)</td>
<td>1,390,284</td>
<td>1,041,336</td>
<td>895,736</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>1,406,532</td>
<td>1,246,950</td>
<td>1,209,200</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,989,082</td>
<td>1,930,929</td>
<td>1,863,299</td>
</tr>
<tr>
<td>Merger, restructuring, integration, and other</td>
<td>35,882</td>
<td>(3,344)</td>
<td>64,828</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>45,482</td>
<td>87,962</td>
<td>—</td>
</tr>
<tr>
<td>Loss on sale of business</td>
<td>61,951</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>196,444</td>
<td>277,840</td>
<td>282,439</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(619,573)</td>
<td>(663,204)</td>
<td>(732,841)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(104,075)</td>
<td>(274,836)</td>
<td>(4,331)</td>
</tr>
<tr>
<td>Other income</td>
<td>5,012</td>
<td>27,582</td>
<td>33,047</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(522,192)</td>
<td>(632,618)</td>
<td>(421,686)</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>98,042</td>
<td>23,463</td>
<td>764,313</td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
<td>$ (424,150)</td>
<td>$ (609,155)</td>
<td>$ 342,627</td>
</tr>
</tbody>
</table>

**Net (loss) income per share:**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$(0.57)</td>
<td>$(0.81)</td>
<td>$0.53</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(0.57)</td>
<td>$(0.81)</td>
<td>$0.53</td>
</tr>
</tbody>
</table>

**Weighted-average number of shares:**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>747,238</td>
<td>747,710</td>
<td>641,074</td>
</tr>
<tr>
<td>Diluted</td>
<td>747,238</td>
<td>747,710</td>
<td>641,074</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements

F-5
ADT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>$(424,150)</td>
<td>$(609,155)</td>
<td>$342,627</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>$(38,103)</td>
<td>$(21,284)</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>51,599</td>
<td>$(44,656)</td>
<td>23,720</td>
</tr>
<tr>
<td>Defined benefit pension plans</td>
<td>(93)</td>
<td>(1,832)</td>
<td>780</td>
</tr>
<tr>
<td>Total other comprehensive income (loss), net of tax</td>
<td>13,403</td>
<td>$(67,772)</td>
<td>24,500</td>
</tr>
<tr>
<td>Comprehensive (loss) income</td>
<td>$(410,747)</td>
<td>$(676,927)</td>
<td>$367,127</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements

F-6
<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Number of Common Shares</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Deficit</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2016</strong></td>
<td>641,047</td>
<td>2</td>
<td>4,424,321</td>
<td>$(590,840)</td>
<td>$(28,507)</td>
<td>$3,804,976</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>342,627</td>
<td>—</td>
<td>342,627</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>24,500</td>
<td>24,500</td>
</tr>
<tr>
<td>Dividends</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(749,999)</td>
<td>—</td>
<td>(749,999)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>68</td>
<td>—</td>
<td>11,276</td>
<td>—</td>
<td>—</td>
<td>11,276</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>—</td>
<td>(268)</td>
<td>—</td>
<td>—</td>
<td>(268)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2017</strong></td>
<td>641,119</td>
<td>2</td>
<td>4,435,329</td>
<td>$(998,212)</td>
<td>$(4,007)</td>
<td>$3,433,112</td>
</tr>
<tr>
<td>Adoption of accounting standard, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>34,430</td>
<td>—</td>
<td>34,430</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(609,155)</td>
<td>—</td>
<td>(609,155)</td>
</tr>
<tr>
<td>Other comprehensive loss, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(67,772)</td>
<td>—</td>
<td>(67,772)</td>
</tr>
<tr>
<td>Common stock issued for initial public offering proceeds, net of related fees and tax benefit</td>
<td>105,000</td>
<td>1,050</td>
<td>1,405,678</td>
<td>—</td>
<td>—</td>
<td>1,406,728</td>
</tr>
<tr>
<td>Dividends</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(107,355)</td>
<td>—</td>
<td>(107,355)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>20,756</td>
<td>—</td>
<td>135,012</td>
<td>—</td>
<td>—</td>
<td>135,012</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>6,617</td>
<td>(6,672)</td>
<td>(140)</td>
<td>—</td>
<td>(195)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2018</strong></td>
<td>766,881</td>
<td>7,669</td>
<td>5,969,347</td>
<td>(1,680,432)</td>
<td>(71,779)</td>
<td>4,224,805</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(424,150)</td>
<td>—</td>
<td>(424,150)</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>13,403</td>
<td>13,403</td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>(23,883)</td>
<td>(239)</td>
<td>(149,629)</td>
<td>—</td>
<td>—</td>
<td>(149,868)</td>
</tr>
<tr>
<td>Dividends, including dividends reinvested in common stock</td>
<td>10,744</td>
<td>107</td>
<td>67,660</td>
<td>(633,223)</td>
<td>—</td>
<td>(565,456)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>—</td>
<td>—</td>
<td>85,626</td>
<td>—</td>
<td>—</td>
<td>85,626</td>
</tr>
<tr>
<td>Other</td>
<td>(120)</td>
<td>(1)</td>
<td>4,398</td>
<td>(4,388)</td>
<td>—</td>
<td>9</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2019</strong></td>
<td>753,622</td>
<td>7,536</td>
<td>5,977,402</td>
<td>(2,742,193)</td>
<td>(58,376)</td>
<td>3,184,369</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements
<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(424,150)</td>
<td>$(609,155)</td>
<td>$342,627</td>
</tr>
<tr>
<td>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,989,082</td>
<td>1,930,929</td>
<td>1,863,299</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition costs</td>
<td>80,128</td>
<td>59,928</td>
<td>51,491</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition revenue</td>
<td>(107,284)</td>
<td>(79,136)</td>
<td>(46,454)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>85,626</td>
<td>135,012</td>
<td>11,276</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(117,889)</td>
<td>(27,338)</td>
<td>(776,683)</td>
</tr>
<tr>
<td>Provision for losses on accounts receivable and inventory</td>
<td>55,452</td>
<td>61,026</td>
<td>56,687</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>104,075</td>
<td>274,836</td>
<td>4,331</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>45,482</td>
<td>87,962</td>
<td>—</td>
</tr>
<tr>
<td>Loss on sale of business</td>
<td>61,951</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other non-cash items, net</td>
<td>137,776</td>
<td>20,245</td>
<td>43,107</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>1,873,117</td>
<td>1,787,607</td>
<td>1,591,930</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dealer generated customer accounts and bulk account purchases</td>
<td>(669,683)</td>
<td>(693,525)</td>
<td>(653,222)</td>
</tr>
<tr>
<td>Subscriber system assets</td>
<td>(542,305)</td>
<td>(576,290)</td>
<td>(582,723)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(158,846)</td>
<td>(126,799)</td>
<td>(130,624)</td>
</tr>
<tr>
<td>Acquisition of businesses, net of cash acquired</td>
<td>(108,716)</td>
<td>(352,819)</td>
<td>(63,518)</td>
</tr>
<tr>
<td>Sale of business, net of cash sold</td>
<td>496,398</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other investing, net</td>
<td>(17,153)</td>
<td>(84,245)</td>
<td>45,754</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(978,177)</td>
<td>(1,738,210)</td>
<td>(1,413,310)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from initial public offering, net of related fees</td>
<td>—</td>
<td>1,406,019</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>3,403,022</td>
<td>422,875</td>
<td>1,344,126</td>
</tr>
<tr>
<td>Repayment of long-term borrowings, including call premiums</td>
<td>(3,845,195)</td>
<td>(699,637)</td>
<td>(724,999)</td>
</tr>
<tr>
<td>Repayment of mandatorily redeemable preferred securities, including redemption premium</td>
<td>—</td>
<td>(852,769)</td>
<td>—</td>
</tr>
<tr>
<td>Dividends on common stock</td>
<td>(564,767)</td>
<td>(79,439)</td>
<td>(749,999)</td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>(149,868)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td>(54,382)</td>
<td>(337)</td>
<td>(400)</td>
</tr>
<tr>
<td>Other financing, net</td>
<td>(3,014)</td>
<td>(3,711)</td>
<td>(11,797)</td>
</tr>
<tr>
<td><strong>Net cash (used in) provided by financing activities</strong></td>
<td>(1,214,204)</td>
<td>193,001</td>
<td>(143,069)</td>
</tr>
<tr>
<td><strong>Effect of currency translation on cash</strong></td>
<td>838</td>
<td>(2,018)</td>
<td>338</td>
</tr>
<tr>
<td><strong>Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents</strong></td>
<td>(318,426)</td>
<td>240,380</td>
<td>35,889</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents and restricted cash and cash equivalents at beginning of period</strong></td>
<td>367,162</td>
<td>126,782</td>
<td>90,893</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents and restricted cash and cash equivalents at end of period</strong></td>
<td>$48,736</td>
<td>$367,162</td>
<td>$126,782</td>
</tr>
<tr>
<td><strong>Supplementary cash flow information:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid, net of interest income</td>
<td>$545,206</td>
<td>$688,121</td>
<td>$661,250</td>
</tr>
<tr>
<td>(Refunds) payments on income taxes, net</td>
<td>$(1,001)</td>
<td>$6,346</td>
<td>$19,433</td>
</tr>
</tbody>
</table>

ADT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

Years Ended December 31,
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Amount 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of shares in lieu of cash dividends</td>
<td>$67,767</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements

F-8
1. Description of Business and Summary of Significant Accounting Policies

Organization and Business

ADT Inc., together with its wholly owned subsidiaries (collectively, the “Company”), is a leading provider of security, automation, and smart home solutions serving consumer and business customers in the United States (“U.S.”). ADT Inc. was incorporated in the State of Delaware in May 2015 as a holding company with no assets or liabilities. In July 2015, the Company acquired Protection One, Inc. and ASG Intermediate Holding Corp. (collectively, the “Formation Transactions”), which were instrumental in the commencement of the Company’s operations. In May 2016, the Company acquired The ADT Security Corporation (formerly named The ADT Corporation) (“The ADT Corporation”) (the “ADT Acquisition”). The Company primarily conducts business under the ADT brand name.

In January 2018, the Company completed an initial public offering (“IPO”) and its common stock began trading on the New York Stock Exchange under the symbol “ADT.”

The Company is majority-owned by Prime Security Services TopCo Parent, L.P. (“Ultimate Parent”). Ultimate Parent is majority-owned by Apollo Investment Fund VIII, L.P. and its related funds that are directly or indirectly managed by Apollo Global Management, Inc. (together with its subsidiaries and affiliates, “Apollo” or the “Sponsor”).

Significant Accounting Policies

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (“GAAP”) requires the Company to select accounting policies and make estimates that affect amounts reported in the consolidated financial statements and the accompanying notes. The Company’s estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions.

Information on accounting policies and methods related to revenue, leases, acquisitions and dispositions, goodwill and other intangible assets, debt, mandatorily redeemable preferred securities, derivatives, equity, share-based compensation, net (loss) income per share, income taxes, retirement plans, and loss contingencies is included in the respective footnotes that follow. Below is a discussion of accounting policies and methods used in the consolidated financial statements that are not presented in other footnotes.

Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of ADT Inc. and its wholly owned subsidiaries, and have been prepared in U.S. dollars in accordance with GAAP. All intercompany transactions have been eliminated. Certain prior period amounts have been reclassified to conform with the current period presentation.

The Company has a single operating and reportable segment based on the manner in which the Chief Executive Officer, who is the chief operating decision maker, evaluates performance and makes decisions about how to allocate resources.

On January 4, 2018, the board of directors of the Company declared a 1.681-for-1 stock split (the “Stock Split”) of the Company’s common stock issued and outstanding as of January 4, 2018. Unless otherwise noted, all share and per-share data included in these consolidated financial statements have been adjusted to give effect to the Stock Split. In addition, the number of shares subject to, and the exercise price of, the Company’s outstanding options were adjusted to reflect the Stock Split.

Foreign Currency Translation and Transaction Gains and Losses

The Company’s reporting currency is the U.S. dollar. As such, the financial statements of a foreign subsidiary are translated into U.S. dollars using the foreign exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated using the end-of-period spot foreign exchange rate. Revenue, expenses, and cash flows are translated at the average foreign exchange rate for each period. Equity accounts are translated at historical foreign exchange rates. The effects of these translation adjustments are reported as a component of accumulated other comprehensive (loss) income (“AOCI”) in the Consolidated Balance Sheets. In addition, translation adjustments related to intercompany loans denominated in a foreign currency that are determined to be of a long-term investment nature are reported as a component of AOCI in the Consolidated Balance Sheets.

F-9
For any transaction that is denominated in a currency different from the entity’s functional currency, a gain or loss is recognized in the Consolidated Statements of Operations based on the difference between the foreign exchange rate at the transaction date and the foreign exchange rate at the transaction settlement date (or rate at period end, if unsettled).

**Cash and Cash Equivalents and Restricted Cash and Cash Equivalents**

All highly liquid investments with original maturities of three months or less from the time of purchase are considered to be cash equivalents. Restricted cash and cash equivalents are cash and cash equivalents that are restricted for a specific purpose and cannot be included in the general cash and cash equivalents account. Restricted cash and cash equivalents are reflected in prepaid expenses and other current assets in the Consolidated Balance Sheets.

The following table provides a reconciliation of the amount of cash and cash equivalents and restricted cash and cash equivalents reported in the Consolidated Balance Sheets to the total of the same of such amounts shown in the Consolidated Statements of Cash Flows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$48,736</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents in prepaid expenses and other current assets</td>
<td>—</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents and restricted cash and cash equivalents at end of period</strong></td>
<td><strong>$48,736</strong></td>
</tr>
</tbody>
</table>

**Accounts Receivable, net**

Accounts receivable represent amounts due from customers and are presented net of allowance for doubtful accounts in the Consolidated Balance Sheets. The allowance for doubtful accounts reflects the Company’s best estimate of probable losses inherent in the Company’s accounts receivable based on historical experience and other currently available evidence. Accounts receivable are written off once deemed uncollectible. The changes in the allowance for doubtful accounts during the periods presented are as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$39,765</td>
</tr>
<tr>
<td>Provision for bad debt expense</td>
<td>$56,060</td>
</tr>
<tr>
<td>Deductions and other</td>
<td>$(51,488)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td><strong>$44,337</strong></td>
</tr>
</tbody>
</table>

**Inventories, net**

Inventories are primarily comprised of security system components and parts, as well as finished goods. The Company records inventory at the lower of cost and net realizable value. Inventories are presented net of an obsolescence reserve.

**Work-in-Progress**

Work-in-progress includes certain costs incurred for customer installations of security system equipment sold outright to customers that have not yet been completed.

**Property and Equipment, net**

Property and equipment, net is recorded at historical cost less accumulated depreciation, which is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

<table>
<thead>
<tr>
<th></th>
<th>Up to 40 years</th>
<th>Lesser of remaining term of the lease or economic useful life</th>
<th>3 to 10 years</th>
<th>Up to 14 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and related improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized software</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery, equipment, and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Depreciation expense is included in depreciation and intangible asset amortization in the Consolidated Statements of Operations and was $187 million, $166 million, and $151 million during 2019, 2018, and 2017, respectively. Repairs and maintenance expenditures are expensed when incurred.

The gross carrying amount, accumulated depreciation and net carrying amount of property and equipment, net as of December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Land</td>
<td>$13,303</td>
</tr>
<tr>
<td>Buildings and leasehold improvements</td>
<td>$87,850</td>
</tr>
<tr>
<td>Capitalized software</td>
<td>$465,750</td>
</tr>
<tr>
<td>Machinery, equipment, and other</td>
<td>$162,611</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$35,181</td>
</tr>
<tr>
<td>Finance leases</td>
<td>$110,289</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>$(546,253)</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>$328,731</strong></td>
</tr>
</tbody>
</table>

**Subscriber System Assets, net and Deferred Subscriber Acquisition Costs, net**

The Company capitalizes certain costs associated with transactions in which the Company retains ownership of the security system as well as incremental selling expenses related to acquiring customers. These costs include equipment, installation costs, and other incremental costs and are recorded in subscriber system assets, net and deferred subscriber acquisition costs, net in the Consolidated Balance Sheets. These assets embody a probable future economic benefit as they contribute to the generation of future monitoring and related services revenue for the Company.

Subscriber system assets represent capitalized equipment and installation costs incurred in connection with transactions in which the Company retains ownership of the security system. Upon customer termination, the Company may retrieve such assets. Depreciation expense relating to subscriber system assets is included in depreciation and intangible asset amortization in the Consolidated Statements of Operations and was $558 million, $549 million, and $537 million during 2019, 2018, and 2017, respectively.

The gross carrying amount, accumulated depreciation and net carrying amount of subscriber system assets as of December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>$4,597,908</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>$(1,858,612)</td>
</tr>
<tr>
<td><strong>Subscriber system assets, net</strong></td>
<td><strong>$2,739,296</strong></td>
</tr>
</tbody>
</table>

Deferred subscriber acquisition costs represent incremental selling expenses (primarily commissions) related to acquiring customers. Amortization expense relating to deferred subscriber acquisition costs included in selling, general and administrative expenses in the Consolidated Statements of Operations was $80 million, $60 million, and $51 million during 2019, 2018, and 2017, respectively.

Subscriber system assets and any related deferred subscriber acquisition costs resulting from customer acquisitions are accounted for on a pooled basis based on the month and year of acquisition. The Company depreciates and amortizes its pooled subscriber system assets and related deferred subscriber acquisition costs using an accelerated method over the estimated life of the customer relationship, which is 15 years. In order to align the depreciation and amortization of subscriber system assets and related deferred costs to the pattern in which their economic benefits are consumed, the accelerated method utilizes an average declining balance rate of approximately 250% and converts to straight-line methodology when the resulting charge is greater than that from the accelerated method, resulting in an average charge of approximately 55% of the pool within the first five years, 25% within the second five years, and 20% within the final five years.
**Long-Lived Asset Impairments**

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset or asset group may not be fully recoverable. The Company groups assets at the lowest level for which cash flows are separately identified. Recoverability is measured by a comparison of the carrying amount of the asset group to its expected future undiscounted cash flows. If the expected future undiscounted cash flows of the asset group are less than its carrying amount, an impairment loss is recognized based on the amount by which the carrying amount exceeds the fair value less costs to sell. The calculation of the fair value less costs to sell of an asset group is based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.

There were no material long-lived asset impairments during 2019, 2018, or 2017.

**Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of December 31, 2019 and 2018 consisted of the following:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued interest</td>
<td>$115,070</td>
<td>$85,046</td>
</tr>
<tr>
<td>Payroll-related accruals</td>
<td>91,944</td>
<td>105,089</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>270,352</td>
<td>207,944</td>
</tr>
<tr>
<td><strong>Accrued expenses and other current liabilities</strong></td>
<td><strong>$477,366</strong></td>
<td><strong>$398,079</strong></td>
</tr>
</tbody>
</table>

**Advertising**

Advertising costs are expensed when incurred and are included in selling, general and administrative expenses in the Consolidated Statements of Operations and were $160 million, $143 million, and $134 million during 2019, 2018, and 2017, respectively.

**Radio Conversion Costs**

During 2018, the Company completed a program to replace 2G cellular technology used in many of its security systems. The providers of 3G and Code-Division Multiple Access (“CDMA”) cellular networks have notified the Company that they will be retiring their 3G and CDMA networks during 2022. Accordingly, during 2019 the Company commenced a program to replace the 3G and CMDA cellular equipment used in many of its security systems. The Company estimates the range of costs for this replacement program at $200 million to $325 million through 2022, and the Company expects to incur $100 million to $150 million during 2020. This range is net of any revenue the Company collects from customers associated with these radio replacements and cellular network conversions. The Company seeks to minimize these costs by converting customers during routine service visits whenever possible. The replacement program and pace of replacement are subject to change and may be influenced by cost-sharing opportunities with suppliers, carriers, and customers as well as new and innovative technologies.

Radio conversion costs are included in selling, general and administrative expenses in the Consolidated Statements of Operations. The Company incurred $30 million, $5 million, and $12 million of radio conversion costs during 2019, 2018, and 2017, respectively.

**Merger, Restructuring, Integration, and Other**

Merger, restructuring, integration, and other represents certain direct and incremental costs resulting from acquisitions made by the Company, integration costs as a result of those acquisitions, costs related to the Company’s restructuring efforts, as well as fair value remeasurements and impairment charges on certain strategic investments.

**Other Income**

Other income was not material during 2019. During 2018, other income primarily included $22 million of licensing fees as well as a gain of $7.5 million from the sale of equity in a third-party that the Company received as part of a non-recurring settlement. During 2017, other income primarily included foreign currency transaction gains of $24 million from the conversion of intercompany loans that are denominated in Canadian dollars.
Concentration of Credit Risks

The majority of the Company’s cash and cash equivalents and restricted cash and cash equivalents are held at major financial institutions. Certain account balances exceed the Federal Deposit Insurance Corporation insurance limits of $250,000 per account, as a result, there is a concentration of credit risk related to amounts in excess of the insurance limits. The Company regularly monitors the financial stability of these financial institutions and believes that there is no exposure to any significant credit risk in cash and cash equivalents and restricted cash and cash equivalents.

The Company’s risk due to the concentration of credit risk associated with accounts receivable is limited due to the significant size of the Company’s customer base.

Fair Value of Financial Instruments

The Company’s financial instruments primarily consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative financial instruments. Due to their short-term and/or liquid nature, the fair values of cash, restricted cash, accounts receivable, and accounts payable approximate their respective carrying amounts.

Cash Equivalents - Included in cash and cash equivalents are investments in money market mutual funds. The Company had no cash equivalents as of December 31, 2019. Cash equivalents totaled $221 million as of December 31, 2018. These investments are classified as Level 1 fair value measurements, which represent unadjusted quoted prices in active markets for identical assets or liabilities.

Long-Term Debt Instruments - The fair values of the Company’s debt instruments were determined using broker-quoted market prices, which are considered Level 2 fair value measurements, which represent prices based on quoted prices for similar assets or liabilities as well as other observable market data. The carrying amount of debt outstanding, if any, under the Company’s revolving credit facility approximates fair value as interest rates on these borrowings approximate current market rates and are considered Level 2 inputs.

The carrying amount and fair value of the Company’s long-term debt instruments that are subject to fair value disclosures as of December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt instruments, excluding finance lease obligations</td>
<td>$9,617,491</td>
<td>$10,177,751</td>
</tr>
<tr>
<td></td>
<td>$9,952,385</td>
<td>$9,828,274</td>
</tr>
</tbody>
</table>

Derivative Financial Instruments - Derivative financial instruments are reported at fair value as either assets or liabilities in the Consolidated Balance Sheets. These fair values are primarily calculated using discounted cash flow analysis valuation techniques that incorporate observable inputs, such as quoted forward interest rates, and incorporate credit risk adjustments to reflect the risk of default by the counterparty or the Company. The inputs to these valuations are considered Level 2 inputs.

Guarantees

In the normal course of business, the Company is liable for contract completion and product performance. The Company does not believe such obligations will materially affect its financial position, results of operations, or cash flows. The Company had no material guarantees other than in standby letters of credit related to its insurance programs. The Company’s guarantees totaled $47 million and $54 million as of December 31, 2019 and 2018, respectively.

Recently Adopted Accounting Pronouncements

Lease Accounting

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-02, Leases, and related amendments, require lessees to recognize a right-of-use asset and a lease liability for substantially all leases and to disclose key information about leasing arrangements and aligns certain underlying principles of the lessor model with the revenue standard. The Company adopted this guidance in the first quarter of 2019 using the optional transition method, which allows entities to apply the guidance at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings, if any, in the period of adoption with no restatement of comparative periods. As part of the adoption, the Company elected to apply the package of transitional practical expedients under which the Company did not reassess prior conclusions about lease identification, lease classification,
and initial direct costs of existing leases as of the date of adoption. Additionally, the Company elected lessee and lessor practical expedients to not separate non-lease components from lease components. The Company did not elect to apply the hindsight transitional practical expedient to reassess the lease terms of existing lease arrangements as of the date of adoption or the short-term lease recognition exemption.

Upon transition to the guidance as of the date of adoption, the Company recognized operating lease liabilities in the Consolidated Balance Sheet, with a corresponding amount of right-of-use assets, net of amounts reclassified from other assets and liabilities that are required to be presented as a component of operating lease liabilities or right-of-use assets. Refer to Note 3 “Leases” for further discussion regarding the amount of operating lease liabilities and right-of-use assets recognized as of the date of adoption. Further, the adoption did not have a material effect on the Consolidated Statements of Operations or Cash Flows.

The net impact of the adoption to the line items in the Consolidated Balance Sheet was as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2018</th>
<th>Lease Standard Adoption Adjustment</th>
<th>January 1, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>$129,811</td>
<td>$(885) $128,926</td>
<td></td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>7,488,194</td>
<td>(658) 7,487,536</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>120,279</td>
<td>125,170</td>
<td>245,449</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>398,079</td>
<td>29,460 427,539</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>140,604</td>
<td>94,167 234,771</td>
<td></td>
</tr>
</tbody>
</table>

**Recently Issued Accounting Pronouncements**

**Measurement of Credit Losses on Financial Instruments**

ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, and related amendments, introduces new guidance which makes substantive changes to the accounting for credit losses. This guidance introduces the current expected credit losses (“CECL”) model which applies to financial assets subject to credit losses and measured at amortized cost, as well as certain off-balance sheet credit exposures. The CECL model requires an entity to estimate credit losses expected over the life of an exposure, considering information about historical events, current conditions, and reasonable and supportable forecasts and is generally expected to result in earlier recognition of credit losses. The Company will adopt this guidance in the first quarter of 2020 with the cumulative effect of adoption as an adjustment to retained earnings, if any. The Company is currently evaluating the impact of this guidance.

**Cloud Computing Arrangement Costs**

ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is classified as a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Company will adopt this guidance prospectively to all implementation costs incurred starting in the first quarter of 2020. The Company is currently evaluating the impact of this guidance.

2. Revenue

The Company generates revenue primarily through contractual monthly recurring fees received for monitoring and related services provided to customers. In transactions in which the Company provides monitoring and related services but retains ownership of the security system, the Company’s performance obligations primarily include monitoring, related services (such as maintenance agreements), and a material right associated with the non-refundable fees received in connection with the initiation of a monitoring contract (referred to as deferred subscriber acquisition revenue) that the customer will not need to pay upon a renewal of the contract. The portion of the transaction price associated with monitoring and related services revenue is recognized when the services are provided to the customer and is reflected in monitoring and related services revenue in the Consolidated Statements of Operations.

Deferred subscriber acquisition revenue is deferred and recorded as deferred subscriber acquisition revenue in the Consolidated Balance Sheets upon initiation of a monitoring contract. Deferred subscriber acquisition revenue is amortized on a pooled basis into installation and other revenue in the Consolidated Statements of Operations over the estimated life of the customer relationship using an accelerated method consistent with the amortization of subscriber system assets and deferred subscriber acquisition costs.

F-14
associated with the transaction. Amortization of deferred subscriber acquisition revenue was $107 million, $79 million, and $46 million in 2019, 2018, and 2017, respectively.

In transactions involving a security system that is sold outright to the customer, the Company’s performance obligations generally include monitoring, related services, and the sale and installation of the security system. For such arrangements, the Company allocates a portion of the transaction price to each performance obligation based on a relative standalone selling price. Revenue associated with the sale and installation of a security system is recognized either at a point in time or over time based upon the nature of the transaction and contractual terms and is reflected in installation and other revenue in the Consolidated Statements of Operations. Revenue associated with monitoring and related services is recognized as those services are provided and is reflected in monitoring and related services revenue in the Consolidated Statements of Operations.

Early termination of the contract by the customer results in a termination charge in accordance with the contract terms. Contract termination charges are recognized in revenue when collectability is probable and are reflected in monitoring and related services revenue in the Consolidated Statements of Operations. The Company records revenue in the Consolidated Statements of Operations net of sales and other taxes. Amounts collected from customers for sales and other taxes are reported as a liability net of the related amounts remitted.

Customer billings for services not yet rendered are deferred and recognized as revenue as services are provided. These fees are recorded as current deferred revenue in the Consolidated Balance Sheets as the Company expects to satisfy any remaining performance obligations, as well as recognize the related revenue, within the next twelve months. Accordingly, the Company has applied the practical expedient regarding deferred revenue to exclude the value of remaining performance obligations if (i) the contract has an original expected term of one year or less or (ii) the Company recognizes revenue in proportion to the amount it has the right to invoice for services performed.

The following table sets forth the Company’s revenue disaggregated by source under the current guidance:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,307,582</td>
<td>$4,109,939</td>
</tr>
<tr>
<td>Installation and other</td>
<td>818,075</td>
<td>471,734</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>$5,125,657</strong></td>
<td><strong>$4,581,673</strong></td>
</tr>
</tbody>
</table>

On January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers, and related amendments, which established a single comprehensive model to account for revenue arising from contracts with customers. The Company adopted this new standard and its related amendments using the modified retrospective transition method, whereby the cumulative effect of initially applying the new standard was recognized as an adjustment to the opening balance of stockholders’ equity. Results for reporting periods beginning on or after January 1, 2018 are presented under this new standard, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

The largest impact from the new standard relates to the timing of recognition of certain incremental selling costs associated with acquiring new customers. Under the new standard, certain costs previously amortized over the initial contract term are now amortized over the estimated life of a customer relationship using an accelerated method over 15 years. To a lesser extent, the adoption of the new standard impacted the identification of performance obligations and the allocation of transaction price to those performance obligations for certain sales of security systems sold outright to customers.

As of January 1, 2018, due to the cumulative impact of adopting this new standard, the Company recorded a net increase to the opening balance of stockholders’ equity of $34 million, which is net of tax of $12 million. The impact from the adoption of the new revenue standard on the Company’s consolidated financial statements was not material during 2018.

3. Leases

**Company as Lessor**

The Company is a lessor in certain transactions in which the Company provides monitoring and related services but retains ownership of the security system as the Company has identified a lease component associated with the right-of-use of the security system and a non-lease component associated with monitoring and related services. For transactions in which the timing and pattern of transfer is the same for the lease and non-lease components, and the lease component would be classified as an operating lease if accounted for separately, the Company applies the practical expedient to aggregate the lease and non-lease components and accounts for the combined component based upon its predominant characteristic, which is the non-lease component. As a result,
the Company accounts for the combined component as a single performance obligation under the applicable revenue guidance and the underlying assets are reflected within subscriber system assets, net in the Consolidated Balance Sheets.

Certain of the Company’s transactions do not qualify for the practical expedient as the lease component represents a sales-type lease, and as such, the Company separately accounts for the lease component and non-lease component. The Company’s sales-type leases are not material.

**Company as Lessee**

The Company leases real estate, vehicles, and equipment with various lease terms and maturities that extend out through 2030 from various counter parties as part of normal operations. The Company applies the practical expedient to not separate the lease and non-lease components and accounts for the combined component as a lease. Additionally, the Company’s right-of-use assets and lease liabilities include leases with an initial lease term of 12 months or less.

The Company’s right-of-use assets and lease liabilities primarily represent (a) lease payments that are fixed at the commencement of a lease and (b) variable lease payments that depend on an index or rate. Lease payments are recognized as lease cost on a straight-line basis over the lease term, which is determined as the non-cancelable period, periods in which termination options are reasonably certain of not being exercised, and periods in which renewal options are reasonably certain of being exercised. The discount rate for a lease is determined using the Company’s incremental borrowing rate that coincides with the lease term at the commencement of a lease. The incremental borrowing rate is estimated based on publicly available data for the Company’s debt instruments and other instruments with similar characteristics.

Lease payments that are not fixed or that are not dependent on an index or rate and vary because of changes in usage or other factors are included in variable lease costs. Variable lease costs, which primarily relate to fuel, repair, and maintenance payments that vary based on the usage of leased vehicles, are recorded in the period in which the obligation is incurred.

The Company’s leases do not contain material residual value guarantees or restrictive covenants. The Company’s subleases are not material.

The following table presents the amounts reported in the Company’s Consolidated Balance Sheets related to operating and finance leases as of the presented periods:

<table>
<thead>
<tr>
<th>Leases (in thousands)</th>
<th>Classification</th>
<th>December 31, 2019</th>
<th>January 1, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>Prepaid expenses and other current assets</td>
<td>$ 1,191</td>
<td>$ 1,642</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>Other assets</td>
<td>122,464</td>
<td>125,936</td>
</tr>
<tr>
<td>Finance</td>
<td>Property and equipment, net(a)</td>
<td>66,001</td>
<td>38,181</td>
</tr>
<tr>
<td><strong>Total right-of-use assets</strong></td>
<td></td>
<td>$ 189,656</td>
<td>$ 165,759</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>Accrued expenses and other current liabilities</td>
<td>$ 29,745</td>
<td>$ 30,357</td>
</tr>
<tr>
<td>Finance</td>
<td>Current maturities of long-term debt</td>
<td>26,949</td>
<td>18,343</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>Other liabilities</td>
<td>99,999</td>
<td>99,168</td>
</tr>
<tr>
<td>Finance</td>
<td>Long-term debt</td>
<td>47,835</td>
<td>31,568</td>
</tr>
<tr>
<td><strong>Total lease liabilities</strong></td>
<td></td>
<td>$ 204,528</td>
<td>$ 179,436</td>
</tr>
</tbody>
</table>

(a) Finance right-of-use assets are recorded net of accumulated depreciation of approximately $44 million and $32 million as of December 31, 2019 and January 1, 2019, respectively.

F-16
The following is a summary of the Company’s lease cost for the presented period:

<table>
<thead>
<tr>
<th>Lease Cost (in thousands)</th>
<th>For the Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease cost</td>
<td>$58,579</td>
</tr>
<tr>
<td>Finance lease cost</td>
<td></td>
</tr>
<tr>
<td>Amortization of right-of-use assets</td>
<td>22,957</td>
</tr>
<tr>
<td>Interest on lease liabilities</td>
<td>3,770</td>
</tr>
<tr>
<td>Variable lease costs</td>
<td>48,325</td>
</tr>
<tr>
<td>Total lease cost</td>
<td>$133,631</td>
</tr>
</tbody>
</table>

The following is a summary of the cash flows and supplemental information associated with the Company’s leases for the presented period:

<table>
<thead>
<tr>
<th>Other information (in thousands)</th>
<th>For the Year Ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for amounts included in the measurement of lease liabilities</td>
<td></td>
</tr>
<tr>
<td>Operating cash flows from operating leases</td>
<td>$57,212</td>
</tr>
<tr>
<td>Operating cash flows from finance leases</td>
<td>3,770</td>
</tr>
<tr>
<td>Financing cash flows from finance leases</td>
<td>24,918</td>
</tr>
<tr>
<td>Right-of-use assets obtained in exchange for new:</td>
<td></td>
</tr>
<tr>
<td>Operating lease liabilities</td>
<td>51,909</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>52,611</td>
</tr>
</tbody>
</table>

The following is a summary of the weighted-average lease term and discount rate for operating and finance leases as of the presented period:

<table>
<thead>
<tr>
<th>Lease Term and Discount Rate</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted-average remaining lease term (years)</td>
<td></td>
</tr>
<tr>
<td>Operating leases</td>
<td>5.0</td>
</tr>
<tr>
<td>Finance leases</td>
<td>3.0</td>
</tr>
<tr>
<td>Weighted-average discount rate</td>
<td></td>
</tr>
<tr>
<td>Operating leases</td>
<td>6.1%</td>
</tr>
<tr>
<td>Finance leases</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

The following is a maturity analysis related to the Company’s operating and finance leases as of December 31, 2019:

<table>
<thead>
<tr>
<th>Maturity of Lease Liabilities (in thousands)</th>
<th>Operating Leases</th>
<th>Finance Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$33,164</td>
<td>$28,528</td>
</tr>
<tr>
<td>2021</td>
<td>33,115</td>
<td>25,137</td>
</tr>
<tr>
<td>2022</td>
<td>30,127</td>
<td>19,704</td>
</tr>
<tr>
<td>2023</td>
<td>24,471</td>
<td>6,669</td>
</tr>
<tr>
<td>2024</td>
<td>12,325</td>
<td>342</td>
</tr>
<tr>
<td>Thereafter</td>
<td>17,664</td>
<td>10</td>
</tr>
<tr>
<td>Total lease payments</td>
<td>$150,866</td>
<td>$80,390</td>
</tr>
<tr>
<td>Less interest</td>
<td>21,122</td>
<td>5,606</td>
</tr>
<tr>
<td>Total</td>
<td>$129,744</td>
<td>$74,784</td>
</tr>
</tbody>
</table>
4. Acquisitions and Disposition

From time to time, the Company may pursue business acquisitions that either strategically fit with the Company’s existing core business or expand the Company’s products and services in new and attractive adjacent markets.

The Company accounts for business acquisitions under the acquisition method of accounting. The assets acquired and liabilities assumed in connection with business acquisitions are recorded at the date of acquisition at their estimated fair values, with any excess of the purchase price over the estimated fair values of the net assets acquired recorded as goodwill. Significant judgment is required in estimating the fair value of assets acquired and liabilities assumed and in assigning their respective useful lives. Accordingly, the Company may engage third-party valuation specialists to assist in these determinations. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management, but are inherently uncertain.

The consolidated financial statements reflect the results of operations of an acquired business starting from the effective date of the acquisition. Expenses related to business acquisitions are recognized as incurred and are included in merger, restructuring, integration, and other in the Consolidated Statements of Operations and were not material during 2019, 2018, and 2017.

Red Hawk Acquisition

On December 3, 2018, the Company acquired all of the issued and outstanding capital stock of Fire & Security Holdings, LLC (“Red Hawk Fire & Security”) (the “Red Hawk Acquisition”), a leader in commercial fire, life safety, and security services, for total consideration of approximately $316 million, which included the assumption of finance lease liabilities of $16 million, and cash paid of approximately $299 million, net of cash acquired. The Company funded the Red Hawk Acquisition from a combination of debt financing and cash on hand. This acquisition accelerated the Company's growth in the commercial security market and expanded the Company’s product portfolio with the introduction of commercial fire safety related solutions.

The following table summarizes the purchase price allocation of the estimated fair values of the net assets acquired and liabilities assumed as reflected in the consolidated financial statements as of the date of acquisition:

<table>
<thead>
<tr>
<th>Fair value of assets acquired and liabilities assumed (in thousands):</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,257</td>
</tr>
<tr>
<td>Accounts receivable trade</td>
<td>71,122</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,246</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>4,353</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>22,330</td>
</tr>
<tr>
<td>Goodwill</td>
<td>122,128</td>
</tr>
<tr>
<td>Contracts and related customer relationships</td>
<td>110,300</td>
</tr>
<tr>
<td>Other definite-lived intangible assets</td>
<td>10,620</td>
</tr>
<tr>
<td>Other assets</td>
<td>780</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(14,883)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(16,173)</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>(13,679)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(2,175)</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(15,657)</td>
</tr>
<tr>
<td><strong>Total consideration transferred</strong></td>
<td><strong>$ 300,569</strong></td>
</tr>
</tbody>
</table>

The purchase price allocation reflects the fair value estimates based on management analysis, including work performed by third-party valuation specialists. The acquired contracts and related customer relationships are amortized on a straight-line basis over 10 to 15 years while the acquired other definite-lived intangible assets are amortized on a straight-line basis up to 5 years. The Company recorded approximately $122 million of goodwill, the majority of which is deductible for tax purposes, which reflects the strategic value of Red Hawk Fire & Security's earnings growth potential to the Company. Additionally, the Company allocated the goodwill recognized as a result of the Red Hawk Acquisition to the Red Hawk Fire & Security reporting unit. Red Hawk Fire & Security's impact on the Company’s Consolidated Statements of Operations during 2018 and pro forma results for 2018 and 2017 is not material.
**Other Acquisitions**

During 2019, the Company paid $109 million, net of cash acquired, related to business acquisitions, which resulted in the recognition of $47 million of goodwill and $39 million of contracts and related customer relationships.

During 2018, in addition to the Red Hawk Acquisition, the Company paid $49 million, net of cash acquired, related to business acquisitions, which resulted in the recognition of $24 million of goodwill and $20 million of contracts and related customer relationships.

During 2017, the Company paid $64 million, net of cash acquired, related to business acquisitions, which resulted in the recognition of $37 million of goodwill and $21 million of contracts and related customer relationships.

The impact of these business acquisitions on the Company's Consolidated Statements of Operations during the year of acquisition and pro forma results is not material.

**Defenders Acquisition**

In January 2020, the Company acquired Defender Holdings, Inc. (“Defenders”) (the “Defenders Acquisition”), which represented the acquisition of the Company’s largest independent dealer, for (a) a contractually stated base cash price of $260 million, which was partially funded by a revolving credit facility, and (b) approximately 16 million shares of the Company’s common stock. As a result of the acquisition, Defenders became a wholly-owned subsidiary of the Company.

**Disposition of Canadian Operations**

In November 2019, the Company sold ADT Security Services Canada, Inc. (“ADT Canada”) to TELUS Corporation (“TELUS”) for a selling price of $519 million (CAD $683 million), a portion of which was placed in escrow and remains subject to certain post-closing purchase price adjustments. In connection with the sale of ADT Canada, the Company and TELUS entered into a transition services agreement whereby the Company will provide certain post-closing services to TELUS related to the business of ADT Canada. Additionally, the Company and TELUS entered into a non-competition and non-solicitation agreement pursuant to which the Company will not have any operations in Canada, subject to limited exceptions for cross-border commercial customers and mobile safety applications, for a period of seven years. Finally, the Company and TELUS entered into a patent and trademark license agreement granting the usage of the Company’s trademarks and patents in Canada to TELUS for a period of seven years.

The sale of ADT Canada did not represent a strategic shift that would have a major effect on the Company’s operations and financial results, and therefore, did not meet the criteria to be reported as discontinued operations.

During 2019, the Company recorded a loss on sale of business of $62 million related to the sale of ADT Canada, which includes the reclassification of foreign currency translation from AOCI of approximately $39 million. During 2019, the Company received $496 million of proceeds, net of cash sold of approximately $6 million, related to the sale of ADT Canada, which is reflected in cash flows from investing activities in the Consolidated Statement of Cash Flows. The Company allocated approximately $10 million of proceeds to the patent and trademark license agreement, which is reflected in cash flows from operating activities in the Consolidated Statement of Cash Flows.

The following represents ADT Canada’s loss before income taxes for the periods presented:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before income taxes</td>
<td>$(39,326)</td>
<td>$(91,760)</td>
<td>$(3,170)</td>
</tr>
</tbody>
</table>

F-19
5. Goodwill and Other Intangible Assets

Goodwill

The changes in the carrying amount of goodwill are as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 5,081,887</td>
<td>$ 5,070,586</td>
</tr>
<tr>
<td>Beginning balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td>47,196</td>
<td>116,110</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(45,482)</td>
<td>(87,962)</td>
</tr>
<tr>
<td>Disposition</td>
<td>(161,652)</td>
<td>—</td>
</tr>
<tr>
<td>Currency translation and other</td>
<td>37,709</td>
<td>(16,847)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$ 4,959,658</td>
<td>$ 5,081,887</td>
</tr>
</tbody>
</table>

As a result of the sale of ADT Canada, the Company had no accumulated goodwill impairment losses as of December 31, 2019. As of December 31, 2018, accumulated goodwill impairment losses totaled $88 million. There were no material measurement period adjustments to purchase price allocations during 2019 or 2018.

Other Intangible Assets

The gross carrying amounts, accumulated amortization, and net carrying amounts of the Company’s other intangible assets as of December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Carrying Amount</td>
<td>Accumulated Amortization</td>
</tr>
<tr>
<td>Definite-lived intangible assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts and related customer relationships</td>
<td>$ 7,889,864</td>
<td>$(3,798,319)</td>
</tr>
<tr>
<td>Dealer relationships</td>
<td>1,518,020</td>
<td>(299,459)</td>
</tr>
<tr>
<td>Other</td>
<td>210,775</td>
<td>(184,236)</td>
</tr>
<tr>
<td><strong>Total definite-lived intangible assets</strong></td>
<td>$ 9,618,659</td>
<td>$(4,282,014)</td>
</tr>
<tr>
<td>Indefinite-lived intangible assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade name</td>
<td>1,333,000</td>
<td>—</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>$ 10,951,659</td>
<td>$(4,282,014)</td>
</tr>
</tbody>
</table>

Definite-Lived Intangible Assets

Definite-lived intangible assets relate to customer relationships, dealer relationships, and other definite-lived intangible assets that originated from business acquisitions as well as contracts with customers purchased under the ADT Authorized Dealer Program or from other third parties.

Customer relationships, which primarily originated from the Formation Transactions and the ADT Acquisition, are amortized over a period of up to 20 years based on management estimates about the amounts and timing of estimated future revenue from customer accounts and average customer account life that existed at the time of the related business acquisition. Dealer relationships originated from the Formation Transactions and the ADT Acquisition and are primarily amortized over 19 years based on management estimates about the longevity of the underlying dealer network and the attrition of those respective dealers that existed at the time of the related business acquisition. Other definite-lived intangible assets are amortized over a period of up to 10 years on a straight-line basis.

The Company maintains a network of agreements with third-party independent alarm dealers who sell alarm equipment and ADT Authorized Dealer-branded monitoring and interactive services to end users (the “ADT Authorized Dealer Program”). The dealers in this program generate new end-user contracts with customers which the Company has the right, but not the obligation, to purchase from the dealer. Purchases of contracts with customers under the ADT Authorized Dealer Program, or from other third parties, are considered asset acquisitions and are recorded at their contractually determined purchase price. The Company may charge back the purchase price of any end-user contract if the contract is canceled during the charge-back period, which is generally twelve to fifteen months from the date of purchase. The Company records the amount of the charge back as a reduction to the purchase price.
The Company paid $670 million, $694 million, and $653 million for contracts with customers under the ADT Authorized Dealer Program and from other third parties during 2019, 2018, and 2017, respectively.

Purchases of contracts with customers under the ADT Authorized Dealer Program, or from other third parties, are accounted for on a pooled basis based on the month and year of acquisition. The Company amortizes its pooled contracts with customers using an accelerated method over the estimated life of the customer relationship, which is 15 years. The accelerated method for amortizing these contracts utilizes an average declining balance rate of approximately 300% and converts to straight-line methodology when the resulting amortization charge is greater than that from the accelerated method, resulting in an average amortization of approximately 65% of the pool within the first five years, 25% within the second five years, and 10% within the final five years.

The changes in the net carrying amount of contracts and related customer relationships were as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31, (in thousands)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$4,752,377</td>
<td>$4,999,028</td>
</tr>
<tr>
<td>Acquisition of customer relationships</td>
<td>38,529</td>
<td>152,263</td>
</tr>
<tr>
<td>Customer contract additions, net of dealer charge-backs</td>
<td>669,424</td>
<td>697,410</td>
</tr>
<tr>
<td>Amortization</td>
<td>(1,146,191)</td>
<td>(1,076,057)</td>
</tr>
<tr>
<td>Disposition</td>
<td>(208,688)</td>
<td>—</td>
</tr>
<tr>
<td>Currency translation and other</td>
<td>(13,906)</td>
<td>(20,267)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$4,091,545</td>
<td>$4,752,377</td>
</tr>
</tbody>
</table>

The weighted-average amortization period for contracts and related customer relationships purchased under the ADT Authorized Dealer Program and from other third parties was 15 years in 2019 and 2018.

Amortization expense for definite-lived intangible assets for the periods presented was as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31, (in thousands)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definite-lived intangible asset amortization expense</td>
<td>$1,238,064</td>
<td>$1,206,536</td>
<td>$1,164,283</td>
</tr>
</tbody>
</table>

The estimated aggregate amortization expense over the next five years for definite-lived intangible assets is expected to be as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$1,185,815</td>
<td></td>
<td>$1,056,295</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$692,671</td>
<td></td>
<td>$344,437</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$277,689</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Indefinite-Lived Intangible Assets

The Company’s indefinite-lived intangible assets as of December 31, 2019 and 2018 are solely comprised of $1.3 billion related to the ADT trade name acquired as part of the ADT Acquisition.

**Goodwill and Indefinite-Lived Intangible Assets Impairment**

Goodwill and indefinite-lived intangible assets are not amortized and are tested for impairment at least annually as of the first day of the fourth quarter of each year and more often if an event occurs or circumstances change which indicate it is more-likely-than-not that fair value is less than carrying amount. The annual impairment tests of goodwill and indefinite-lived intangible assets may be completed through qualitative assessments. The Company may elect to bypass the qualitative assessment and proceed directly to a quantitative impairment test for any reporting unit or indefinite-lived intangible asset in any period. The Company may resume the qualitative assessment for any reporting unit or indefinite-lived intangible asset in any subsequent period.
**Goodwill**

Under a qualitative approach, the impairment test for goodwill consists of an assessment of whether it is more-likely-than-not that a reporting unit’s fair value is less than its carrying amount. If the Company elects to bypass the qualitative assessment for any reporting unit, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying amount of a reporting unit exceeds its fair value, the Company proceeds to a quantitative approach.

Under a quantitative approach, the Company estimates the fair value of a reporting unit and compares it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of a reporting unit is determined using the income approach, which discounts projected cash flows using market participant assumptions. The income approach includes significant assumptions including, but not limited to, forecasted revenue, operating profit margins, operating expenses, cash flows, perpetual growth rates, and long-term discount rates. The resulting fair value under a quantitative approach is sensitive to changes in the underlying assumptions. In developing these assumptions, management relies on various factors including operating results, business plans, economic projections, anticipated future cash flows, and other market data. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying judgments and factors and ultimately impact the estimated fair value determinations may include such items as a prolonged downturn in the business environment, changes in economic conditions that significantly differ from management assumptions in timing or degree, volatility in equity and debt markets resulting in higher discount rates, and unexpected regulatory changes. As a result, there are inherent uncertainties related to these judgments and factors in applying them to the goodwill impairment test.

In connection with the sale of ADT Canada, the Company quantitatively tested the goodwill associated with the Canada reporting unit for impairment as of September 30, 2019. Based on the result of the test, which considered the selling price for ADT Canada, the Company recorded a goodwill impairment loss of $45 million related to the Canada reporting unit during 2019. During 2018, the Company recorded a goodwill impairment loss of $88 million due to the underperformance of the Canada reporting unit relative to expectations as part of the annual goodwill impairment test.

Additionally, as of October 1, 2019, the Company quantitatively tested the goodwill associated with the U.S. and Red Hawk Fire & Security reporting units. Based on the results of the tests, the Company did not record any impairment losses associated with the U.S and Red Hawk Fire & Security reporting units.

**Indefinite-Lived Intangible Assets**

Under a qualitative approach, the impairment test for an indefinite-lived intangible asset consists of an assessment of whether it is more-likely-than-not that an asset’s fair value is less than its carrying amount. If the Company elects to bypass the qualitative assessment for any indefinite-lived intangible asset, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying amount of such asset exceeds its fair value, the Company proceeds to a quantitative approach.

Under a quantitative approach, the Company estimates the fair value of an asset and compares it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of an indefinite-lived intangible asset is determined based on the nature of the underlying asset. The Company’s only indefinite-lived intangible asset is the ADT trade name. The fair value of the ADT trade name is determined under a relief from royalty method, which is an income approach that estimates the cost savings that accrue to the Company that it would otherwise have to pay in the form of royalties or license fees on revenue earned through the use of the asset. The utilization of the relief from royalty method requires the Company to make significant assumptions including revenue growth rates, the implied royalty rate, and the discount rate.

As of October 1, 2019, the Company quantitatively tested the ADT trade name for impairment. Based on the results of the test, the Company did not record an impairment loss associated with the ADT trade name.

F-22
6. Debt

Debt as of December 31, 2019 and 2018 was comprised of the following:

*(in thousands)*

<table>
<thead>
<tr>
<th>Debt Description</th>
<th>Issued</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Interest Payable</th>
<th>Balance as of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>First Lien Term B-1 Loan</td>
<td>5/2/2016</td>
<td>5/2/2022</td>
<td>Adj. LIBOR +2.75%</td>
<td>Quarterly</td>
<td>$</td>
</tr>
<tr>
<td>First Lien Term Loan due 2026</td>
<td>9/23/2019</td>
<td>9/23/2026</td>
<td>Adj. LIBOR +3.25%</td>
<td>Quarterly</td>
<td>3,102,225</td>
</tr>
<tr>
<td>Prime Notes</td>
<td>5/2/2016</td>
<td>5/15/2023</td>
<td>9.250%</td>
<td>Quarterly</td>
<td>750,000</td>
</tr>
<tr>
<td>First Lien Notes due 2024</td>
<td>4/4/2019</td>
<td>4/15/2024</td>
<td>5.250%</td>
<td>2/15 and 8/15</td>
<td>1,246,000</td>
</tr>
<tr>
<td>First Lien Notes due 2026</td>
<td>4/4/2019</td>
<td>4/15/2026</td>
<td>5.750%</td>
<td>3/15 and 9/15</td>
<td>1,350,000</td>
</tr>
<tr>
<td>ADT Notes due 2021</td>
<td>10/1/2013</td>
<td>10/15/2021</td>
<td>6.250%</td>
<td>4/15 and 10/15</td>
<td>1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2022</td>
<td>7/5/2012</td>
<td>7/15/2022</td>
<td>3.500%</td>
<td>1/15 and 7/15</td>
<td>1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2023</td>
<td>1/14/2013</td>
<td>6/15/2023</td>
<td>4.125%</td>
<td>6/15 and 12/15</td>
<td>700,000</td>
</tr>
<tr>
<td>ADT Notes due 2032</td>
<td>5/2/2016</td>
<td>7/15/2032</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>728,016</td>
</tr>
<tr>
<td>ADT Notes due 2042</td>
<td>7/5/2012</td>
<td>7/15/2042</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>21,896</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>74,784</td>
</tr>
<tr>
<td>Less: Unamortized debt discount, net</td>
<td>(26,840)</td>
<td>(19,642)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Unamortized deferred financing costs</td>
<td>(58,075)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Unamortized purchase accounting fair value adjustment and other</td>
<td>(195,731)</td>
<td>(205,483)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total debt</td>
<td>9,692,275</td>
<td>10,002,296</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Current maturities of long-term debt</td>
<td>(58,049)</td>
<td>(58,184)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$9,634,226</td>
<td>$9,944,112</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N/A—Not applicable

**First Lien Credit Agreement**

Concurrently with the consummation of the Formation Transactions, the Company entered into a first lien credit agreement dated as of July 1, 2015 (together with the subsequent amendments and restatements described below, the “First Lien Credit Agreement”), which included a term loan facility with an initial aggregate principal amount of $1.1 billion maturing on July 1, 2021 (the “First Lien Term B Loan”) and a first lien revolving credit facility with an aggregate commitment of up to $95 million and maturing on July 1, 2020 (the “2020 Revolving Credit Facility”).

The interest rate for the First Lien Term B Loan was originally calculated as, at the Company’s option, either (a) LIBOR determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs (“Adjusted LIBOR”) with a floor of 1.00%, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the prime rate published by The Wall Street Journal, and (iii) one-month adjusted LIBOR plus 1.00% per annum (“Base Rate”), in each case, plus the applicable margin of 4.00% for Adjusted LIBOR loans and 3.00% for Base Rate loans and was payable on each interest payment date, at least quarterly, in arrears. In addition, the First Lien Credit Agreement required the Company to pay a commitment fee between 0.375% and 0.50% (determined based on a net first lien leverage ratio) in respect of the unused commitments under the Revolving Credit Facilities (as defined below).

The First Lien Credit Agreement has been amended and restated since origination with significant terms of each amendment and restatement as follows:

**Amendment and Restatement dated as of May 2, 2016**

In May 2016, the Company borrowed an incremental first lien term loan in an aggregate principal amount of $1.6 billion and maturing on May 2, 2022 (the “First Lien Term B-1 Loan”). The interest rate for the First Lien Term B-1 Loan was originally calculated as either (a) Adjusted LIBOR with a floor of 1.00% or (b) the Base Rate, plus an applicable margin of 4.50% for Adjusted LIBOR loans and 3.50% for Base Rate loans (subsequently reduced following amendments and restatements of the First Lien Credit Agreement described below) and is payable on each interest payment date, at least quarterly, in arrears.
In addition, the Company entered into an incremental first lien revolving credit facility with an aggregate commitment of up to $255 million and maturing on May 2, 2021 (the “2021 Revolving Credit Facility”) (collectively, with the 2020 Revolving Credit Facility, the “Revolving Credit Facilities”).

Additionally, the applicable margins utilized for the First Lien Term B Loan and the 2020 Revolving Credit Facility were increased from 4.00% to 4.50% for Adjusted LIBOR loans and from 3.00% to 3.50% for Base Rate loans.

Finally, The ADT Corporation and its domestic subsidiaries were added as guarantors under the First Lien Credit Agreement.

Amendment and Restatement dated as of June 23, 2016

In June 2016, the Company borrowed an incremental aggregate principal amount of $125 million of the First Lien Term B-1 Loan. The proceeds were used to pay down a portion of the outstanding principal balance of a second lien term loan on July 1, 2016. In addition, the Company reallocated an aggregate principal amount of $172 million from the First Lien Term B Loan to the First Lien Term B-1 Loan.

The applicable margin utilized in the calculation of interest for the First Lien Term B-1 Loan was decreased from 4.50% to 3.75% for Adjusted LIBOR loans and from 3.50% to 2.75% for Base Rate loans, and the applicable margin with respect to borrowings under the Revolving Credit Facilities remained at 4.50% for Adjusted LIBOR loans and 3.50% for Base Rate loans, in each case, subject to adjustment pursuant to a leverage-based pricing grid.

Amendment and Restatement dated as of December 28, 2016

In December 2016, the Company allocated the remaining outstanding principal amount of $916 million from the First Lien Term B Loan to the First Lien Term B-1 Loan.

The applicable margin utilized in the calculation of interest for the First Lien Term B-1 Loan was decreased from 3.75% to 3.25% for Adjusted LIBOR loans and 2.75% to 2.25% for Base Rate loans, and the applicable margin with respect to borrowings under the Revolving Credit Facilities remained at 4.50% for Adjusted LIBOR loans and 3.50% for Base Rate loans, in each case, subject to adjustment pursuant to a leverage-based pricing grid.

Amendment and Restatement dated as of February 13, 2017

In February 2017, the Company borrowed an incremental aggregate principal amount of $800 million of the First Lien Term B-1 Loan. In addition, certain covenants under the First Lien Credit Agreement governing restricted payments were amended to permit the Company to fund one or more distributions to the Company’s equity holders and Ultimate Parent in an aggregate amount not to exceed $795 million. The net proceeds from the incremental borrowing, together with cash on hand, were used to fund a special dividend of $750 million to common stockholders and to pay related fees and expenses of $45 million.

Amendment and Restatement dated as of June 29, 2017

In June 2017, the applicable margin utilized in the calculation of interest for the First Lien Term B-1 Loan decreased from 3.25% to 2.75% for Adjusted LIBOR loans and 2.25% to 1.75% for Base Rate loans, and the applicable margin with respect to borrowings under the Revolving Credit Facilities remained at 4.50% for Adjusted LIBOR loans and 3.50% for Base Rate loans, in each case, subject to adjustment pursuant to a leverage-based pricing grid.

Amendment and Restatement dated as of March 16, 2018

In March 2018, the Revolving Credit Facilities were replaced with a first lien revolving credit facility with an aggregate commitment of up to $350 million maturing on March 16, 2023, subject to the repayment, extension, or refinancing with longer maturity debt of certain of the Company’s other indebtedness (the “First Lien Revolving Credit Facility”). Borrowings under the First Lien Revolving Credit Facility bear interest at a rate equal to, at the Company’s option, either (a) Adjusted LIBOR or (b) the Base Rate, plus the applicable margin of 2.75% for Adjusted LIBOR loans and 1.75% for Base Rate loans. The applicable margin for borrowings under the First Lien Revolving Credit Facility is subject to one step-down based on a certain specified net first lien leverage ratio.

In addition, the amendment required the Company to pay a commitment fee between 0.375% and 0.50% (determined based on a net first lien leverage ratio) with respect to the unused commitments under the First Lien Revolving Credit Facility.
In December 2018, the Company borrowed an incremental aggregate principal amount of $425 million of the First Lien Term B-1 Loan. The Company used part of the proceeds and available cash on hand to fund the Red Hawk Acquisition. The remainder of the proceeds were used to fund the $300 million partial redemption of aggregate principal amount of the Prime Notes (as defined below) and pay the associated fees in February 2019.

In April 2019, and in connection with a $500 million repayment of the First Lien Term B-1 Loan, the Company amended and restated the First Lien Credit Agreement to, among other things, (a) authorize the redemption of the outstanding principal amount of Prime Notes (as defined below), (b) authorize the incurrence of the First Lien Notes due 2024 (as defined below) and First Lien Notes due 2026 (as defined below) by amending the Net First Lien Leverage Ratio for the incurrence of pari passu indebtedness to 3.20 to 1.00 (from 2.35 to 1.00), (c) provide for $300 million of additional incremental pari passu debt capacity, and (d) increase the borrowing capacity under the First Lien Revolving Credit Facility by an additional $50 million, which replaced the Mizuho Bank Revolving Credit Facility (as defined below). The Company incurred approximately $17 million in deferred financing costs in connection with this amendment and restatement.

In September 2019, and in connection with an approximately $300 million repayment of the First Lien Term B-1 Loan, the Company amended and restated the First Lien Credit Agreement to refinance and replace the $3.4 billion aggregate principal amount of the First Lien Term B-1 Loan with $3.1 billion aggregate principal amount of a first lien term loan due 2026 (the “First Lien Term Loan due 2026”), which was issued at a 1.00% discount, and make other changes to, among other things, provide the Company with additional flexibility to incur additional indebtedness and fund future distributions to stockholders. Deferred financing costs in connection with this amendment and restatement were not material.

The First Lien Term Loan due 2026 requires scheduled quarterly payments equal to 0.25% of the aggregate outstanding principal amount, or approximately $8 million per quarter, with the remaining balance payable at maturity. In addition, the Company is required to make annual prepayments on the outstanding First Lien Term Loan due 2026 with a percentage of the Company’s excess cash flow, as defined in the First Lien Credit Agreement, if the excess cash flow exceeds a certain specified threshold. The Company was not required to make an annual prepayment based on the Company’s excess cash flow as of December 31, 2019. The Company may make voluntary prepayments on the First Lien Term Loan due 2026 at any time prior to maturity at par, subject to a 1.00% prepayment premium in the event of certain specified events at any time during the six months after the closing date of the amendment. The First Lien Term Loan due 2026 has an interest rate calculated as, at the Company’s option, either (a) Adjusted LIBOR with a floor of 1.00% or (b) the Base Rate, plus the applicable margin of 3.25% for Adjusted LIBOR loans and 2.25% for Base Rate loans and is payable on a quarterly basis. Refer to Note 8 “Derivative Financial Instruments” for further discussion regarding interest rate swap contracts.

The Company’s obligations relating to the First Lien Credit Agreement are guaranteed, jointly and severally, on a senior secured first-priority basis, by substantially all of the Company’s domestic subsidiaries and are secured by first-priority security interests in substantially all of the assets of the Company’s domestic subsidiaries, subject to certain permitted liens and exceptions.

As of December 31, 2019 and 2018, the aggregate principal amount outstanding under the First Lien Credit Agreement was $3.1 billion and $3.9 billion, respectively. In addition, the Company had $400 million and $350 million in available borrowing capacity under the First Lien Revolving Credit Facility as of December 31, 2019 and 2018, respectively.

Mizuho Bank Revolving Credit Facility

In February 2019, the Company entered into a first lien revolving credit agreement with an aggregate available commitment of up to $50 million maturing in March 2023 (the “Mizuho Bank Revolving Credit Facility”). The Mizuho Bank Revolving Credit Facility was terminated and replaced as part of the amendment and restatement to the First Lien Credit Agreement in April 2019.
Prime Notes

In connection with the ADT Acquisition, the Company completed the offering of $3.1 billion aggregate principal amount of second-priority secured notes (the “Prime Notes”). The Prime Notes are due at maturity, however, may be redeemed at the Company’s option as follows:

- Prior to May 15, 2019, in whole at any time or in part from time to time, (a) at a redemption price equal to 100% of the principal amount of the Prime Notes redeemed, plus a make-whole premium and accrued and unpaid interest as of, but excluding, the redemption date or (b) for up to 40% of the original aggregate principal amount of the Prime Notes and in an aggregate amount equal to the net cash proceeds of any equity offerings, at a redemption price equal to 109.250%, plus accrued and unpaid interest, so long as at least 50% of the original aggregate principal amount of the Prime Notes shall remain outstanding after each such redemption.

- On or after May 15, 2019, in whole at any time or in part from time to time, at a redemption price equal to 104.625% of the principal amount of the Prime Notes redeemed and accrued and unpaid interest as of, but excluding, the redemption date. The redemption price decreases to 102.313% on or after May 15, 2020, and decreases to 100% on or after May 15, 2021.

In February 2018, the Company used approximately $649 million of the net proceeds from the IPO to voluntarily redeem $594 million aggregate principal amount of the Prime Notes and pay the related call premium. In February 2019, the Company redeemed $300 million aggregate principal amount of the outstanding Prime Notes for a total redemption price of approximately $319 million, which included the related call premium. In April 2019, the Company repurchased and cancelled an additional $1 billion aggregate principal amount of the outstanding Prime Notes for a total repurchase price of approximately $1.1 billion, which included the related call premium. The indenture underlying the outstanding $1.2 billion aggregate principal amount of Prime Notes as of December 31, 2019 was discharged in January 2020 and the Prime Notes were redeemed in February 2020.

The Company’s obligations relating to the Prime Notes are guaranteed, jointly and severally, on a senior secured second-priority basis, by substantially all of the Company’s domestic subsidiaries and are secured by second-priority security interests in substantially all of the assets of the Company’s domestic subsidiaries, subject to certain permitted liens and exceptions. Additionally, upon the occurrence of specified change of control events, the Company must offer to repurchase the Prime Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

First Lien Notes due 2024 and First Lien Notes due 2026

In April 2019, the Company issued $750 million aggregate principal amount of 5.250% first-priority senior secured notes due 2024 (the “First Lien Notes due 2024”) and $750 million aggregate principal amount of 5.750% first-priority senior secured notes due 2026 (the “First Lien Notes due 2026”). The proceeds from the First Lien Notes due 2024 and the First Lien Notes due 2026, along with cash on hand and borrowings under the First Lien Revolving Credit Facility, were used to (a) repurchase $1 billion aggregate principal amount of the Prime Notes, (b) repay $500 million aggregate principal amount of the First Lien Term B-1 Loan, and (c) pay fees and expenses associated with the foregoing, including call premiums on the Prime Notes as well as accrued and unpaid interest on the repurchased Prime Notes and repaid borrowings under the First Lien Term B-1 Loan. The Company incurred approximately $25 million in deferred financing costs in connection with the issuance of the First Lien Notes due 2024 and the First Lien Notes due 2026.

In September 2019, the Company issued an additional $600 million aggregate principal amount of the First Lien Notes due 2026 at a 2% premium pursuant to and with the same terms as the underlying indenture of the First Lien Notes due 2026. The proceeds from the additional First Lien Notes due 2026, along with cash on hand, were used to (a) repay approximately $300 million aggregate principal amount of the First Lien Term B-1 Loan, (b) repurchase or redeem the outstanding $300 million aggregate principal amount of the 5.250% notes due 2020 issued by The ADT Corporation (the “ADT Notes due 2020”), and (c) pay fees and expenses associated with the foregoing, including call premiums on the ADT Notes due 2020 as well as accrued and unpaid interest on the First Lien Term B-1 Loan and the ADT Notes due 2020. The Company incurred approximately $8 million in deferred financing costs in connection with the additional borrowings.

The First Lien Notes due 2024 and the First Lien Notes due 2026 are due at maturity, and may be redeemed, in whole or in part, at any time at a make-whole premium plus accrued and unpaid interest to, but excluding, the redemption date. Additionally, upon the occurrence of specified change of control events, the Company must offer to repurchase the notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

The First Lien Notes due 2024 and the First Lien Notes due 2026 are guaranteed, jointly and severally, on a senior secured first-priority basis, by each of the Company’s existing and future direct or indirect wholly owned material domestic subsidiaries that guarantee the First Lien Credit Agreement.
**ADT Notes**

In connection with the ADT Acquisition, the Company entered into supplemental indentures to notes originally issued by The ADT Corporation (collectively, the “ADT Notes”) providing for each series of ADT Notes to benefit from (i) guarantees by substantially all of the Company’s domestic subsidiaries and (ii) first-priority senior security interests, subject to permitted liens, in substantially all of the existing and future assets of the Company’s domestic subsidiaries. As a result, these notes remained outstanding and became obligations of the Company.

In connection with the ADT Acquisition, $718 million aggregate principal amount of the existing ADT Notes due 2042 were exchanged for new ADT Notes due 2032. In August 2016, an additional $10 million of the ADT Notes due 2042 were exchanged for ADT Notes due 2032 pursuant to a second supplemental indenture and constitute part of the same series of notes as the $718 million of the ADT Notes due 2032.

In September 2019, the Company repurchased and cancelled $147 million aggregate principal amount of the outstanding ADT Notes due 2020 for a total repurchase price of approximately $149 million, which included the related call premium. In October 2019, the Company redeemed the remaining $153 million principal amount of the outstanding ADT Notes due 2020 for a total redemption price of approximately $155 million, which included the related call premium.

The ADT Notes are due at maturity, and may be redeemed, in whole at any time or in part from time to time, at a redemption price equal to the principal amount of the notes to be redeemed, plus a make-whole premium, plus accrued and unpaid interest as of, but excluding, the redemption date. Additionally, upon the occurrence of specified change of control events, the Company must offer to repurchase the ADT Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

**Debt Covenants**

The First Lien Credit Agreement and indentures associated with the borrowings above contain certain covenants and restrictions that limit the Company’s ability to, among other things: (a) incur additional debt or issue certain preferred equity interests; (b) create liens on certain assets; (c) make certain loans or investments (including acquisitions); (d) pay dividends on or make distributions in respect of the capital stock or make other restricted payments; (e) consolidate, merge, sell, or otherwise dispose of all or substantially all of the Company’s assets; (f) sell assets; (g) enter into certain transactions with affiliates; (h) enter into sale-leaseback transactions; (i) restrict dividends from the Company’s subsidiaries or restrict liens; (j) change the Company’s fiscal year; and (k) modify the terms of certain debt or organizational agreements. In addition, the First Lien Credit Agreement and indentures associated with the borrowings above also provide for customary events of default.

The Company is also subject to a springing financial maintenance covenant under the First Lien Credit Agreement, which requires the Company to not exceed a specified first lien leverage ratio at the end of each fiscal quarter if the testing conditions are satisfied. The covenant is tested if the outstanding loans under the First Lien Revolving Credit Facility, subject to certain exceptions, exceed 30% of the total commitments under the First Lien Revolving Credit Facility at the testing date (i.e., the last day of any fiscal quarter).

**Loss on Extinguishment of Debt**

Loss on extinguishment of debt includes the payment of call and redemption premiums, the write-off of unamortized deferred financing costs and discounts, and certain other expenses associated with extinguishment of debt. During 2019, loss on extinguishment of debt totaled $104 million and included (a) $22 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the $300 million partial redemption of the Prime Notes in February 2019, (b) $61 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the $1 billion partial repayment and cancellation of the Prime Notes in April 2019, (c) $6 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the $500 million repayment of the First Lien Term B-1 Loan in April 2019, and (d) $13 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the amendment and restatement to the First Lien Credit Agreement in September 2019. During 2018, loss on extinguishment of debt included $62 million primarily associated with the partial redemption of the Prime Notes in February 2018. During 2017, loss on extinguishment of debt was not material.

During 2019, additional fees and costs associated with financing transactions were $23 million and related primarily to the amendment and restatement of the Company’s First Lien Credit Agreement in September 2019. During 2018, similar fees were $9 million and related to the amendments and restatements of the Company’s First Lien Credit Agreement. During 2017, similar fees were $64 million, of which $45 million related to the payment of a special dividend to common stockholders, and the remainder related to the amendments and restatements to the Company’s First Lien Credit Agreement.
Other

As of December 31, 2019, the aggregate annual maturities of debt, including finance lease obligations, are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Maturation in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$59,628</td>
</tr>
<tr>
<td>2021</td>
<td>1,056,237</td>
</tr>
<tr>
<td>2022</td>
<td>1,050,804</td>
</tr>
<tr>
<td>2023</td>
<td>1,983,769</td>
</tr>
<tr>
<td>2024</td>
<td>781,442</td>
</tr>
<tr>
<td>Thereafter</td>
<td>5,046,647</td>
</tr>
<tr>
<td><strong>Total maturities of debt</strong></td>
<td><strong>9,978,527</strong></td>
</tr>
<tr>
<td>Less: Unamortized debt discount, net</td>
<td>(26,840)</td>
</tr>
<tr>
<td>Less: Unamortized deferred financing costs</td>
<td>(58,075)</td>
</tr>
<tr>
<td>Less: Unamortized purchase accounting fair value adjustment and other</td>
<td>(195,731)</td>
</tr>
<tr>
<td>Less: Amount representing interest on finance leases</td>
<td>(5,606)</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td><strong>9,692,275</strong></td>
</tr>
<tr>
<td>Less: Current maturities of long-term debt</td>
<td>(58,049)</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td><strong>$9,634,226</strong></td>
</tr>
</tbody>
</table>

Interest expense on the Company’s debt and interest rate swap contracts was $623 million, $620 million, and $645 million during 2019, 2018, and 2017, respectively.

Subsequent Event: Debt Refinancing

In January 2020, the Company issued $1.3 billion aggregate principal amount of 6.250% second-priority senior secured notes due 2028 (the “Second Lien Notes due 2028”). The proceeds from the Second Lien Notes due 2028, along with cash on hand and borrowings under the First Lien Revolving Credit Facility, were used to redeem the outstanding $1.2 billion aggregate principal amount of Prime Notes and pay any related fees and expenses, including the call premium on the Prime Notes.

The Second Lien Notes due 2028 will mature on January 15, 2028 with semi-annual interest payment dates of January 15 and July 15, and may be redeemed at the Company’s option as follows:

- Prior to January 15, 2023, in whole at any time or in part from time to time, (a) at a redemption price equal to 100% of the principal amount of the Second Lien Notes due 2028 redeemed, plus a make-whole premium and accrued and unpaid interest as of, but excluding, the redemption date or (b) for up to 40% of the original aggregate principal amount of the Second Lien Notes due 2028 and in an aggregate amount equal to the net cash proceeds of any equity offerings, at a redemption price equal to 106.250%, plus accrued and unpaid interest, so long as at least 50% of the original aggregate principal amount of the Second Lien Notes due 2028 shall remain outstanding after each such redemption.

- On or after January 15, 2023, in whole at any time or in part from time to time, at a redemption price equal to 103.125% of the principal amount of the Second Lien Notes due 2028 redeemed and accrued and unpaid interest as of, but excluding, the redemption date. The redemption price decreases to 101.563% on or after January 15, 2024 and decreases to 100% on or after January 15, 2025.

The Company’s obligations relating to the Second Lien Notes due 2028 are guaranteed, jointly and severally, on a senior secured second-priority basis, by substantially all of the Company’s domestic subsidiaries and are secured by second-priority security interests in substantially all of the assets of the Company’s domestic subsidiaries, subject to certain permitted liens and exceptions. Additionally, upon the occurrence of specified change of control events, the Company must offer to repurchase the Second Lien Notes due 2028 at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The Second Lien Notes due 2028 also provide for customary events of default.
Subsequent Event: Securitization Financing Agreement

In March 2020, the Company entered into a receivables financing agreement that permits securitization financing of up to $200 million and matures on March 5, 2021, subject to extension (the “Securitization Financing Agreement”). The Securitization Financing Agreement provides the Company with an opportunity to obtain financing from the sale of certain installment receivables.

The Company will sell or contribute the installment receivables to the Company’s wholly-owned consolidated bankruptcy-remote special purpose entity (the “SPE”), and the SPE will obtain financing backed by the installment receivables. The SPE is a separate legal entity with its own creditors who will be entitled, prior to and upon the liquidation of the SPE, to be satisfied out of the SPE’s assets prior to any assets in the SPE becoming available to the Company. Accordingly, the assets of the SPE are not available to pay creditors of the Company (other than the SPE), although collections from these receivables in excess of amounts required to repay the SPE’s creditors may be remitted to the Company during and after the term of the Securitization Financing Agreement.

7. Mandatorily Redeemable Preferred Securities

In May 2016, and in connection with the ADT Acquisition, the Company issued 750,000 shares of mandatorily redeemable preferred securities at a stated value of $1,000 per share and par value of $0.01 per share, and Ultimate Parent issued warrants to Koch Industries, Inc. (the” Koch Investor”) for an aggregate amount of $750 million. The Company allocated $659 million to the mandatorily redeemable preferred securities and reflected this amount net of issuance costs of $27 million, as a liability in the Consolidated Balance Sheet as these securities had a mandatory redemption feature that required repayment at 100% of the stated value, adjusted for any declared but unpaid dividends, in May 2030. The Company allocated the remaining $91 million in proceeds to the related warrants, which was contributed by Ultimate Parent in the form of common equity to the Company, net of $4 million in issuance costs.

In July 2018, the Company redeemed in full the original stated value of $750 million of the mandatorily redeemable preferred securities for total consideration of approximately $949 million, which included approximately $103 million related to the redemption premium and tax reimbursements, as well as $96 million related to the accumulated dividend obligation. The redemption was funded with proceeds from the IPO and cash on hand. As a result of this redemption, the Company recognized a loss on extinguishment of debt of $213 million in 2018 associated with the payment of the redemption premium, including tax reimbursements, and the write-off of unamortized discount and deferred financing costs.

Prior to redemption, the mandatorily redeemable preferred securities accrued and accumulated preferential cumulative dividends in arrears on their then current stated value. In the event that dividends for any quarter were not paid in cash, they would be added to the then current stated value of the mandatorily redeemable preferred securities. Beginning in the third quarter of 2017, in lieu of declaring and paying the dividend obligation on the mandatorily redeemable preferred securities, the Company elected to increase the accumulated stated value of such securities. Prior to redemption, the reported balance of mandatorily redeemable preferred securities on the Consolidated Balance Sheet reflected approximately $96 million associated with the related dividend obligation, of which approximately $51 million related to 2018 and $45 million related to 2017. The Company paid $41 million related to the dividend obligation during the first half of 2017. The quarterly dividend obligation on these securities was reflected in interest expense, net in the Consolidated Statements of Operations and totaled $51 million and $86 million during 2018 and 2017, respectively.

8. Derivative Financial Instruments

The Company's derivative financial instruments primarily consist of LIBOR-based interest rate swap contracts, which were entered into with the objective of managing exposure to variability in interest rates on the Company's debt. All interest rate swap contracts are reported in the Consolidated Balance Sheets at fair value. For the interest rate swap contracts that are not designated as hedges, the change in fair value is recognized in interest expense, net in the Consolidated Statements of Operations. For the interest rate swap contracts that are designated as cash flow hedges, the change in fair value is recognized as a component of AOCI in the Consolidated Balance Sheets and is reclassified into interest expense, net in the same period in which the related interest on debt affects earnings.

As of December 31, 2018, the Company had interest rate swap contracts with an aggregate notional amount of $3.5 billion, of which $2.5 billion were designated as cash flow hedges, with maturities through April 2020 and April 2022. During January and February 2019, the Company entered into additional interest rate swap contracts, which were designated as cash flow hedges, with an aggregate notional amount of $725 million and a maturity of April 2022. In October 2019, the Company terminated interest rate swap contracts with an aggregate notional amount of $3.8 billion, of which $2.8 billion were designated as cash flow hedges, and concurrently entered into new LIBOR-based interest rate swap contracts, which were designated as cash flow hedges, with an aggregate notional amount of $2.8 billion and maturity of September 2026. The new interest rate swap terms represent a blend
of the current interest rate environment and the unfavorable positions of the terminated interest rate swap contracts, which resulted in a significant financing element at inception of the new cash flow hedges due to off-market terms.

The termination and execution of the interest rate swap contracts occurred in connection with the modification of the Company’s First Lien Credit Agreement in September 2019, which refinanced and replaced $3.4 billion of variable-rate debt due in May 2022 with $3.1 billion of variable-rate debt due in September 2026. As a result, the amount of the unfavorable positions recognized as a component of AOCI related to the terminated cash flow hedges will be reclassified into interest expense, net in the same period in which the related interest on variable-rate debt affects earnings through the original maturity date of the cash flow hedges of April 2022. The change in fair value of the new cash flow hedges will be recognized as a component of AOCI and reclassified into interest expense, net in the same period in which the related interest on variable-rate debt affects earnings. Finally, as a result of the significant financing element at inception of the new cash flow hedges, the related cash flows are reflected in cash flows from financing activities in the Consolidated Statements of Cash Flows.

Below is a summary of the Company’s interest rate swap contracts as of December 31, 2019 (in thousands):

<table>
<thead>
<tr>
<th>Execution</th>
<th>Maturity</th>
<th>Designation</th>
<th>Notional Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2019</td>
<td>April 2022</td>
<td>Not designated</td>
<td>$125,000</td>
</tr>
<tr>
<td>February 2019</td>
<td>April 2022</td>
<td>Not designated</td>
<td>100,000</td>
</tr>
<tr>
<td>February 2019</td>
<td>April 2022</td>
<td>Cash flow hedge</td>
<td>200,000</td>
</tr>
<tr>
<td>October 2019</td>
<td>September 2026</td>
<td>Cash flow hedge</td>
<td>2,800,000</td>
</tr>
<tr>
<td><strong>Total notional amount</strong></td>
<td></td>
<td></td>
<td><strong>$3,225,000</strong></td>
</tr>
</tbody>
</table>

All interest rate swap contracts designated as cash flow hedges were highly effective as of December 31, 2019.

The fair value of the Company’s interest rate swap contracts and related classification in the Consolidated Balance Sheets for the periods presented were as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>$—</td>
<td>$6,525</td>
</tr>
<tr>
<td>Other assets</td>
<td>—</td>
<td>1,236</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>15,334</td>
<td>1,989</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>68,884</td>
<td>26,040</td>
</tr>
<tr>
<td><strong>Fair value of interest rate swaps</strong></td>
<td><strong>$84,218</strong></td>
<td><strong>$20,268</strong></td>
</tr>
</tbody>
</table>

The Company’s interest rate swap contracts did not have a material impact to the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows during 2019, 2018, and 2017.

9. Equity

The Company has a single class of common stock in which stockholders are entitled to one vote for each share of common stock. In January 2018, the Company completed an IPO in which the Company issued and sold 105,000,000 shares of common stock at an IPO price of $14.00 per share. The Company received net proceeds of $1.4 billion from the sale of its shares in the IPO after deducting underwriting discounts, commissions, and offering expenses.

**Dividends**

Stockholders are entitled to receive dividends when, as, and if declared by the Company’s board of directors out of funds legally available for that purpose.

In February 2019, the Company approved a dividend reinvestment plan (the “DRIP”), which allows stockholders to designate all or a portion of the cash dividends on their shares of common stock for reinvestment in additional shares of the Company’s common stock. The number of shares issued is determined based on the volume weighted average closing price per share of the Company’s common stock for the five trading days preceding the dividend payment and adjusted for any discounts, as applicable. The DRIP will terminate upon the earlier of (a) February 27, 2021 and (b) the date upon which an aggregate of 18,750,000 shares of common stock have been issued pursuant to the DRIP. When dividends are declared, the Company records a liability for the full amount of the dividends. When dividends are settled, the Company reduces the liability and records an increase in common stock par value and additional paid-in capital for the portion of dividends settled in shares of common stock under the DRIP.
The Company’s board of directors declared the following cash dividends on common stock in 2019 and 2018:

<table>
<thead>
<tr>
<th>Declared Date</th>
<th>Dividend per Share</th>
<th>Record Date</th>
<th>Payment Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 15, 2018</td>
<td>$0.035</td>
<td>March 26, 2018</td>
<td>April 5, 2018</td>
</tr>
<tr>
<td>May 9, 2018</td>
<td>$0.035</td>
<td>June 25, 2018</td>
<td>July 10, 2018</td>
</tr>
<tr>
<td>August 8, 2018</td>
<td>$0.035</td>
<td>September 18, 2018</td>
<td>October 2, 2018</td>
</tr>
<tr>
<td>November 7, 2018</td>
<td>$0.035</td>
<td>December 14, 2018</td>
<td>January 4, 2019</td>
</tr>
<tr>
<td>March 11, 2019</td>
<td>$0.035</td>
<td>April 2, 2019</td>
<td>April 12, 2019</td>
</tr>
<tr>
<td>May 7, 2019</td>
<td>$0.035</td>
<td>June 11, 2019</td>
<td>July 2, 2019</td>
</tr>
<tr>
<td>August 6, 2019</td>
<td>$0.035</td>
<td>September 11, 2019</td>
<td>October 2, 2019</td>
</tr>
<tr>
<td>November 12, 2019</td>
<td>$0.700</td>
<td>December 13, 2019</td>
<td>December 23, 2019</td>
</tr>
<tr>
<td>November 12, 2019</td>
<td>$0.035</td>
<td>December 13, 2019</td>
<td>January 3, 2020</td>
</tr>
</tbody>
</table>

During 2019, the Company declared dividends of $633 million (or $0.84 per share), which includes a special dividend of $0.70 per share. For the dividends declared during 2019, approximately $538 million represents the portion of the dividends settled in cash and $68 million represents the portion of the dividends settled in shares of common stock, which resulted in the issuance of 11 million shares of common stock, during 2019.

Apollo has elected to discontinue participation in the DRIP with respect to dividends on the Company’s common stock subsequent to the October 2, 2019 dividend payment.

During 2018, the Company declared dividends of $107 million (or $0.14 per share), of which $79 million was paid during 2018. During 2017, the Company declared and paid a special dividend of $750 million (or $1.17 per share).

On March 5, 2020, the Company announced a dividend of $0.035 per share to common stockholders of record on March 19, 2020, which will be distributed on April 2, 2020.

**Share Repurchase Program**

In February 2019, the Company approved a share repurchase program (the “Repurchase Program”), which permits the Company to repurchase up to $150 million of the Company’s shares of common stock through February 27, 2021. The Company repurchased shares of common stock pursuant to one or more trading plans adopted in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions, or pursuant to an accelerated share repurchase program. The Repurchase Program was conducted in accordance with Securities Exchange Act Rule 10b-18.

During 2019, the Company repurchased 24 million shares of common stock for approximately $150 million under the Repurchase Program and as of December 31, 2019, the Company had $132 thousand remaining in the Repurchase Program. All of the shares repurchased were treated as retirements and reduced the number of shares issued and outstanding. In addition, the Company recorded the excess of the purchase price over the par value per share as a reduction to additional paid-in capital.

**Accumulated Other Comprehensive Loss**

The following table summarizes the changes in AOCI:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Cash Flow Hedges</th>
<th>Foreign Currency Translation</th>
<th>Defined Benefit Pension Plans</th>
<th>Accumulated Other Comprehensive Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of December 31, 2016</td>
<td>$</td>
<td>—</td>
<td>$ (30,663)</td>
<td>$ 2,156</td>
</tr>
<tr>
<td>Pre-tax current period change</td>
<td>—</td>
<td>25,889</td>
<td>1,115</td>
<td>27,004</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>—</td>
<td>(2,169)</td>
<td>(335)</td>
<td>(2,504)</td>
</tr>
<tr>
<td>Balance as of December 31, 2017</td>
<td>—</td>
<td>(6,943)</td>
<td>2,936</td>
<td>(4,007)</td>
</tr>
<tr>
<td>Pre-tax current period change</td>
<td>(28,030)</td>
<td>(51,502)</td>
<td>(2,478)</td>
<td>(82,010)</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>6,746</td>
<td>6,846</td>
<td>646</td>
<td>14,238</td>
</tr>
<tr>
<td>Balance as of December 31, 2018</td>
<td>(21,284)</td>
<td>(51,599)</td>
<td>1,104</td>
<td>(71,779)</td>
</tr>
<tr>
<td>Pre-tax current period change</td>
<td>(52,093)</td>
<td>59,541</td>
<td>(247)</td>
<td>7,201</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>13,990</td>
<td>(7,942)</td>
<td>154</td>
<td>6,202</td>
</tr>
<tr>
<td>Balance as of December 31, 2019</td>
<td>$ (59,387)</td>
<td>$</td>
<td>—</td>
<td>$ 1,011</td>
</tr>
</tbody>
</table>

During 2019, the Company reclassified $39 million and $4 million of AOCI related to foreign currency translation to loss on sale of business and income tax benefit, respectively, in the Consolidated Statement of Operations as a result of the sale of ADT Canada.
There were no other material reclassifications out of AOCI during 2019, 2018, and 2017.

10. Share-Based Compensation

The Company grants share-based compensation awards to participants under the 2016 Equity Incentive Plan (the “2016 Plan”) and the 2018 Omnibus Incentive Plan (the “2018 Plan”). Prior to the IPO, Class B Unit awards (“Class B Units”) were issued to certain participants by Ultimate Parent. Share-based compensation expense is included in selling, general and administrative expenses in the Consolidated Statements of Operations and totaled $86 million, $135 million, and $11 million during 2019, 2018, and 2017, respectively.

2016 Plan

During 2016, the Company approved the 2016 Plan, which authorizes the issuance of no more than approximately 42 million of common shares by the exercise or vesting of granted awards (generally stock options). During 2018, the Company amended the 2016 Plan to reduce the number of authorized common shares to be issued under the 2016 Plan to approximately 5 million. The option awards issued under the 2016 Plan are subject to service-based and performance-based vesting conditions, with half of the options issued subject to ratable service-based vesting over a five-year period and the other half subject to vesting based on the achievement of certain investment return thresholds by Apollo. The Company records share-based compensation expense on options subject to service-based vesting, and subsequent to the consummation of the IPO, on options subject to vesting based upon the achievement of certain investment return thresholds by Apollo. The Company does not expect to issue additional share-based compensation awards under the 2016 Plan.

Unrecognized share-based compensation expense as of December 31, 2019 and share-based compensation expense during 2019, 2018, and 2017 for awards granted under the 2016 Plan were not material.

Class B Units

Ultimate Parent authorized the issuance of a total of 25 million Class B Units, which represented the right to share a portion of the value appreciation on the initial member capital contribution. Prior to the redemption of the Class B Units in connection with the IPO as discussed below, the Class B Units were subject to service-based and performance-based vesting conditions, with half of the Class B Units issued subject to ratable service-based vesting over a five-year period (the “Class B Unit Service Tranche”), and the other half subject to the achievement of certain investment return thresholds by Apollo (the “Class B Unit Performance Tranche”). The fair value of the Class B Units was measured at the grant date and was recognized as share-based compensation expense over the requisite service period. The Company did not record any share-based compensation expense related to the Class B Unit Performance Tranche as the achievement of certain vesting conditions was not deemed probable.

The grant date fair values of the Class B Units were determined using a Black-Scholes valuation approach with the following assumptions:

<table>
<thead>
<tr>
<th>Year Ended December 31, 2017</th>
<th>Risk-free interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.07% - 1.61%</td>
</tr>
<tr>
<td>Expected exercise term (years)</td>
<td>1.20 - 4.00</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>—%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>45% - 50%</td>
</tr>
</tbody>
</table>

The weighted-average grant date fair value per share of Class B Units granted during 2017 was $4.07.

Share-based compensation expense associated with the Class B Unit Service Tranche was $9 million during 2017. Prior to redemption in connection with the IPO, the share-based compensation expense associated with the Class B Units was not material during 2018.

Class B Unit Redemption

In connection with the IPO, each holder of Class B Units in Ultimate Parent had his or her entire Class B interest in Ultimate Parent redeemed for the number of shares of the Company’s common stock (the “Distributed Shares”) that would have been distributed to such holder under the terms of Ultimate Parent’s operating agreement in a hypothetical liquidation on the date and price of the IPO (the “Class B Unit Redemption”). All vesting conditions for the Distributed Shares are the same as the vesting...
conditions that existed under the terms of the Class B Units. The Distributed Shares also have certain other restrictions pursuant to the terms and conditions of the Company’s Amended and Restated Management Investor Rights Agreement (the “MIRA”). Furthermore, as part of the Class B Unit Redemption, each holder received both vested and unvested Distributed Shares in the same proportion as the holder’s vested and unvested Class B Units held immediately prior to the IPO. As a result of the Class B Unit Redemption, holders of Class B Units received a total of 20.6 million shares of the Company’s common stock (17.8 million of which were unvested at the time of redemption). Of the Distributed Shares issued upon the Class B Unit Redemption, 50% were subject to the vesting conditions that existed for the Class B Unit Service Tranche (the “Distributed Shares Service Tranche”) and 50% were subject to the vesting conditions that existed for the Class B Unit Performance Tranche (the “Distributed Shares Performance Tranche”).

The Class B Unit Redemption resulted in a modification of the Class B Units. In connection with the modification, the Company utilized a Monte Carlo simulation to estimate the fair value of the Distributed Shares, as well as the derived service period for the Distributed Shares Performance Tranche. Significant assumptions included in the simulation were the risk-free interest rate and the expected volatility of the Company’s stock price. The Company selected a risk-free interest rate of 2.43%, which was based on a five-year U.S. Treasury with a zero-coupon rate. The Company selected a stock price volatility of 30%, which was implied based upon an average of historical volatilities of publicly traded companies in industries similar to the Company, as the Company did not have sufficient history to use as a basis for actual stock price volatility. Additionally, because holders of unvested Distributed Shares are entitled to receive previously declared accrued dividends once the shares vest, a dividend yield assumption was not included in the simulation.

The Class B Unit Redemption resulted in weighted-average fair values of $14.00 and $12.97 for the Distributed Shares Service Tranche and the Distributed Shares Performance Tranche, respectively. The fair values also incorporate the estimated impact of post-vesting selling restrictions pursuant to the MIRA. In connection with the Class B Unit Redemption, the Company began recording share-based compensation expense on the Distributed Shares Performance Tranche on a straight-line basis over the derived service period of approximately three years from the IPO date, as the vesting conditions were deemed probable following the consummation of the IPO. For the Distributed Shares Service Tranche, incremental compensation expense recorded as a result of the modification was not material. Additionally, the IPO triggered an acceleration of vesting of the unvested shares in the Distributed Shares Service Tranche, causing such Distributed Shares to become fully vested six months from the date of the IPO, which occurred in July 2018.

The following table summarizes activity related to the Distributed Shares during 2019:

<table>
<thead>
<tr>
<th>Unvested as of December 31, 2018</th>
<th>Performance Tranche</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Distributed Shares</td>
</tr>
<tr>
<td>Unvested as of December 31, 2018</td>
<td>10,207,118</td>
</tr>
<tr>
<td>Granted</td>
<td>---</td>
</tr>
<tr>
<td>Vested</td>
<td>---</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(218,536)</td>
</tr>
<tr>
<td>Unvested as of December 31, 2019</td>
<td>9,988,582</td>
</tr>
</tbody>
</table>

Share-based compensation expense associated with the Distributed Shares Service Tranche was $28 million during 2018. Share-based compensation expense associated with the Distributed Shares Performance Tranche was $47 million and $46 million during 2019 and 2018, respectively.

As of December 31, 2019, unrecognized compensation cost related to the Distributed Shares Performance Tranche was $41 million, which will be recognized over a period of 1.7 years.

2018 Plan

In January 2018, the Company approved the 2018 Plan, which became effective upon consummation of the IPO. The 2018 Plan authorizes the issuance of no more than approximately 38 million shares by the exercise or vesting of granted awards (generally stock options and restricted stock units (“RSUs”)). During 2019, the Company amended the 2018 Plan to increase the number of authorized common shares to be issued under the 2018 Plan to approximately 88 million shares. Awards issued under the 2018 Plan include retirement provisions which allow awards to continue to vest in accordance with the granted terms in its entirety or on a pro-rata basis when a participant reaches retirement eligibility, as long as 12 months of service have been provided since the date of grant. Accordingly, share-based compensation expense for service-based awards is recognized on a straight-line basis over
the vesting period, or on an accelerated basis for retirement-eligible participants where applicable. The Company accounts for forfeitures as they occur.

Under the terms of the 2018 Plan, RSUs are entitled to dividend equivalent units (“DEUs”), which are granted as additional RSUs and are subject to the same vesting and forfeiture conditions as the underlying RSUs. DEUs are charged against accumulated deficit when dividends are paid.

The 2018 Plan’s provisions allow for adjustments to the exercise price of options upon the occurrence of certain events, such as changes in capital or operating structure. On December 23, 2019, the Company paid a special dividend of $0.70 per share. The exercise price of all options granted under the 2018 Plan were adjusted downward by $0.70 in accordance with plan provisions.

The Company satisfies the exercise of options and the vesting of RSUs through the issuance of authorized but previously unissued common shares.

**Top-up Options**

In connection with the Class B Unit Redemption, the Company granted 12.7 million options to holders of Class B Units (“Top-up Options”). The Top-up Options have an exercise price equal to the initial public offering price per share of the Company’s common stock, as adjusted in accordance with 2018 Plan provisions, and a contractual term of ten years from the grant date. Similar to the vesting conditions outlined above for the Distributed Shares, the Top-up Options contain a tranche subject to service-based vesting (the “Top-up Options Service Tranche”) and a tranche subject to vesting based upon the achievement of certain investment return thresholds by Apollo (the “Top-up Options Performance Tranche”). Recipients of the Top-up Options received both vested and unvested Top-up Options in the same proportion as the vested and unvested Class B Units held immediately prior to the IPO and Class B Unit Redemption. These vesting conditions are the same vesting conditions as those attributable to the Distributed Shares, including the condition that accelerated vesting of the unvested options in the Top-up Options Service Tranche, causing such options to become fully vested six months from the date of the IPO, which occurred in July 2018. Any shares of the Company’s common stock acquired upon exercise of the Top-up Options will be subject to the terms of the MIRA.

The Company used a Monte Carlo simulation to estimate the fair value of the Top-up Options, as well as the derived service period for the Top-up Options Performance Tranche. Significant assumptions included in the simulation were the risk-free interest rate, the expected volatility, and the expected dividend yield. The Company selected a risk-free interest rate of 2.43%, which was based on a five-year U.S. Treasury with a zero-coupon rate. The Company selected a stock price volatility of 30%, which was implied based upon an average of historical volatilities of publicly traded companies in industries similar to the Company, as the Company did not have sufficient history to use as a basis for actual stock price volatility. The Company also assumed a 1% dividend yield. The expected average exercise term was derived based on an average of the outcomes of various scenarios performed under the Monte Carlo simulation.

The weighted-average grant date fair values of the Top-up Options Service Tranche and Top-up Options Performance Tranche were $5.02 and $5.04, respectively. The weighted-average grant date fair values also incorporate the estimated impact of post-vesting selling restrictions pursuant to the MIRA. The Company recorded share-based compensation expense associated with the Top-up Options Service Tranche on a straight-line basis over the requisite service period of six months from the IPO date. The Company records share-based compensation expense associated with the Top-up Options Performance Tranche on a straight-line basis over the derived service period of approximately three years from the IPO date.

The following table summarizes activity related to the Top-up Options granted under the 2018 Plan during 2019:

<table>
<thead>
<tr>
<th>Service Tranche</th>
<th>Performance Tranche</th>
<th>Aggregate Intrinsic Value(a)</th>
<th>Weighted-Average Remaining Contractual Term (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Top-up Options</td>
<td>Weighted-Average Exercise Price</td>
<td>Number of Top-up Options</td>
<td>Weighted-Average Exercise Price</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2018</td>
<td>6,226,729</td>
<td>$14.00</td>
<td>6,331,835</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(252,360)</td>
<td>14.00</td>
<td>(166,689)</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2019</td>
<td>5,974,369</td>
<td>$13.30</td>
<td>6,165,146</td>
</tr>
<tr>
<td>Exercisable as of December 31, 2019</td>
<td>5,974,369</td>
<td>$13.30</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) The intrinsic value represents the amount by which the fair value of the Company’s stock exceeds the option exercise price as of December 31, 2019.
Share-based compensation expense associated with the Top-up Options Service Tranche was $32 million during 2018. Share-based compensation expense associated with the Top-up Options Performance Tranche was $11 million and $11 million during 2019 and 2018, respectively.

As of December 31, 2019, unrecognized compensation cost related to the Top-up Options Performance Tranche was $7 million, which will be recognized over a period of 0.9 years.

**Options**

Options granted under the 2018 Plan are primarily service-based awards that vest over a three-year period from the date of grant, have an exercise price equal to the closing price per share of the Company’s common stock on the date of grant, as adjusted in accordance with 2018 Plan provisions, and have a contractual term of ten years from the date of grant.

The grant date fair values of options granted under the 2018 Plan were determined using the Black-Scholes valuation approach with the following assumptions:

<table>
<thead>
<tr>
<th>Years Ended December 31</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>1.58% - 2.51%</td>
<td>2.52% - 2.85%</td>
</tr>
<tr>
<td>Expected exercise term (years)</td>
<td>6.0 - 6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>2.0% - 2.7%</td>
<td>1.0% - 2.1%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>41% - 42%</td>
<td>30% - 39%</td>
</tr>
</tbody>
</table>

The risk-free interest rate was based on a six-year U.S. Treasury with a zero-coupon rate. The stock price volatility was implied based upon an average of historical volatilities of publicly traded companies in industries similar to the Company, as the Company did not have sufficient history to use as a basis for actual stock price volatility, and the Company’s debt to equity ratio. The dividend yield was calculated by taking the annual dividend run-rate and dividing by the stock price at date of grant. The expected average exercise term was calculated using the simplified method, as the Company did not have sufficient historical exercise data to provide a reasonable basis to estimate future exercise patterns.

The weighted-average grant date fair values of all options granted during 2019 and 2018 were $2.20 and $3.92, respectively.

The following table summarizes activity related to options granted under the 2018 Plan during 2019:

<table>
<thead>
<tr>
<th></th>
<th>Number of Options</th>
<th>Weighted-Average Exercise Price</th>
<th>Aggregate Intrinsic Value(a)</th>
<th>Weighted-Average Remaining Contractual Term (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of December 31, 2018</td>
<td>4,785,989</td>
<td>$</td>
<td>12.19</td>
<td></td>
</tr>
<tr>
<td>Granted</td>
<td>12,455,310</td>
<td>6.42</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(4,750)</td>
<td>6.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(724,962)</td>
<td>8.91</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outstanding as of December 31, 2019</strong></td>
<td>16,511,587</td>
<td>$</td>
<td>7.28</td>
<td>$26,812</td>
</tr>
<tr>
<td><strong>Exercisable as of December 31, 2019</strong></td>
<td>62,370</td>
<td>$</td>
<td>7.32</td>
<td>$101</td>
</tr>
</tbody>
</table>

(a) The intrinsic value represents the amount by which the fair value of the Company’s stock exceeds the option exercise price as of December 31, 2019. Amounts are presented in thousands.

Share-based compensation expense associated with the options granted under the 2018 Plan was $12 million and $7 million during 2019 and 2018, respectively. The cash flow and the intrinsic value of options exercised were not material.

As of December 31, 2019, unrecognized compensation cost related to options granted under the 2018 Plan was $26 million, which will be recognized over a period of 2.4 years.

**Restricted Stock Units**

RSUs granted under the 2018 Plan are primarily service-based awards that vest over a three-year period from the date of grant and have a fair value equal to the closing price per share of the Company’s common stock on the date of grant.
The following table summarizes activity related to RSUs (including DEUs) granted under the 2018 Plan during 2019:

<table>
<thead>
<tr>
<th></th>
<th>Number of RSUs</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested as of December 31, 2018</td>
<td>1,523,298</td>
<td>$ 11.28</td>
</tr>
<tr>
<td>Granted</td>
<td>6,058,136</td>
<td>6.58</td>
</tr>
<tr>
<td>Vested</td>
<td>(103,633)</td>
<td>7.86</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(218,715)</td>
<td>7.94</td>
</tr>
<tr>
<td>Unvested as of December 31, 2019</td>
<td>7,259,086</td>
<td>7.51</td>
</tr>
</tbody>
</table>

Share-based compensation expense associated with the RSUs granted under the 2018 Plan was $14 million and $6 million during 2019 and 2018, respectively. The total intrinsic value of RSUs that vested and converted to common shares was not material.

As of December 31, 2019, unrecognized compensation cost related to RSUs granted under the 2018 Plan was $31 million, which will be recognized over a period of 2.4 years.

Subsequent Event: 2018 Plan Grants

During the first quarter of 2020, the Company granted approximately 7 million RSUs under the 2018 Plan as part of the annual grant of awards to employees. These RSUs are service-based awards with a three-year graded vesting period from the date of grant.

In addition, the Company made a special grant of approximately 4 million RSUs under the 2018 Plan. These RSUs are service-based awards with a three-year graded vesting period from the date of grant. The Company also made a special grant of approximately 8 million options under the 2018 Plan. These options are service-based awards with a three-year graded vesting period from the date of grant, an exercise price equal to the closing price per share of the Company’s common stock on the date of grant, and a contractual term of ten years from the grant date.

11. Net (Loss) Income per Share

Basic net (loss) income per share is computed by dividing net (loss) income available to common shares by the weighted-average number of common shares outstanding during the period. Diluted net (loss) income per share is computed by dividing net (loss) income available to common shares by the diluted weighted-average number of common shares outstanding during the period, which reflects the dilutive effect of potential common shares using the treasury stock method.

For purposes of the diluted net loss per share computation, all potential common shares that would be dilutive were excluded because their effect would be anti-dilutive due to the net loss available to common shares. As a result, basic net loss per share is equal to diluted net loss per share for each net loss period presented.

Share-based compensation awards with service conditions of approximately 27 million and 15 million were excluded from the computations of diluted net (loss) income per share as such awards were anti-dilutive during 2019 and 2018, respectively. There were no material dilutive share-based compensation awards with service conditions during 2017. In addition, shared-based compensation awards with performance conditions of approximately 22 million, 19 million, and 2 million were excluded from the computations of diluted net (loss) income per share as the performance conditions on these awards were not met during 2019, 2018, and 2017, respectively.
The computations of basic and diluted net (loss) income per share for the periods presented are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Numerator:</td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(424,150)</td>
</tr>
<tr>
<td>Denominator:</td>
<td></td>
</tr>
<tr>
<td>Basic weighted-average shares outstanding</td>
<td>747,238</td>
</tr>
<tr>
<td>Dilutive effect of stock options</td>
<td>—</td>
</tr>
<tr>
<td>Diluted weighted-average shares outstanding</td>
<td>747,238</td>
</tr>
<tr>
<td>Net (loss) income per share:</td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$(0.57)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(0.57)</td>
</tr>
</tbody>
</table>

12. Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the temporary differences between the recognition of revenue and expenses for income tax and financial reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The Company records the effect of a tax rate or law change on the Company’s deferred tax assets and liabilities in the period of enactment.

The Company’s federal income tax accounts are determined on a consolidated return basis for U.S. entities and on a standalone basis for Canadian entities. In addition, the Company is subject to a tax sharing agreement for pre-2013 tax years. Refer to Note 14 “Commitments and Contingencies” for further discussion.

Tax Cuts and Jobs Act

In December 2017, the “Tax Cuts and Jobs Act” (“Tax Reform”) was signed into law. Tax Reform, among other things, reduced the U.S. federal corporate income tax rate from 35% to 21%, imposed a mandatory one-time tax on accumulated earnings of foreign subsidiaries, imposed significant limitations on the deductibility of interest, allowed for the full expensing of capital expenditures, and put into effect the migration from a “worldwide” system of taxation to a modified territorial system.

Significant components of loss before income taxes for the periods presented were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>United States</td>
<td>$(422,674)</td>
</tr>
<tr>
<td>Foreign</td>
<td>(99,518)</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>$(522,192)</td>
</tr>
</tbody>
</table>
Significant components of income tax benefit for periods presented were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$(2,503)</td>
<td>$(837)</td>
<td>$(3,924)</td>
</tr>
<tr>
<td>State</td>
<td>$(14,501)</td>
<td>$(6,511)</td>
<td>2,980</td>
</tr>
<tr>
<td>Foreign</td>
<td>$(2,843)</td>
<td>3,473</td>
<td>$(11,426)</td>
</tr>
<tr>
<td><strong>Current income tax expense</strong></td>
<td>$(19,847)</td>
<td>$(3,875)</td>
<td>$(12,370)</td>
</tr>
<tr>
<td><strong>Deferred:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>89,495</td>
<td>23,872</td>
<td>767,901</td>
</tr>
<tr>
<td>State</td>
<td>24,924</td>
<td>$(4,401)</td>
<td>$(8,176)</td>
</tr>
<tr>
<td>Foreign</td>
<td>3,470</td>
<td>7,867</td>
<td>16,958</td>
</tr>
<tr>
<td><strong>Deferred income tax benefit</strong></td>
<td>117,889</td>
<td>27,338</td>
<td>776,683</td>
</tr>
<tr>
<td><strong>Income tax benefit</strong></td>
<td>$98,042</td>
<td>$23,463</td>
<td>$764,313</td>
</tr>
</tbody>
</table>

The reconciliations between the actual effective tax rate on continuing operations and the statutory U.S. federal income tax rate for periods presented were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statutory federal tax rate</strong></td>
<td>21.0 %</td>
<td>21.0 %</td>
<td>35.0 %</td>
</tr>
<tr>
<td><strong>Statutory state tax rate, net of federal benefits</strong></td>
<td>1.4 %</td>
<td>1.4 %</td>
<td>1.2 %</td>
</tr>
<tr>
<td>Non-U.S. net earnings</td>
<td>0.7 %</td>
<td>0.8 %</td>
<td>(0.3)%</td>
</tr>
<tr>
<td>Non-deductible and non-taxable charges</td>
<td>0.5 %</td>
<td>(10.3)%</td>
<td>(11.3)%</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(9.4)%</td>
<td>1.0 %</td>
<td>(2.1)%</td>
</tr>
<tr>
<td>Unrecognized tax benefits</td>
<td>0.2 %</td>
<td>(0.9)%</td>
<td>(1.9)%</td>
</tr>
<tr>
<td>Tax Reform</td>
<td>— %</td>
<td>— %</td>
<td>163.7 %</td>
</tr>
<tr>
<td>Non-deductible share-based compensation</td>
<td>(0.3)%</td>
<td>(5.8)%</td>
<td>(0.8)%</td>
</tr>
<tr>
<td>Prior year tax return adjustments</td>
<td>(0.6)%</td>
<td>3.8 %</td>
<td>(0.3)%</td>
</tr>
<tr>
<td>Legislative changes</td>
<td>(1.2)%</td>
<td>(3.2)%</td>
<td>(1.2)%</td>
</tr>
<tr>
<td>Non-deductible goodwill impairment</td>
<td>(2.3)%</td>
<td>(3.7)%</td>
<td>— %</td>
</tr>
<tr>
<td>Amended returns</td>
<td>1.9 %</td>
<td>— %</td>
<td>— %</td>
</tr>
<tr>
<td>Net capital losses from sale of business</td>
<td>6.8 %</td>
<td>— %</td>
<td>— %</td>
</tr>
<tr>
<td>Other</td>
<td>0.1 %</td>
<td>(0.4)%</td>
<td>(0.7)%</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>18.8 %</td>
<td>3.7 %</td>
<td>181.3 %</td>
</tr>
</tbody>
</table>
The components of the Company's net deferred income tax liabilities as of December 31, 2019 and 2018 were as follows:

<table>
<thead>
<tr>
<th>Deferred Tax Assets</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued liabilities and reserves</td>
<td>$109,000</td>
<td>$79,609</td>
</tr>
<tr>
<td>Tax loss and credit carryforwards</td>
<td>669,777</td>
<td>745,976</td>
</tr>
<tr>
<td>Disallowed interest carryforward</td>
<td>136,029</td>
<td>55,552</td>
</tr>
<tr>
<td>Postretirement benefits</td>
<td>10,096</td>
<td>10,564</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>107,617</td>
<td>104,211</td>
</tr>
<tr>
<td>Other</td>
<td>78,913</td>
<td>29,307</td>
</tr>
<tr>
<td><strong>Total Deferred Tax Assets</strong></td>
<td><strong>1,111,432</strong></td>
<td><strong>1,025,219</strong></td>
</tr>
<tr>
<td>Valuation allowance</td>
<td><em>(56,841)</em></td>
<td><em>(9,558)</em></td>
</tr>
<tr>
<td><strong>Deferred Tax Assets, Net of Valuation Allowance</strong></td>
<td><strong>1,054,591</strong></td>
<td><strong>1,015,661</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred Tax Liabilities</th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscriber system assets</td>
<td><em>(709,908)</em></td>
<td><em>(639,359)</em></td>
</tr>
<tr>
<td>Intangible assets</td>
<td><em>(1,427,221)</em></td>
<td><em>(1,652,640)</em></td>
</tr>
<tr>
<td>Other</td>
<td><em>(81,934)</em></td>
<td><em>(63,789)</em></td>
</tr>
<tr>
<td><strong>Total Deferred Tax Liabilities</strong></td>
<td><strong>(2,219,063)</strong></td>
<td><strong>(2,355,788)</strong></td>
</tr>
<tr>
<td><strong>Net Deferred Tax Liabilities</strong></td>
<td><strong>(1,164,472)</strong></td>
<td><strong>(1,340,127)</strong></td>
</tr>
</tbody>
</table>

The valuation allowance for deferred tax assets relates to the uncertainty of the utilization of certain U.S. federal and state deferred tax assets. In evaluating the Company’s ability to recover its deferred tax assets, the Company considers all available positive and negative evidence, which include its past operating results, the existence of cumulative losses in the most recent years, and its forecast of future taxable income. In estimating future taxable income, the Company develops assumptions related to the amount of future pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company is using to manage its underlying businesses. The Company believes that it is more-likely-than-not that it will generate sufficient future taxable income to realize the tax benefits of the remaining deferred tax assets, which primarily relate to net operating loss (“NOL”) carryforwards.

As of December 31, 2019, the Company had approximately $2.5 billion of U.S. federal NOL carryforwards with expiration periods between 2020 and 2037. Although future utilization will depend on the Company’s actual profitability and the result of income tax audits, the Company anticipates that the majority of its U.S. federal NOL carryforwards will be fully utilized prior to expiration. Most of the Company’s U.S. federal NOL carryforwards are subject to limitation due to “ownership changes,” which have occurred under Internal Revenue Code (“IRC”) Section 382. The Company does not, however, expect that this limitation will impact its ability to utilize the U.S. federal NOL carryforwards. A valuation allowance has been recorded against the portion of the Company’s U.S. federal NOL carryforwards that is not expected to be utilized prior to expiration or due to limitations.

In connection with the sale of ADT Canada during 2019, the Company generated net capital loss carryforwards in both the U.S. and Canada. The Company does not anticipate the net capital loss carryforwards will be utilized prior to expiration, as such, the Company recorded a full valuation allowance against such net capital loss carryforwards, which represents the majority of the Company’s valuation allowance as of December 31, 2019.

Additionally, Tax Reform introduced IRC Section 163(j), which limits the deductibility of interest expense and allows for the excess to be carried forward indefinitely. As of December 31, 2019, the Company has not recorded a valuation allowance against the disallowed interest carryforward as the Company believes it has sufficient sources of future taxable income to realize the related tax benefit.

**Unrecognized Tax Benefits**

The Company recognizes positions taken or expected to be taken in a tax return in the consolidated financial statements when it is more-likely-than-not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement. The Company records liabilities for positions that have been taken but do not meet the more-likely-than-not recognition threshold. The Company adjusts the liabilities for unrecognized tax benefits in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a change to the estimated liabilities. The Company includes interest and penalties associated with unrecognized tax benefits as income tax.
expense and as a component of the recorded balance of unrecognized tax benefits, which is reflected in other liabilities or net of related tax loss carryforwards in the Consolidated Balance Sheets. Interest and penalties associated with unrecognized tax benefits are not material to the Company's consolidated financial statements for the periods presented.

As of December 31, 2019 and 2018, the Company had unrecognized tax benefits, exclusive of interest and penalties, of $65 million and $80 million, respectively. The following is a rollforward of unrecognized tax benefits for the periods presented:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance</strong></td>
<td>$80,201</td>
<td>$71,330</td>
<td>$101,550</td>
</tr>
<tr>
<td>Gross increase related to prior year tax positions</td>
<td>5,666</td>
<td>17,738</td>
<td>70,040</td>
</tr>
<tr>
<td>Gross decrease related to prior year tax positions</td>
<td>(5,237)</td>
<td>(1,977)</td>
<td>(42,883)</td>
</tr>
<tr>
<td>Increases related to current year tax positions</td>
<td>1,000</td>
<td>228</td>
<td>—</td>
</tr>
<tr>
<td>Increases related to acquisitions</td>
<td>1,145</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decreases related to dispositions</td>
<td>(14,043)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decrease related to settlements with taxing authorities</td>
<td>(3,717)</td>
<td>(3,662)</td>
<td>(38,488)</td>
</tr>
<tr>
<td>Decreases related to lapse of statute of limitation</td>
<td>(460)</td>
<td>(2,178)</td>
<td>—</td>
</tr>
<tr>
<td>Other changes not impacting the statement of operations</td>
<td>562</td>
<td>(1,278)</td>
<td>8,137</td>
</tr>
<tr>
<td>Change in rate due to U.S. Tax Reform</td>
<td>—</td>
<td>—</td>
<td>(27,026)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$65,117</td>
<td>$80,201</td>
<td>$71,330</td>
</tr>
</tbody>
</table>

During 2019, the net decrease in unrecognized tax benefits primarily related to the decrease of unrecognized tax benefits as a result of the sale of ADT Canada. The Company’s unrecognized tax benefits relate to tax years that are subject to audit by the taxing authorities in the U.S. federal, state and local, and foreign jurisdictions. Based on the current tax statutes and status of its income tax audits, the Company does not expect any significant portion of its remaining unrecognized tax benefits to be resolved in the next twelve months.

The Company files income tax returns in the U.S. and Canada, and as a matter of course, the income tax returns are subject to audit by the taxing authorities. These audits may culminate in proposed assessments which may ultimately result in a change to the estimated income taxes. The following is a summary of open tax years by jurisdiction:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Years Open to Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>2016 - 2018</td>
</tr>
<tr>
<td>State</td>
<td>2010 - 2018</td>
</tr>
<tr>
<td>Canada</td>
<td>2016 - 2018</td>
</tr>
</tbody>
</table>

13. Retirement Plans

**Defined Contribution Plans**

The Company maintains qualified defined contribution plans, which include 401(k) matching programs in the U.S., as well as similar matching programs in Canada prior to the sale of ADT Canada. Expense for the defined contribution plans is computed as a percentage of participants’ compensation and was $34 million, $28 million, and $29 million during 2019, 2018, and 2017, respectively.

**Multi-employer Plans**

As a result of the Red Hawk Acquisition, the Company participates in certain multi-employer union pension plans, which provide benefits for a group of the Company’s unionized employees. The Company does not believe these multi-employer plans, including the Company’s required contributions and any underfunding liabilities under such plans, are material to the Company’s consolidated financial statements.

**Defined Benefit Plans**

The Company provides a defined benefit pension plan and certain other postretirement benefits to certain employees. These plans are frozen and are not material to the Company’s consolidated financial statements. As of December 31, 2019 and 2018, the fair values of pension plan assets were $72 million and $61 million, respectively, and the fair values of projected benefit obligations
were $91 million and $85 million, respectively. As a result, the plans were underfunded by approximately $18 million and $24 million as of December 31, 2019 and 2018, respectively, and were recorded as a net liability in the Consolidated Balance Sheets. Net periodic benefit cost associated with these plans was not material during 2019, 2018, and 2017.

Deferred Compensation Plan

The Company maintains a non-qualified supplemental savings and retirement plan, which permits eligible employees to defer a portion of their compensation. Deferred compensation liabilities were $21 million and $17 million as of December 31, 2019 and 2018, respectively, and were recorded in other liabilities in the Consolidated Balance Sheets. Deferred compensation expense was not material during 2019, 2018, and 2017.

14. Commitments and Contingencies

Purchase Obligations

The following table provides a schedule of commitments related to agreements to purchase certain goods and services, including purchase orders, entered into in the ordinary course of business as of December 31, 2019 (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$188,619</td>
</tr>
<tr>
<td>2021</td>
<td>59,697</td>
</tr>
<tr>
<td>2022</td>
<td>41,834</td>
</tr>
<tr>
<td>2023</td>
<td>6,525</td>
</tr>
<tr>
<td>2024</td>
<td>5,185</td>
</tr>
<tr>
<td>Thereafter</td>
<td>637</td>
</tr>
<tr>
<td>Total</td>
<td>$302,497</td>
</tr>
</tbody>
</table>

In May 2017, the Company entered into an agreement with one of its suppliers for the purchase of certain security system equipment and components. Based on certain milestones in the agreement, the Company could potentially be required to make purchases in aggregate of up to $150 million over a multi-year period. As of December 31, 2019, the Company does not have any purchase obligation under this agreement and does not anticipate the contractual milestones will be met.

Legal Proceedings

The Company is subject to various claims and lawsuits in the ordinary course of business, which include contractual disputes; worker’s compensation; employment matters; product, general and auto liability claims; claims that the Company has infringed on the intellectual property rights of others; claims related to alleged security system failures; and consumer and employment class actions. The Company is also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. In connection with such formal and informal inquiries, the Company receives numerous requests, subpoenas, and orders for documents, testimony, and information in connection with various aspects of its activities.

The Company records accruals for losses that are probable and reasonably estimable. These accruals are based on a variety of factors such as judgment, probability of loss, opinions of internal and external legal counsel, and actuarially determined estimates of claims incurred but not yet reported based upon historical claims experience. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred. Additionally, the Company records insurance recovery receivables from third-party insurers when recovery has been determined to be probable.

The Company’s accrual for ongoing claims and lawsuits not within scope of an insurance program was not material and in most cases the Company has not accrued for any losses as the ultimate outcome or the range of possible loss cannot be estimated. The Company’s accrual for ongoing claims and lawsuits within scope of an insurance program totaled $105 million and $74 million as of December 31, 2019 and 2018, respectively.

Environmental Matters

In October 2013, the Company was notified by subpoena that the Office of the Attorney General of California, in conjunction with the Alameda County District Attorney, is investigating whether the Company’s electronic waste disposal policies, procedures, and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. During 2016, Protection One, Inc. was also notified by the same parties that it was subject to a similar investigation. The investigations have
been inactive since December 2016 other than a status conference conducted in May 2019. The Company is coordinating joint handling of both investigations and continues to fully cooperate with the respective authorities.

**Wireless Encryption Litigation**

The Company was subject to five class action claims regarding wireless encryption in certain ADT security systems. Jurisdictionally, three of the five cases were in Federal Court (in districts within Illinois, Arizona, and California), and both of the remaining two cases were in Florida State Court (both in Palm Beach County Circuit Court). Each of the five plaintiffs brought a claim under the respective state’s consumer fraud statute alleging that the Company made misrepresentations and material omissions in its advertising regarding the unencrypted wireless signal pathways in certain security systems monitored by the Company. The complaints in all five cases further alleged that certain security systems monitored by the Company were not secure because the wireless signal pathways were unencrypted and could be easily hacked. In January 2017, the parties agreed to settle all five class action lawsuits. The trial court granted final approval of the settlement in July 2019. Settlement checks to qualified class members were mailed in September 2019 and all five pending lawsuits have been dismissed.

**Shareholder Litigation**

Five substantially similar shareholder class action lawsuits related to the IPO in January 2018 were filed in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida in March, April, and May 2018 and were consolidated for discovery and trial and entitled *In re ADT Inc. Shareholder Litigation*. The consolidated complaint in that action asserts claims on behalf of a putative class of shareholders plaintiffs and sought to represent a class of similarly situated shareholders for alleged violations of the Securities Act of 1933, as amended (the “Securities Act”). The complaint alleges that the Company defendants violated the Securities Act because the registration statement and prospectus used to effectuate the IPO were false and misleading in that they allegedly misled investors with respect to litigation involving the Company, the Company’s efforts to protect its intellectual property, and the competitive pressures faced by the Company. A similar shareholder class action lawsuit entitled *Perdomo v ADT Inc.*, also related to the IPO in January 2018, was filed in the U.S. District Court for the Southern District of Florida in May 2018. In September 2019, the parties reached an agreement in principle to settle both the state court and the federal court actions. In connection with the agreement, the plaintiffs in the *Perdomo* action voluntarily dismissed the action without prejudice. The settlement is being documented, after which the parties plan to move in state court for settlement approval and certification of a class for settlement purposes.

**California Independent Contractor Litigation**

In August 2017, Jabra Shuheiber filed civil litigation in Marin County Superior Court on behalf of himself and two other individuals asserting wage and hour violations against the Company. The action is entitled *Jabra Shuheiber v. ADT, LLC* (Case Number CV 1702912, Superior Court, Marin County). Mr. Shuheiber was the owner/operator of a sub-contractor, Maximum Protection, Inc. (“MPI”), who employed the other two plaintiffs in the litigation. In August 2018, in response to the California Supreme Court’s decision in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles County*, counsel for Mr. Shuheiber provided the Company with a proposed amended complaint that modified the wage and hour claims such that they were brought on a class basis. The proposed class is not clearly defined but appears to be composed of two groups of individuals: 1) individual owners of sub-contractors who performed services for the sub-contractor; and 2) individuals with no ownership interest in a sub-contractor who were employed by the sub-contractor and provided services pursuant to a contract between the sub-contractor and the Company. In October 2018, the Company answered Plaintiffs First Amended Complaint and filed a Cross-Complaint against Plaintiff’s sub-contracting company for indemnification pursuant to the term of ADT’s sub-contract. In November 2019, the parties reached a settlement agreement in principle. The settlement is being documented, after which the parties plan to move for settlement approval and certification of a class for settlement purposes.

**Los Angeles Alarm Permit Class Action**

In June 2013, the Company was served with a class action complaint in California State Court entitled *Villegas v. ADT*. In this complaint, the plaintiff asserted that the Company violated certain provisions of the California Alarm Act and the Los Angeles Municipal Alarm Ordinance for its alleged failures to obtain alarm permits for its Los Angeles customers and disclose the alarm permit fee in its customer contracts. The plaintiff seeks to recover damages for putative class members who were required to pay enhanced false alarm fines as a result of the Company not obtaining a valid alarm permit at the time of alarm system installation. The case was initially dismissed by the trial court and judgment was entered in the Company’s favor in October 2014, which the plaintiff appealed. In September 2016, the California Appellate Court reversed and remanded the case back to the trial court. In November 2018, the trial court granted the plaintiff’s motion for class certification and certified four subclasses of customers who received fines from the City of Los Angeles. The parties reached a settlement agreement in principle in January 2020.

F-42
**Wage and Hour Class Actions**

In January 2019, John Snow, a current outside salesperson in California, filed a complaint in the United States District Court in the Central District of California alleging violations of the California Labor Code, as well as pursuant to California’s Private Attorneys’ General Act (“PAGA”). Specifically, the plaintiff alleges that he and other employees of the Company who worked as sales representatives were misclassified as exempt under the outside salesperson exemption resulting in unpaid minimum wages and overtime, a failure to provide wage compliant wage statements, and a failure to timely pay wages during employment. Plaintiff also claims he was undercompensated for necessary business expenses and was retaliated against. Plaintiff seeks to represent himself and other outside salespeople based in California for unpaid wages, unpaid business expenses, and penalties under PAGA. The parties are actively engaged in discovery with a trial set in June 2020.

In January 2020, the Company acquired Defenders, which is defending against litigation brought by Teddy Archer and seven other security advisors who claim unpaid overtime under the Fair Labor Standards Act (“FLSA”), breach of contract under state law in all states, and a violation of state wage-hour laws in California, New Jersey, New York, and Washington. The lawsuit was originally filed in March 2018 in the United States District Court for the District of Delaware. During 2018, the court conditionally certified the case as an FLSA collective action. Plaintiffs seek to represent a nationwide class for unpaid wages. The parties are actively engaged in discovery.

**Tax Sharing Agreement**

On September 28, 2012, Johnson Controls International plc (as successor to Tyco International Ltd., “Tyco”) distributed to its public stockholders The ADT Corporation’s common stock (“Separation from Tyco”), and The ADT Corporation became an independent public company. In connection with the Separation from Tyco, The ADT Corporation entered into a tax sharing agreement (“2012 Tax Sharing Agreement”) that governs the rights and obligations of The ADT Corporation, Tyco, and Pentair Ltd. (formerly Tyco Flow Control International, Ltd., “Pentair”) for certain pre-Separation from Tyco tax liabilities. The 2012 Tax Sharing Agreement provides that The ADT Corporation, Tyco, and Pentair will share (i) certain pre-Separation from Tyco income tax liabilities that arise from adjustments made by tax authorities to The ADT Corporation’s, Tyco’s, and Pentair’s U.S. and certain non-U.S. income tax returns, and (ii) payments required to be made by Tyco in respect of a tax sharing agreement it entered into in connection with a 2007 spinoff transaction.

Under the terms of the 2012 Tax Sharing Agreement, Tyco has the right to administer, control, and settle all U.S. income tax audits for the periods prior to and including the Separation from Tyco. As of December 31, 2019, all federal tax years through 2012 have been audited and resolved with the Internal Revenue Service. The 2010 through 2012 tax years remain subject to examination for state income tax purposes.

Amounts recorded in connection with the 2012 Tax Sharing Agreement were not material as of December 31, 2019 and for the years ended December 31, 2019, 2018, and 2017.

**15. Geographic Data**

Revenue by geographic area for the periods presented was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>United States</td>
<td>$4,936,121</td>
</tr>
<tr>
<td>Canada</td>
<td>189,536</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>$5,125,657</strong></td>
</tr>
</tbody>
</table>

Revenue is attributed to individual countries based upon the operating entity that records the transaction.

As a result of the sale of ADT Canada, substantially all of the Company’s assets are located in the U.S. as of December 31, 2019. Approximately 95% of the Company’s total property and equipment, net and subscriber system assets, net were located in the U.S. as of December 31, 2018, with the remainder residing in Canada.

**16. Related Party Transactions**

The Company’s related party transactions primarily relate to management, consulting, and transaction advisory services provided by Apollo, as well as monitoring and related services provided to or products and services received from other entities controlled by Apollo. The following discussion is related to the Company’s significant related party transactions.
Apollo

During 2019, the Company incurred fees to Apollo of approximately $5 million related to the Company’s financing transactions. During 2017, the Company incurred fees to Apollo of approximately $20 million pursuant to a management consulting and advisory services agreement, which terminated in January 2018 upon the consummation of the IPO. There were no significant related party transactions with Apollo during 2018.

Koch Investor

Prior to the redemption of the mandatorily redeemable preferred securities, the Company was restricted from paying dividends on its common stock. During 2017, in exchange for a one-time fee of $45 million, the Koch Investor consented to the payment of a special dividend. During 2018, the Koch Investor consented to two additional payments of dividends not to exceed $77 million in the aggregate, however, the Company did not incur any fees associated with the consent.

17. Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data was as follows:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2019</th>
<th>June 30, 2019</th>
<th>September 30, 2019</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$1,243,060</td>
<td>$1,283,744</td>
<td>$1,300,570</td>
<td>$1,298,283</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>90,436</td>
<td>93,137</td>
<td>(51,234)</td>
<td>64,105</td>
</tr>
<tr>
<td>Net loss</td>
<td>(66,470)</td>
<td>(104,057)</td>
<td>(181,630)</td>
<td>(71,993)</td>
</tr>
<tr>
<td>Net loss per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ (0.09)</td>
<td>$ (0.14)</td>
<td>$ (0.25)</td>
<td>$ (0.10)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (0.09)</td>
<td>$ (0.14)</td>
<td>$ (0.25)</td>
<td>$ (0.10)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2018</th>
<th>June 30, 2018</th>
<th>September 30, 2018</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$1,116,448</td>
<td>$1,131,459</td>
<td>$1,148,316</td>
<td>$1,185,450</td>
</tr>
<tr>
<td>Operating income</td>
<td>71,385</td>
<td>73,921</td>
<td>121,847</td>
<td>10,687</td>
</tr>
<tr>
<td>Net loss</td>
<td>(157,437)</td>
<td>(66,705)</td>
<td>(235,544)</td>
<td>(149,469)</td>
</tr>
<tr>
<td>Net loss per share:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ (0.22)</td>
<td>$ (0.09)</td>
<td>$ (0.31)</td>
<td>$ (0.20)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (0.22)</td>
<td>$ (0.09)</td>
<td>$ (0.31)</td>
<td>$ (0.20)</td>
</tr>
</tbody>
</table>

Revenue—Total revenue for all quarters of 2019 and the fourth quarter of 2018 include incremental revenue associated with the Red Hawk Acquisition. In addition, total revenue for the fourth quarter of 2019 was impacted by the sale of ADT Canada. Both events impact quarter over quarter and year over year comparability.

Goodwill Impairment—Operating income (loss) and net loss for the third quarter of 2019 and the fourth quarter of 2018 were impacted by the recognition of goodwill impairment losses of $45 million and $88 million, respectively, which impacts quarter over quarter and year over year comparability.

Loss on Sale of Business—Operating loss and net loss for the third quarter of 2019 were impacted by the recognition of a loss on sale of business, which impacts quarter over quarter and year over year comparability.

Loss on Extinguishment of Debt—Net loss for the first three quarters of 2019 and the first quarter and third quarter of 2018 were impacted by the recognition of loss on extinguishment of debt, which impacts quarter over quarter and year over year comparability.
18. Condensed Financial Information of Registrant

ADT INC.
(PARENT COMPANY ONLY)
CONDENSED BALANCE SHEETS
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 354</td>
<td>$ 8</td>
</tr>
<tr>
<td>Total current assets</td>
<td>354</td>
<td>8</td>
</tr>
<tr>
<td>Investment in subsidiaries and other assets</td>
<td>3,722,500</td>
<td>4,252,763</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 3,722,854</td>
<td>$ 4,252,771</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and stockholders’ equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends payable and other current liabilities</td>
<td>$ 26,218</td>
<td>$ 26,532</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>26,218</td>
<td>26,532</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>509,718</td>
<td>—</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,549</td>
<td>1,434</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>538,485</td>
<td>27,966</td>
</tr>
<tr>
<td><strong>Total stockholders' equity</strong></td>
<td>3,184,369</td>
<td>4,224,805</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders’ equity</strong></td>
<td>$ 3,722,854</td>
<td>$ 4,252,771</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these condensed financial statements.
### CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(in thousands, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling, general and administrative expenses</td>
<td>$ (477)</td>
<td>$ (515)</td>
<td>$ (45,000)</td>
</tr>
<tr>
<td>Merger, restructuring, integration, and other</td>
<td>(130)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(607)</td>
<td>(515)</td>
<td>(45,000)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>—</td>
<td>(213,239)</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(211)</td>
<td>(47,585)</td>
<td>(89,775)</td>
</tr>
<tr>
<td>Equity in net (loss) income of subsidiaries</td>
<td>(423,332)</td>
<td>(347,816)</td>
<td>451,901</td>
</tr>
<tr>
<td><strong>(Loss) income before income taxes</strong></td>
<td>(424,150)</td>
<td>(609,155)</td>
<td>317,126</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>—</td>
<td>—</td>
<td>25,501</td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
<td>(424,150)</td>
<td>(609,155)</td>
<td>342,627</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax</td>
<td>13,403</td>
<td>(67,772)</td>
<td>24,500</td>
</tr>
<tr>
<td><strong>Comprehensive (loss) income</strong></td>
<td>$ (410,747)</td>
<td>$ (676,927)</td>
<td>$ 367,127</td>
</tr>
</tbody>
</table>

**Net (loss) income per share:**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$ (0.57)</td>
<td>$ (0.81)</td>
<td>$ 0.53</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (0.57)</td>
<td>$ (0.81)</td>
<td>$ 0.53</td>
</tr>
</tbody>
</table>

**Weighted-average number of shares:**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>747,238</td>
<td>747,710</td>
<td>641,074</td>
</tr>
<tr>
<td>Diluted</td>
<td>747,238</td>
<td>747,710</td>
<td>641,074</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these condensed financial statements
### ADT INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(424,150)</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</td>
<td></td>
</tr>
<tr>
<td>Equity in net loss of subsidiaries</td>
<td>423,332</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>39,910</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>39,092</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Contributions to subsidiaries</td>
<td>—</td>
</tr>
<tr>
<td>Distributions from subsidiaries</td>
<td>167,203</td>
</tr>
<tr>
<td>Other investing, net</td>
<td>(750)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>166,453</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from initial public offering, net of related fees</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>509,460</td>
</tr>
<tr>
<td>Repayment of mandatorily redeemable preferred securities, including redemption premium</td>
<td>—</td>
</tr>
<tr>
<td>Dividends on common stock</td>
<td>(564,767)</td>
</tr>
<tr>
<td>Repurchases of common stock</td>
<td>(149,868)</td>
</tr>
<tr>
<td>Other financing, net</td>
<td>(24)</td>
</tr>
<tr>
<td>Net cash (used in) provided by financing activities</td>
<td>(205,199)</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>346</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>8</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>$354</td>
</tr>
</tbody>
</table>

**Supplementary cash flow information:**

| Issuance of shares in lieu of cash dividends | $67,767                  | —                        |

The accompanying notes are an integral part of these condensed financial statements.

F-47
Notes to Condensed Financial Statements (Parent Company Only)

1. Basis of Presentation

The condensed financial statements of ADT Inc. have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X, as the restricted net assets of the subsidiaries of ADT Inc. (as defined in Rule 4-08(c)(3) of Regulation S-X) exceed 25% of the consolidated net assets of the Company. The ability of ADT Inc.’s operating subsidiaries to pay dividends may be restricted due to the terms of the subsidiaries’ First Lien Credit Agreement and the indentures governing other borrowings. Refer to Note 6 “Debt” for further discussion on restrictions.

The condensed financial statements of ADT Inc. have been prepared using the same accounting principles and policies described in Note 1 “Description of Business and Summary of Significant Accounting Policies” with the only exception being that the parent company accounts for its subsidiaries using the equity method of accounting. These condensed financial statements should be read in conjunction with the Company’s consolidated financial statements and related notes thereto.

A condensed statement of cash flows has not been presented for the year ending 2017 as ADT Inc. had no cash flow activities during that period. Refer to Note 2 “Transactions with Subsidiaries” below for further discussion of non-cash transactions.

2. Transactions with Subsidiaries

The majority of ADT Inc.’s transactions with subsidiaries are related to (a) the receipt of distributions from subsidiaries in order to fund equity transactions such as the payment of dividends and the repurchase of common stock or (b) the contribution of proceeds received from equity transactions to subsidiaries for operating purposes.

During 2019, ADT Inc. entered into an intercompany loan with a subsidiary in connection with the sale of ADT Canada. ADT Inc. also received non-cash distributions from subsidiaries of $891 million, which primarily related to the distribution of net assets and intercompany loans in connection with the sale of ADT Canada. In addition, ADT Inc. made non-cash contributions to subsidiaries of approximately $146 million, which primarily related to share-based compensation and intercompany loans in connection with the sale of ADT Canada.

During 2018, ADT Inc. made non-cash contributions to subsidiaries of $135 million related to share-based compensation. There were no non-cash distributions from subsidiaries during 2018.
ADT Inc. is a corporation organized and existing under the laws of the State of Delaware (the “Corporation”). The original certificate of incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on May 15, 2015, under the name “Apollo Security Services Parent, Inc.” This Amended and Restated Certificate of Incorporation of the Corporation (as the same may be further amended and/or restated, this “Amended and Restated Certificate of Incorporation”), which further amends and restates the Certificate of Incorporation of the Corporation, as heretofore amended, in its entirety, has been duly adopted by all necessary action of the board of directors of the Corporation (the “Board”) and the stockholders of the Corporation, pursuant to Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, as the same now exists or may hereafter be amended and/or supplemented from time to time (the “DGCL”), to read as follows:

ARTICLE I

The name of the corporation (hereinafter the “Corporation”) is ADT Inc.

ARTICLE II

The address of the Corporation’s registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the Corporation’s registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “DGCL”).

ARTICLE IV

Section 4.01  Authorized Capital Stock. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is four billion (4,000,000,000) shares of capital stock, of which three billion, nine hundred ninety-nine million (3,999,000,000) shares shall be common stock, par value $0.01 per share (the “Common Stock”), and one million (1,000,000) shares shall be preferred securities, par value $0.01 per share (the “Preferred Securities”). Subject to the rights of the holders of any series of Preferred Securities then outstanding, the number of authorized shares of any of the Common Stock or Preferred Securities may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL or any successor provision thereof, and no vote of the holders of any of the Common Stock or Preferred Securities voting separately as a class shall be required therefor.

Section 4.02  Common Stock. The terms of the Common Stock set forth below shall be subject to the express terms of any series of Preferred Securities then outstanding.

(a)  Voting Rights. Except as otherwise required by applicable law or this Amended and Restated Certificate of Incorporation, the holders of Common Stock, as such, shall be entitled to one vote per share on all matters submitted to a vote of the Corporation’s stockholders generally.

(b)  Dividends. Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Securities or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends or distributions, the holders of Common Stock shall be entitled to receive, as, if and when declared by the Board out of the funds of the Corporation legally available therefor, such dividends (payable in cash, shares of stock of the Corporation, property or assets of the Corporation or otherwise) as the Board may from time to time in its sole discretion determine.
(c) **Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the payment or provision for the payment of any debts and other liabilities of the Corporation, and subject to the rights, if any, of the holders of any outstanding series of Preferred Securities or other class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets upon any such liquidation, dissolution or winding up, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among and paid to the holders of Common Stock ratably in proportion to the number of shares of Common Stock held by them respectively.

Section 4.03 **Preferred Securities.** The Board is authorized, by resolution or resolutions, to provide, out of the authorized but unissued shares of Preferred Securities, for the issuance from time to time of shares of Preferred Securities in one or more series and, by filing a certificate of designation (a "Preferred Securities Certificate of Designation") pursuant to the applicable provisions of the DGCL, to establish from time to time the number of shares to be included in each such series, with such powers (including voting powers, if any), designations, preferences and relative, participating, optional or other rights, if any, and qualifications, limitations or restrictions thereof, if any, as are stated and expressly in the resolution or resolutions providing for the issuance thereof adopted by the Board, including, but not limited to, determination of any of the following:

(a) the distinctive designation of the series, whether by number, letter or title, and the number of shares which will constitute the series;

(b) the dividend rate, if any, and the times of payment of dividends, if any, on the shares of the series, whether such dividends will be cumulative and, if so, from what date or dates, and the relation which such dividends, if any, shall bear to the dividends payable on any other class or classes or series of stock;

(c) the price or prices at which, and the terms and conditions on which, the shares of the series may be redeemed at the option of the Corporation or the holder thereof or upon the happening of a specified event;

(d) whether or not the shares of the series will be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if so entitled, the amount of such fund and the terms and provisions relative to the operation thereof;

(e) the amounts payable on, and the preferences, if any, of the shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation or upon the happening of any other specified event;

(f) whether or not the shares of the series will be convertible into, or exchangeable for, at the option of either the holder or the Corporation or upon the happening of a specified event, shares of any other class or classes or series of stock of the Corporation and, if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(g) whether or not the shares of the series will have priority over or be on a parity with or be junior to the shares of any other class or classes or series of stock of the Corporation in any respect, or will be entitled to the benefit of limitations restricting the issuance of shares of any other class or classes or series of stock of the Corporation, restricting the payment of dividends or the making of other distributions in respect of shares of any other class or classes or series of stock of the Corporation ranking junior to the shares of the series as to dividends or distributions, or restricting the purchase or redemption of the shares of any such junior class or classes or series of stock of the Corporation, and the terms of any such restriction;

(h) whether or not the shares of the series will have voting rights or powers and, if so, the terms of such voting rights and powers; and

(i) any other powers, preferences and rights, and qualifications, limitations and restrictions thereof, of the series.
Except as otherwise required by law, holders of any series of Preferred Securities shall be entitled to only such voting rights and powers, if any, as shall expressly be granted thereto by this Amended and Restated Certificate of Incorporation. Except as otherwise expressly provided in this Amended and Restated Certificate of Incorporation, no vote of the holders of shares of Preferred Securities or Common Stock shall be a prerequisite to the issuance of any shares of any series of the Preferred Securities so authorized in accordance with this Amended and Restated Certificate of Incorporation. Except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Securities if the holders of such affected series are entitled, either separately as a class or together with the holders of one or more other such series as a separate class, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation or pursuant to the DGCL. Unless otherwise provided by the Amended and Restated Certificate of Incorporation, the Board may, by resolution or resolutions, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of Preferred Securities established by a Preferred Securities Certificate of Designation pursuant to this Article IV and the DGCL and, if the number of shares of such series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Pursuant to the authority conferred upon the Board by this Section 4.03, the Board created a series of 750,000 shares of Preferred Securities designated as Series A Preferred Securities by filing the Certificate of Designation of Series A Preferred Securities of the Corporation with the Secretary of State of the State of Delaware on May 2, 2016, as amended by the Certificate of Amendment of the Certificate of Designation of Series A Preferred Securities of the Corporation filed with the Secretary of State of the State of Delaware on December 28, 2017, and as further amended by the Certificate of Amendment of the Certificate of Designation of Series A Preferred Securities of the Corporation filed with the Secretary of State of the State of Delaware on or around the date hereof (the “Series A Preferred Securities”). The voting powers, designations, preferences and relative, participating, optional or other special rights of the shares of the Series A Preferred Securities, and the qualifications, limitations and restrictions thereof are as set forth on Annex I hereto, and are incorporated herein by reference.

ARTICLE V

Section 5.01 General Powers. Except as otherwise provided by applicable law or this Amended and Restated Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board.

Section 5.02 Number of Directors. Except as otherwise provided for or fixed pursuant to Article IV and this Article V (relating to the rights of any series of Preferred Securities to elect additional directors), and subject to the terms of the Stockholders Agreement, dated on or about the date of the effectiveness of the filing of this Amended and Restated Certificate of Incorporation, by and among the Corporation and certain affiliates of Apollo (as defined in Article VII hereof) and the other parties thereto (as the same may be amended, supplemented, restated or otherwise modified from time to time, the “Stockholders Agreement”), the total number of directors shall be as determined from time to time exclusively by the Board, provided, that in no event shall the total number of directors be more than fifteen (15). Election of directors need not be by written ballot unless the Bylaws (as defined below) shall so require.

Section 5.03 Classified Board; Term of Office. The directors (other than those directors elected by the holders of any series of Preferred Securities, voting separately as a series or together with one or more other such series, as the case may be) shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of such directors. Class I directors shall initially serve for a term expiring at the second annual meeting of stockholders following the IPO Date and Class III directors shall initially serve for a term expiring at the third annual meeting of stockholders following the IPO Date. At each succeeding annual meeting, successors to the class of directors whose term expires at that annual meeting shall be elected for a term expiring at the third succeeding annual meeting of stockholders. If the number of such directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any such additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office.
for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director. Each director shall hold office until the annual meeting at which his or her term expires and until his or her successor shall be elected and qualified, subject, however, to such director’s earlier death, resignation, retirement, removal or disqualification. The Board is authorized to assign members of the Board already in office to their respective class.

Section 5.04 Quorum. Notwithstanding anything to the contrary set forth in this Amended and Restated Certificate of Incorporation, the Bylaws or applicable law, but in addition to any requirements set forth in this Amended and Restated Certificate of Incorporation, the Bylaws and applicable law, if Apollo owns, beneficially or of record, any shares of stock of the Corporation and there is at least one member of the Board who is an Apollo Designee (as defined in the Stockholders Agreement), a quorum for the transaction of business at any meeting of the Board shall include at least one Apollo Designee unless each Apollo Designee provides notice in writing or by electronic transmission to the remaining members of the Board waiving his or her right to be included in the quorum at such meeting. Notwithstanding anything to the contrary set forth herein, but in addition to any other vote required by this Amended and Restated Certificate of Incorporation, the Bylaws or applicable law, at any time that Apollo owns, beneficially or of record, any shares of stock of the Corporation, the Corporation shall not (directly or indirectly, by merger, consolidation or otherwise) amend, alter or repeal this Section 5.04, or adopt any provision inconsistent herewith, without the prior written consent of Apollo.

Section 5.05 Vacancies. Except as otherwise provided by this Amended and Restated Certificate of Incorporation, and subject to the terms of the Stockholders Agreement, any vacancy resulting from the death, resignation, removal or disqualification of a director or other cause, or any newly created directorship in the Board, shall be filled only by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and shall not be filled by the stockholders of the Corporation; provided, that, (i) for so long as Apollo owns, beneficially or of record, any shares of stock of the Corporation, any vacancy resulting from the death, resignation, removal, disqualification or other cause in respect of any Apollo Designee shall be filled only by (x) a majority of the Apollo Designees then in office or (y) if there are no Apollo Designees then in office, Apollo, (ii) for so long as the Co-Invest Condition (as defined in the Stockholders Agreement) is satisfied, any vacancy resulting from the death, resignation, removal, disqualification or other cause in respect of any Apollo Designee shall be filled as set forth in the Stockholders Agreement, and (iii) for so long as the Koch Condition (as defined in the Stockholders Agreement) is satisfied, any vacancy resulting from the death, resignation, removal, disqualification or other cause in respect of the Koch Designee (as defined in the Stockholders Agreement) shall be filled as set forth in the Stockholders Agreement. Except as otherwise provided by this Amended and Restated Certificate of Incorporation, a director elected to fill a vacancy or newly created directorship shall hold office until the annual meeting of stockholders for the election of directors of the class to which he or she has been appointed and until his or her successor has been duly elected and qualified, subject, however, to such director’s earlier death, resignation, retirement, removal or disqualification.

Section 5.06 Removal of Directors. Except as otherwise provided by law, the Stockholders Agreement or this Amended and Restated Certificate of Incorporation, directors may be removed with or without cause by the affirmative vote of the holders of a majority in voting power of the outstanding shares of stock of the Corporation entitled to vote in an election of such directors; provided, however, that, from and after the Trigger Event (as defined below) any such director or all such directors may be removed only for cause and only by the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of the Corporation entitled to vote thereon, voting together as a single class. Notwithstanding the foregoing, (i) in the event the Co-Invest Condition is no longer satisfied, any Co-Invest Designee then in office shall thereupon automatically cease to be qualified and shall cease to be a director, and (ii) in the event the Koch Condition is no longer satisfied, the Koch Designee shall thereupon automatically cease to be qualified and shall cease to be a director.

Section 5.07 Voting Rights of Preferred Securities. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Securities shall have the right, voting separately as a series or separately as a class with one or more such other series of Preferred Securities, to elect directors, the election, term of office, removal, filling of vacancies (including filling any newly created directorships) any and other features of such directorships shall be governed by the terms of the other provisions of this Amended and Restated Certificate of
Incorporation (including any Preferred Securities Certificate of Designation). During any period when the holders of any series of Preferred Securities have the right to elect additional directors, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Securities shall be entitled to elect the additional directors so provided for or fixed pursuant to such provisions, and (ii) each such additional director shall serve until such director’s successor shall have been duly elected and qualified, or until such director’s right to hold such office terminates pursuant to such provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, removal or disqualification. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Securities having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, retirement, removal or disqualification of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall be reduced accordingly.

ARTICLE VI

In furtherance and not in limitation of the rights, powers, privileges and discretionary authority granted or conferred by the DGCL or other statutes or laws of the State of Delaware, the Board is expressly authorized to make, alter, amend or repeal the bylaws of the Corporation (as the same may be amended and/or restated from time to time, the “Bylaws”), without any action on the part of the stockholders.

ARTICLE VII

Except as otherwise required by law, and subject to the rights of the holders of any series of Preferred Securities, special meetings of the stockholders of the Corporation may be called only by (x) the Chairman of the Board or (y) the Secretary of the Corporation at the direction of a majority of the directors then in office, and special meetings may not be called by any other person or persons. Notwithstanding the foregoing, until such time as Apollo Management VIII, L.P. and any of its Affiliates (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) (collectively, “Apollo”) ceases to beneficially own at least 50.1% of the outstanding shares of Common Stock (the “Trigger Event”), special meetings of the stockholders of the Corporation shall be called by the Secretary of the Corporation at the written request of the holders of a majority of the voting power of the then outstanding Common Stock. Business transacted at any special meeting of stockholders shall be limited to the purpose or purposes stated in the notice.

ARTICLE VIII

To the fullest extent permitted by the DGCL, as it now exists or may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty owed to the Corporation or its stockholders. Any repeal or amendment or modification of this Article VIII (including by changes in applicable law), or the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article VIII, shall, to the extent permitted by applicable law, be prospective only (except to the extent such amendment or change in applicable law permits the Corporation to provide a broader limitation on a retroactive basis than permitted prior thereto), and shall not adversely affect any limitation on the personal liability of any director of the Corporation with respect to acts or omissions occurring prior to the time of such repeal or amendment or modification or adoption of such inconsistent provision. If any provision of the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of directors shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

ARTICLE IX

Subject to the rights of the holders of one or more series of Preferred Securities then outstanding to act by written consent as provided in any Preferred Securities Certificate of Designation, any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of stockholders; provided, that prior to the Trigger Event, any action required or permitted to be taken at any annual or special meeting of stockholders
Section 10.01 Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “Proceeding”), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was, at any time during which this Amended and Restated Certificate of Incorporation is in effect (whether or not such person continues to serve in such capacity at the time any indemnification or payment of expenses pursuant hereto is sought or at the time any proceeding relating thereto exists or is brought), a director or officer of the Corporation or is or was at any such time serving at the request of the Corporation as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation (hereinafter, an “Indemnitee”), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, trustee, employee or agent or in any other capacity while serving as a director, officer, trustee, employee or agent, shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation (and any successor of the Corporation by merger or otherwise) to the fullest extent permitted by the DGCL as the same exists or may hereafter be amended or modified from time to time (but, in the case of any such amendment or modification, only to the extent that such amendment or modification permits the Corporation to provide greater indemnification rights than said law permitted the Corporation to provide prior to such amendment or modification), against all expense, liability and loss (including attorneys’ fees, judgments, fines, excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974 and amounts paid or to be paid in settlement) incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, trustee, employee or agent and shall inure to and all such rights shall continue as to an Indemnitee who has ceased to be a director or officer of the Corporation or ceased to serve at the Corporation’s request as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation (hereinafter, an “Indemnitee”), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, trustee, employee or agent or in any other capacity while serving as a director, officer, trustee, employee or agent, shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation (and any successor of the Corporation by merger or otherwise) to the fullest extent permitted by the DGCL as the same exists or may hereafter be amended or modified from time to time (but, in the case of any such amendment or modification, only to the extent that such amendment or modification permits the Corporation to provide greater indemnification rights than said law permitted the Corporation to provide prior to such amendment or modification), against all expense, liability and loss (including attorneys’ fees, judgments, fines, excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974 and amounts paid or to be paid in settlement) incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, trustee, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 10.04 of this Article X, the Corporation shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized in the first instance by the Board.

Section 10.02 Advancement of Expenses. The right to indemnification conferred upon Indemnitees in this Article X shall include the right, without the need for any action by the Board, to be paid by the Corporation (and any successor of the Corporation by merger or otherwise) the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within twenty (20) days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter, the “Undertaking”) by or on behalf of such director or officer to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal (a “Final Disposition”) that such director or officer is not entitled to be indemnified for such expenses under this Article X or otherwise.

Section 10.03 Nature of Rights; Other Sources. The rights conferred upon Indemnitees in this Article X shall be contract rights between the Corporation and each Indemnitee to whom such rights are extended that vest at the commencement of such person’s service to or at the request of the Corporation and all such rights shall continue as to an Indemnitee who has ceased to be a director or officer of the Corporation or ceased to serve at the Corporation’s request as a director, officer, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, as described herein, and shall inure to the benefit of the Indemnitee’s heirs, executors and administrators. The Corporation hereby acknowledges that certain Indemnitees may have certain rights to indemnification, advancement of expenses and/or insurance (other than directors’ and officers’ liability insurance or similar insurance obtained or maintained by or on behalf of the Corporation, its affiliates or any of the foregoing’s
Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 10.05 of this Article X that the procedures indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 10.05 of this Article X. The shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Corporation (including its Board, Disinterested Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Disinterested Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is not entitled to the requested advancement of expenses, but (except where the required Undertaking, if any, has not been tendered to the Corporation) the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board, Independent Counsel (as hereinafter defined), even though less than a quorum, (b) if there are no such Disinterested Directors, or if a majority of the Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the claimant, or (c) if a majority of Disinterested Directors so directs, by a majority of the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by the Board. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within ten (10) days after such determination.

Section 10.05 Enforcement. If a claim under Section 10.01 of this Article X is not paid in full by the Corporation within sixty (60) days after a written claim pursuant to Section 10.04 of this Article X has been received by the Corporation, or if a claim under Section 10.02 of this Article X is not paid in full by the Corporation within twenty (20) days after a written claim therefor has been made, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim to the fullest extent permitted by law. It shall be a defense to any such action that (x) in the case of a claim for indemnification, the claimant has not met the standard of conduct which makes it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed or (y) in the case of a claim for an advancement of expenses, that the claimant is not entitled to the requested advancement of expenses, but (except where the required Undertaking, if any, has not been tendered to the Corporation) the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board, Disinterested Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board, Disinterested Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 10.06 Procedures. If a determination shall have been made pursuant to Section 10.04 of this Article X that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 10.05 of this Article X. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 10.05 of this Article X that the procedures
and presumptions of this Article X are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Article X.

Section 10.07  Non-Exclusive Rights. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Article X: (i) shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Amended and Restated Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise and (ii) cannot be terminated by the Corporation, the Board or the stockholders of the Corporation with respect to any act or omission that is the subject of the Proceeding for which indemnification or advancement of expenses is sought prior to the date of such termination. Any amendment, modification, alteration or repeal of this Article X (by merger, consolidation or otherwise) that in any way diminishes, limits, restricts, adversely affects or eliminates any right of an Indemnitee or his or her successors to indemnification, advancement of expenses or otherwise shall be prospective only and shall not, without the written consent of the Indemnitee, in any way diminish, limit, restrict, adversely affect or eliminate any such right with respect to any actual or alleged state of facts, occurrence, action or omission then or previously existing, or any action, suit or proceeding previously or thereafter brought or threatened based in whole or in part upon any such actual or alleged state of facts, occurrence, action or omission.

Section 10.08  Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise, against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 10.09  Additional Rights. The Board may grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in connection with any Proceeding in advance of its final disposition, to any current or former employee or agent of the Corporation to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of current or former directors and officers of the Corporation.

Section 10.10  Severability. If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article X (including, without limitation, each portion of any Section of this Article X containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any Section of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 10.11  Definitions; Construction. For purposes of this Article X: “Disinterested Director” means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by the claimant; and “Independent Counsel” means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporate law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant’s rights under this Article X. Any reference to an officer of the Corporation in this Article X shall be deemed to refer exclusively to the officers appointed as such pursuant to the Bylaws by the Board or by an officer to whom the Board has delegated the power to appoint officers, and any reference to an officer of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be deemed to refer exclusively to an officer appointed by the board of directors (or equivalent governing body) of such other entity pursuant to the certificate of incorporation and bylaws (or equivalent organizational documents) of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The fact that any person who is or was an employee of the Corporation or an employee of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise has been given or has used the title of “vice president” or any other title that could be construed to suggest or imply that such person is or may be an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall not result in
such person being constituted as, or being deemed to be, an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise for purposes of this Article X.

Section 10.12 Notices. Any notice, request or other communication required or permitted to be given to the Corporation under this Article X shall be in writing and either delivered in person or sent by telecopy, fax, email, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

ARTICLE XI

Section 11.01 Recognition of Corporate Opportunities. In recognition and anticipation that (i) certain directors, officers, principals, partners, members, managers, employees, agents and/or other representatives of Apollo, Koch, the Co-Investor and their respective Affiliates may serve as directors, officers or agents of the Corporation and its Affiliates, and (ii) Apollo, Koch, the Co-Investor and their respective Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation and Affiliates, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation and its Affiliates, directly or indirectly, may engage, the provisions of this Article XI are set forth to regulate and define the conduct of certain affairs of the Corporation and its Affiliates with respect to certain classes or categories of business opportunities as they may involve Apollo, Koch, the Co-Investor and their respective Affiliates and any person or entity who, while a stockholder, director, officer or agent of the Corporation or any of its Affiliates, is a director, officer, principal, partner, member, manager, employee, agent and/or other representative of Apollo, Koch, the Co-Investor and their respective Affiliates (each, an “Identified Person”), on the one hand, and the powers, rights, duties and liabilities of the Corporation and its Affiliates and its and their respective stockholders, directors, officers, and agents in connection therewith, on the other. To the fullest extent permitted by law (including, without limitation, the DGCL), and notwithstanding any other duty (contractual, fiduciary or otherwise, whether at law or in equity), each Identified Person (i) shall have the right to, and shall have no duty (contractual, fiduciary or otherwise, whether at law or in equity) not to, directly or indirectly engage in and possess interests in other business ventures of every type and description, including those engaged in the same or similar business activities or lines of business as the Corporation or any of its Affiliates or deemed to be competing with the Corporation or any of its Affiliates, on its own account, or in partnership with, or as a direct or indirect equity holder, controlling person, stockholder, director, officer, employee, agent, Affiliate (including any portfolio company), member, financing source, investor, director or indirect manager, general or limited partner or assignee of any other person or entity with no obligation to offer to the Corporation or its subsidiaries or other Affiliates the right to participate therein and (ii) shall have the right to invest in, or provide services to, any person that is engaged in the same or similar business activities as the Corporation or its Affiliates or directly or indirectly competes with the Corporation or any of its Affiliates.

Section 11.02 Competitive Opportunities. In the event that any Identified Person acquires knowledge of a potential transaction or matter which may be an investment, corporate or business opportunity or prospective economic or competitive advantage in which the Corporation or its Affiliates could have an interest or expectancy (contractual, equitable or otherwise) (a “Competitive Opportunity”) or otherwise is then exploiting any Competitive Opportunity, to the fullest extent permitted by law (including, without limitation, the DGCL), and notwithstanding any other duty (contractual, fiduciary or otherwise) that such Competitive Opportunity be offered to it. To the fullest extent permitted by law, any such interest or expectation (contractual, equitable or otherwise) is hereby renounced so that such Identified Person shall (i) have no duty to communicate or present such Competitive Opportunity to the Corporation or its Affiliates, (ii) have the right to either hold any such Competitive Opportunity for such Identified Person’s own account and benefit or the account of the former, current or future direct or indirect equity holders, controlling persons, stockholders, directors, officers, employees, agents, Affiliates, members, financing sources, investors, direct or indirect managers, general or limited partners or assignees of any Identified Person or to direct, recommend, assign or otherwise transfer such Competitive Opportunity to persons or entities other than the Corporation or any of its subsidiaries, Affiliates or direct or indirect equity holders and (iii) notwithstanding any provision in this Amended and Restated Certificate of Incorporation to the contrary, not be obligated or liable to the Corporation, any stockholder, director or officer of the Corporation or any other person or entity by reason of the fact that such Identified Person, directly or indirectly, took any of the actions noted in the immediately preceding clause (ii), pursued or acquired such Competitive Opportunity.

18x334

ARTICLE XI

Section 11.01 Recognition of Corporate Opportunities. In recognition and anticipation that (i) certain directors, officers, principals, partners, members, managers, employees, agents and/or other representatives of Apollo, Koch, the Co-Investor and their respective Affiliates may serve as directors, officers or agents of the Corporation and its Affiliates, and (ii) Apollo, Koch, the Co-Investor and their respective Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation and Affiliates, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation and its Affiliates, directly or indirectly, may engage, the provisions of this Article XI are set forth to regulate and define the conduct of certain affairs of the Corporation and its Affiliates with respect to certain classes or categories of business opportunities as they may involve Apollo, Koch, the Co-Investor and their respective Affiliates and any person or entity who, while a stockholder, director, officer or agent of the Corporation or any of its Affiliates, is a director, officer, principal, partner, member, manager, employee, agent and/or other representative of Apollo, Koch, the Co-Investor and their respective Affiliates (each, an “Identified Person”), on the one hand, and the powers, rights, duties and liabilities of the Corporation and its Affiliates and its and their respective stockholders, directors, officers, and agents in connection therewith, on the other. To the fullest extent permitted by law (including, without limitation, the DGCL), and notwithstanding any other duty (contractual, fiduciary or otherwise, whether at law or in equity), each Identified Person (i) shall have the right to, and shall have no duty (contractual, fiduciary or otherwise, whether at law or in equity) not to, directly or indirectly engage in and possess interests in other business ventures of every type and description, including those engaged in the same or similar business activities or lines of business as the Corporation or any of its Affiliates or deemed to be competing with the Corporation or any of its Affiliates, on its own account, or in partnership with, or as a direct or indirect equity holder, controlling person, stockholder, director, officer, employee, agent, Affiliate (including any portfolio company), member, financing source, investor, director or indirect manager, general or limited partner or assignee of any other person or entity with no obligation to offer to the Corporation or its subsidiaries or other Affiliates the right to participate therein and (ii) shall have the right to invest in, or provide services to, any person that is engaged in the same or similar business activities as the Corporation or its Affiliates or directly or indirectly competes with the Corporation or any of its Affiliates.

Section 11.02 Competitive Opportunities. In the event that any Identified Person acquires knowledge of a potential transaction or matter which may be an investment, corporate or business opportunity or prospective economic or competitive advantage in which the Corporation or its Affiliates could have an interest or expectancy (contractual, equitable or otherwise) (a “Competitive Opportunity”) or otherwise is then exploiting any Competitive Opportunity, to the fullest extent permitted by law (including, without limitation, the DGCL), and notwithstanding any other duty (contractual, fiduciary or otherwise) that such Competitive Opportunity be offered to it. To the fullest extent permitted by law, any such interest or expectation (contractual, equitable or otherwise) is hereby renounced so that such Identified Person shall (i) have no duty to communicate or present such Competitive Opportunity to the Corporation or its Affiliates, (ii) have the right to either hold any such Competitive Opportunity for such Identified Person’s own account and benefit or the account of the former, current or future direct or indirect equity holders, controlling persons, stockholders, directors, officers, employees, agents, Affiliates, members, financing sources, investors, direct or indirect managers, general or limited partners or assignees of any Identified Person or to direct, recommend, assign or otherwise transfer such Competitive Opportunity to persons or entities other than the Corporation or any of its subsidiaries, Affiliates or direct or indirect equity holders and (iii) notwithstanding any provision in this Amended and Restated Certificate of Incorporation to the contrary, not be obligated or liable to the Corporation, any stockholder, director or officer of the Corporation or any other person or entity by reason of the fact that such Identified Person, directly or indirectly, took any of the actions noted in the immediately preceding clause (ii), pursued or acquired such Competitive Opportunity.
Section 11.03 Acknowledgement. Any person or entity purchasing or otherwise acquiring or holding any interest in any shares of capital stock of the Corporation or any other interest in the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article XI.

Section 11.04 Interpretation; Duties. In the event of a conflict or other inconsistency between this Article XI and any other Article or provision of this Amended and Restated Certificate of Incorporation, this Article XI shall prevail under all circumstances. Notwithstanding anything to the contrary herein, under no circumstances shall the provisions of this Article XI (other than this Section 11.04 of this Article XI) apply to (or result in or be deemed to result in a limitation or elimination of any duty (contractual, fiduciary or otherwise, whether at law or in equity)) owed by any employee of the Corporation or any of its subsidiaries, irrespective of whether such employee otherwise would be an Identified Person, and any Competitive Opportunity waived or renounced by any person or entity pursuant to such other provisions of this Article XI shall be expressly reserved and maintained by such person or entity, as applicable (and shall not be waived or renounced) as to any such employee.

Section 11.05 Section 122(17) of the DGCL. For the avoidance of doubt, subject to Section 11.04 of this Article XI, this Article XI is intended to constitute, with respect to the Identified Persons, a disclaimer and renunciation, to the fullest extent permitted under Section 122(17) of the DGCL, of any right of the Corporation or any of its Affiliates with respect to the matters set forth in this Article XI, and this Article XI shall be construed to effect such disclaimer and renunciation to the fullest extent permitted under the DGCL.

Section 11.06 Definitions. Solely for purposes of this Article XI, (i) “Affiliate” shall mean (a) with respect to Apollo, any person or entity that, directly or indirectly, is controlled by Apollo, controls Apollo, or is under common control with Apollo, (b) with respect to Koch, any person or entity that, directly or indirectly, is controlled by Koch, controls Koch, or is under common control with Koch, (c) with respect to the Co-Investor, any person or entity that, directly or indirectly, is controlled by the Co-Investor, controls the Co-Investor, or is under common control with the Co-Investor, but in each case in clauses (a) through (c), excluding (x) the Corporation, and (y) any entity that is controlled by the Corporation (including its direct and indirect subsidiaries), and (d) in respect of the Corporation, any person or entity that, directly or indirectly, is controlled by the Corporation; (ii) “Apollo” shall mean Apollo Management VIII, L.P.; (iii) “Koch” shall mean Koch SV Investments, LLC; and (iv) the “Co-Investor” shall mean the entity set forth on Exhibit A attached to the Stockholders Agreement.

ARTICLE XII

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder of the Corporation, (c) any action asserting a claim arising pursuant to any provision of the DGCL or of this Amended and Restated Certificate of Incorporation or the Bylaws, or (d) any action asserting a claim against the Corporation or any director or officer of the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and, to the fullest extent permitted by law, to have consented to the provisions of this Article XII.

ARTICLE XIII

Section 13.01 Section 203 of the DGCL. The Corporation hereby expressly elects not to be governed by Section 203 of the DGCL.

Section 13.02 Interested Stockholders. Notwithstanding the foregoing, the Corporation shall not engage in any business combination (as defined below), at any point in time at which the Common Stock is registered.
under Section 12(b) or 12(g) of the Exchange Act, with any interested stockholder (as defined below) for a period of three (3) years following the time that such stockholder became an interested stockholder, unless:

(a) prior to such time, the Board approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, or

(b) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock (as defined below) of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (a) by persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or

(c) at or subsequent to such time, the business combination is approved by the Board 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 which is not owned by the interested stockholder.

Section 13.03 Definitions. For purposes of this Article XIII only, references to:

(a) “affiliate” means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

(b) “Apollo” means Apollo Management VIII, L.P. and its affiliates.

(c) “Apollo Direct Transferee” means any person that acquires (other than in a registered public offering) directly from Apollo or any of its affiliates or successors or any “group”, or any member of any such group, of which such persons are a party under Rule 13d-5 of the Exchange Act, beneficial ownership of 15% or more of the then outstanding voting stock of the Corporation.

(d) “Apollo Indirect Transferee” means any person that acquires (other than in a registered public offering) directly from any Apollo Direct Transferee or any other Apollo Indirect Transferee beneficial ownership of 15% or more of the then outstanding voting stock of the Corporation.

(e) “associate”, when used to indicate a relationship with any person, means: (i) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(f) “business combination”, when used in reference to the Corporation and any interested stockholder of the Corporation, means:

(i) any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation (a) with the interested stockholder, or (b) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation Section 13.02 of this Article XIII is not applicable to the surviving entity;

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Corporation, to or with the interested stockholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value
equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Corporation;

(iii) any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any stock of the Corporation or of such subsidiary to the interested stockholder, except: (a) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which securities were outstanding prior to the time that the interested stockholder became such; (b) pursuant to a merger under Section 251(g) of the DGCL; (c) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which securities is distributed, pro rata to all holders of a class or series of stock of the Corporation subsequent to the time the interested stockholder became such; (d) pursuant to an exchange offer by the Corporation to purchase stock made on the same terms to all holders of said stock; or (e) any issuance or transfer of stock by the Corporation; provided, however, that in no case under items (c)-(e) of this subsection (iii) shall there be an increase in the interested stockholder’s proportionate share of the stock of any class or series of the Corporation or of the voting stock of the Corporation (except as a result of immaterial changes due to fractional share adjustments);

(iv) any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Corporation or of any such subsidiary which is owned by the interested stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the interested stockholder; or

(v) any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in subsections (i)-(iv) above) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(g) “control”, including the terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of 20% or more of the outstanding voting stock of a corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Section, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(h) “interested stockholder” means any person (other than the Corporation or any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting stock of the Corporation, or (ii) is an affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting stock of the Corporation at any time within the three (3) year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder; and the affiliates and associates of such person; but “interested stockholder” shall not include (a) Apollo, any Apollo Direct Transferee, any Apollo Indirect Transferee or any of their respective affiliates or successors or any “group”, or any member of any such group, to which such persons are a party under Rule 13d-5 of the Exchange Act, or (b) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of any action taken solely by the Corporation, provided that such person shall be an interested stockholder if thereafter such person acquires additional shares of voting stock of the Corporation, except as a result of further corporate action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an interested stockholder, the voting stock of the Corporation deemed to be outstanding shall include stock deemed to be owned by the person through application of the definition of “owner” below but shall not include any other unissued stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.
“owner,” including the terms “own” and “owned,” when used with respect to any stock, means a person that individually or with or through any of its affiliates or associates:

(j) beneficially owns such stock, directly or indirectly; or

(k) has (i) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person’s affiliates or associates until such tendered stock is accepted for purchase or exchange; or (ii) the right to vote such stock pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any stock because of such person’s right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to ten (10) or more persons; or

(l) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (ii) of subsection (k) above), or disposing of such stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such stock.

(m) “person” means any individual, corporation, partnership, unincorporated association or other entity.

(n) “stock” means, with respect to any corporation, capital stock and, with respect to any other entity, any equity interest.

(o) “voting stock” means stock of any class or series entitled to vote generally in the election of directors.

ARTICLE XIV

If any provision or provisions of this Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any Article (or section or subsection thereof) of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any Article (or any section or subsection thereof) of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

ARTICLE XV

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by this Amended and Restated Certificate of Incorporation and the DGCL, and all rights, preferences and privileges herein conferred upon stockholders by and pursuant to this Amended and Restated Certificate of Incorporation in its current form or as hereafter amended are granted subject to the right reserved in this Article XV. Notwithstanding the foregoing, from and after the occurrence of the Trigger Event, notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to greater or additional vote or consent required hereunder (including any vote of the holders of any particular class or classes or
series of stock required by law or by this Amended and Restated Certificate of Incorporation), the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required to alter, amend or repeal Section 4.03 of Article IV, Articles V, VI, VII, VIII, IX, X, XI, XII and XIII, and this Article XV.

From and after the occurrence of the Trigger Event, notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any additional or greater vote or consent required hereunder (including any vote of the holders of any particular class or classes or series of stock required by law or by this Amended and Restated Certificate of Incorporation), the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required in order for the stockholders of the Corporation to alter, amend or repeal, in whole or in part, any provision of the Bylaws or to adopt any provision inconsistent therewith.
IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer as of this 23rd day of January 2018,

ADT INC

By: /s/ Timothy J. Whall

Name: Timothy J. Whall
Title: Chief Executive Officer

[Signature Page to First Supplemental Indenture]
ANNEX I

Series A Designation

See attached.

[Signature Page to First Supplemental Indenture]
Pursuant to the General Corporation Law of the State of Delaware (the “DGCL”), ADT Inc., a corporation duly organized and validly existing under the DGCL (the "Company"), in accordance with the provisions of Section 103 of the DGCL, does hereby certify the following:

The Board of Directors of the Company (the "Board of Directors") adopted resolutions on May 2, 2016 designating a new series of 750,000 shares of preferred securities, par value $0.01 per share, of the Company designated as Series A Preferred Securities (as defined below);

WHEREAS, the Certificate of Incorporation of the Company (as amended, restated, supplemented or otherwise modified from time to time, in each case to the extent not prohibited by Section 10, the "Certificate of Incorporation") authorizes (a) the issuance of up to 1,000,000 shares of preferred securities, par value $0.01 per share, of the Company (the "Preferred Securities") in one or more series and (b) the Board of Directors to (i) designate one or more series of the Preferred Securities and (ii) with respect to each such series, establish the number of shares and the rights, preferences, powers, and the qualifications, restrictions and limitations, of each such series; and

WHEREAS, it is the desire of the Board of Directors to amend and restate certain rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors does hereby amend and restate the rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities as follows, and the Board of Directors directs this Second Amended and Restated Certificate of Designation of Series A Preferred Securities (this "Second Amended and Restated Certificate of Designation") to be filed with the Secretary of State of the State of Delaware in accordance with Section 103 of the DGCL:

1. **Definitions; Interpretation.**
   
   (a) As used in this Second Amended and Restated Certificate of Designation, the following terms shall have the meanings specified below:

   "Accrued Dividend Rate" shall mean the Five-Year Treasury Yield plus 9.75% per annum; provided that the then-current Accrued Dividend Rate shall automatically increase by an additional 1.00% per annum on the fifth anniversary of the Closing Date and on each anniversary of the Closing Date thereafter; provided, further, that (a) if and for so long as any Event of Default (other than a Senior Debt Event of Default) occurs and is continuing or (b) if and for so long as a Senior Debt Event of Default occurs and is continuing, on the tenth Business Day following the occurrence of such Senior Debt Event of Default, then, in each case, the then current Accrued Dividend Rate shall automatically increase by an additional 2.00% per annum.

   "Accumulated Stated Value" shall mean, as of the relevant date, an amount per Share equal to (a) the Stated Value of such Share as of such date plus (b) any declared but unpaid Dividends on such Share for
the most recent Dividend Period as of such date (to the extent not part of the Stated Value of such Share as of such date) plus (c) the amount of accumulated and unpaid Dividends on such Share from the last Dividend Payment Date to, but not including, such date (to the extent not part of the Stated Value of such Share as of such date).

"ADTSC" shall mean The ADT Security Corporation, a Delaware corporation.

"Affiliate" shall mean, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; provided that, with respect to any Covered Person, this definition shall include any parent, spouse, domestic partner or child (including those adopted) of such Covered Person and each custodian or guardian of any property of one or more of such Persons in the capacity as such custodian or guardian and trust, investment vehicle or other entity formed by such Covered Person for tax or estate planning purposes.

"Affiliate Investment Transaction" shall have the meaning assigned to such term in the definition of "Permitted Affiliate Transactions."

"Aggregate Accumulated Dividend" shall mean, as of the relevant date, an amount per Share equal to the difference of (a) the Accumulated Stated Value of such Share as of such date minus (b) the Stated Value of such Share as of the Closing Date.

"Amendment Date" means January 23, 2018.

"Applicable Treasury Rate" shall mean, as of the relevant date, the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to such date (or, if such statistical release is not so published or available, any publicly available source of similar market data reasonably selected by the Company)) most nearly equal to the period from such date to the First Call Date; provided that if the period from such date to the First Call Date is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Applicable Treasury Rate shall be obtained by linear interpolation (calculated to the nearest 1/12th of a year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the period from such date to the First Call Date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

"Beneficially Own" shall mean to possess beneficial ownership as determined pursuant to Rule 13d-3 and Rule 13d-5 of the Exchange Act.

"Board of Directors" shall have the meaning assigned to such term in the recitals hereof.

"Board of Managers" shall have the meaning assigned to such term in the LLC Agreement; provided that, if the Board of Managers is not the board of directors, board of managers or other governing body that is the primary functioning board of directors, board of managers or other governing body governing (or that is charged with the material governance authority with respect to) the business of the General Partner, Parent, the Company or any of its Subsidiaries, then the Board of Managers shall be deemed to refer to such primary functioning board of directors, board of managers or other governing body.

"Borrower" shall mean Prime Security Services Borrower, LLC, a Delaware limited liability company.

"Business Day" shall mean any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"Capitalized Lease Obligations" shall mean, at the time any determination thereof is to be made,
the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP; provided that obligations of the Company or any of its Subsidiaries, or of a special purpose or other entity not consolidated with the Company and its Subsidiaries, either existing on July 1, 2015 or created thereafter that (a) initially were not included on the consolidated balance sheet of the Company or any of its Subsidiaries as capital lease obligations and were subsequently recharacterized as capital lease obligations or, in the case of such a special purpose or other entity becoming consolidated with the Company and its Subsidiaries, were required to be characterized as capital lease obligations upon such consideration, in either case, due to a change in accounting treatment or otherwise, or (b) did not exist on July 1, 2015 and were required to be characterized as capital lease obligations but would not have been required to be treated as capital lease obligations on July 1, 2015 had they existed at that time, shall for all purposes not be treated as Capitalized Lease Obligations or Indebtedness.

"Cash Dividend Rate" shall mean the Five-Year Treasury Yield plus 9.00% per annum; provided that the then-current Cash Dividend Rate shall automatically increase by an additional 1.00% per annum on the fifth anniversary of the Closing Date and on each anniversary of the Closing Date thereafter; provided, further, that (a) if and for so long as any Event of Default (other than a Senior Debt Event of Default) occurs and is continuing or (b) if and for so long as a Senior Debt Event of Default occurs and is continuing, on the tenth Business Day following the occurrence of such Senior Debt Event of Default, then, in each case, the then current Cash Dividend Rate shall automatically increase by an additional 2.00% per annum.

"Certificate of Incorporation" shall have the meaning assigned to such term in the recitals hereof.

A "Change in Control" shall be deemed to occur if:

(a) the Member shall fail to Beneficially Own and own of record, directly or indirectly, 100% of the issued and outstanding Equity Interests of the General Partner; provided that no Change of Control shall be deemed to have occurred pursuant to this clause (a) if the Member transfers all or any portion of the issued and outstanding Equity Interests of the General Partner to the general partner of the Fund or an Affiliate controlled by such general partner so long as (i) the Member or its general partner determines in good faith that it is necessary or desirable to consummate such transfer for legal, tax, regulatory or similar technical reasons and such transfer does not adversely affect any of the rights, preferences, powers, or the qualifications, restrictions or limitations, or the value, of the Series A Preferred Securities;

(b) the General Partner shall fail to Beneficially Own and own of record, directly or indirectly, 100% of the general partnership interests in Parent;

(c) [Reserved];

(d) the Company shall fail to Beneficially Own and own of record, directly or indirectly, 100% of the issued and outstanding Equity Interests of Holdings or the Borrower;

(e) a "Change in Control" (as defined in (i) the First Lien Credit Agreement as in effect on the Closing Date, (ii) the Second Lien Credit Agreement as in effect on the Closing Date, (iii) the Second Priority Senior Secured Notes Indenture as in effect on the Closing Date, (iv) the indentures governing the Existing ADTSC Roll-Over Notes as in effect on the Closing Date, (v) any indenture or credit agreement in respect of Permitted Refinancing Indebtedness with respect to the Indebtedness referenced in clauses (i) through (iv) of this clause (e), in each case, constituting Material Indebtedness, or (vi) any indenture or credit agreement in respect of any Junior Financing constituting Material Indebtedness) shall have occurred; or

(f) a Fund Change in Control shall have occurred.
"Closing Date" shall mean May 2, 2016.


"Common Stock" shall mean the Company's common stock, par value $0.01 per share.

"Company" shall have the meaning assigned to such term in the recitals hereof.

"Company Insolvency Material Event" shall have the meaning assigned to such term in Section 7(b)(i).

"Compensation Arrangement" shall mean any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement, including any employment arrangement or equity purchase agreement.

"Compounded Dividends" shall have the meaning assigned to such term in Section 5.

"Consolidated Total Assets" shall mean, as of any date of determination, the total assets of the Borrower and its consolidated Subsidiaries without giving effect to any impairment or amortization of the amount of intangible assets since the Closing Date, determined on a consolidated basis in accordance with GAAP, as set forth on the consolidated balance sheet of the Borrower as of the last day of the fiscal quarter most recently ended for which financial statements have been (or were required to be) delivered pursuant to Section 4.1(f) of the Securities Purchase Agreement or Sections 1.2(b)(i) or 1.2(b)(ii) of the Second Amended and Restated Series A Investors Rights Agreement, as applicable, calculated on a Pro Forma Basis after giving effect to any acquisition or Disposition of a Person or assets that may have occurred on or after the last day of such fiscal quarter.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Covered Person" shall mean any future, present or former employee, director, manager, officer, member of management or consultant of the General Partner, Parent, the Company, or any of their respective Subsidiaries that is unaffiliated with the Fund and the Fund Affiliates.

"Deemed Dividend Gross-Up Payment" shall have the meaning assigned to such term in the Second Amended and Restated Series A Investors Rights Agreement.

"DGCL" shall have the meaning assigned to such term in the recitals hereof. "Dispose" shall mean to convey, sell, lease, sell and leaseback, assign, farm-out, transfer or otherwise dispose of any property, business or asset (including the issuance of Equity Interests). The term "Disposition" shall have a correlative meaning to the foregoing.

"Disqualified Stock" shall mean, with respect to any Person, any Equity Interests of such Person that, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior redemption in full of all Shares in accordance with Section 6 and Section 7), (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests
that would constitute Disqualified Stock, in each case, prior to the date that is 91 days after the Mandatory Redemption Date; provided that only the portion of the Equity Interests that so mature or are mandatorily redeemable, are so convertible or exchangeable or are so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock. Notwithstanding the foregoing, (i) any Equity Interests issued to any employee or to any plan for the benefit of employees of the Company or any of its Subsidiaries or by any such plan to such employees shall not constitute Disqualified Stock solely because they may be required to be repurchased by the Company or any of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability and (ii) any class of Equity Interests of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Equity Interests that are not Disqualified Stock shall not be deemed to be Disqualified Stock.

"Dividend Payment Date" shall mean March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 2016; provided that, if any Dividend Payment Date is not a Business Day, the Dividend Payment Date shall be the immediately preceding Business Day.

"Dividend Period" shall mean the period commencing on and including a Dividend Payment Date that ends on, but does not include, the next Dividend Payment Date; provided that the initial Dividend Period shall commence on and include the Closing Date and end on, but not include, the first Dividend Payment Date.

"Dividends" shall have the meaning assigned to such term in Section 5.

"DRD Gross-Up Payments" shall have the meaning assigned to such term in the Second Amended and Restated Series A Investors Rights Agreement.

"EBITDA" shall have the meaning assigned to such term in the First Lien Credit Agreement as in effect on the Closing Date.

"Equity Interests" of any Person shall mean any and all shares, interests, rights to purchase or otherwise acquire, warrants, options, participations or other equivalents of or interests in (however designated) equity or ownership of such Person, including any preferred stock, any preferred securities, any limited or general partnership interest, any limited liability company membership interest, any related stock appreciation rights or similar securities, and any securities or other rights or interests convertible into or exchangeable for any of the foregoing.

"Equityholders Agreement" shall mean the Equityholders Agreement, dated as of the Closing Date, by and among the Member, the General Partner, Parent, Prime Security Services GP, LLC, a Delaware limited liability company, Apollo Investment Fund VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware) VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware 892) VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners VIII, L.P., a Cayman Islands exempted limited partnership, and the Purchaser.


"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with Parent, the Company or any of its Subsidiaries, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any Reportable Event or the requirements of Section 4043(b) of ERISA apply with respect to a Plan; (b) with respect to any Plan, the failure to satisfy the minimum funding standard under Section 412 of the Code or Section 302 of ERISA, whether or not waived; (c) a determination that any Plan is, or is expected to be, in "at risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code); (d) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, the failure to make by its due date a required installment under Section 430(j) of the Code with respect to any Plan or the failure to make any required contribution to a
Multiemployer Plan; (e) the incurrence by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan or Multiemployer Plan; (i) the receipt by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (g) the incurrence by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; (h) the receipt by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any notice, concerning the impending imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA, or in "endangered" or "critical" status, within the meaning of Section 432 of the Code or Section 305 of ERISA; (i) the conditions for imposition of a Lien under Section 303(k) of ERISA shall have been met with respect to any Plan; or (j) the withdrawal of any of Parent, the Company, any of its Subsidiaries or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which such entity was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA.

"Event of Default" shall mean the happening of any of the following events:

(a) any representation or warranty made or deemed made by Parent or the Company in the Securities Purchase Agreement or by Parent, the Company or any of its Subsidiaries in any other Related Agreement to which it is a party or any certificate or document delivered by it pursuant hereto or thereto shall prove to have been false or misleading in any material respect when so made or deemed made and such false or misleading representation or warranty (if curable) shall remain false or misleading for a period of 30 days after the earlier of notice thereof (i) from the Preferred Majority Holder to the Company and (ii) to the Holders pursuant to Section 1.2(c)(i) of the Second Amended and Restated Series A Investors Rights Agreement;

(b) the Company shall fail to declare or pay any Dividends in accordance with Section 5 or any failure or default shall be made in the payment or distribution on any Share (including pursuant to Section 5, Section 6 or Section 7 of this Second Amended and Restated Certificate of Designation or Section 1.1 of the Second Amended and Restated Series A Investors Rights Agreement) or any other Preferred Securities, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, in each case for any reason whatsoever and, solely with respect to any failure to declare or pay any Dividends in accordance with Section 5, such failure shall continue unremedied for a period of five Business Days;

(c) any failure or default shall be made in the due observance or performance by the Company or any of its Subsidiaries of any covenant, condition or agreement contained in Section 9 of this Second Amended and Restated Certificate of Designation or by the Company or any of its Subsidiaries of any covenant, condition or agreement contained in Sections 1.2(a), 1.2(c) or 1.2(e) of the Second Amended and Restated Series A Investors Rights Agreement;

(d) any failure or default shall be made in the due observance or performance by the Member, the General Partner, Parent, the Company or any of its Subsidiaries of any covenant, condition or agreement contained herein or in any other Related Agreement to which it is a party (other than those specified in clauses (a), (b) and (c) above) and such failure or default shall continue unremedied for a period of 30 days after the earlier of notice thereof (i) from the Preferred Majority Holder to the Company and (ii) to the Holders pursuant to Section 1.2(c)(i) of the Second Amended and Restated Series A Investors Rights Agreement, in each case for any reason whatsoever;

(e) (i) any event or condition occurs that results in any Senior Debt becoming due prior to its scheduled maturity (a "Senior Debt Acceleration"), (ii) any event or condition occurs that (A) results in any Material Indebtedness becoming due prior to its scheduled maturity or (B) enables or permits (with all applicable grace periods having expired) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, or (iii) Parent, the Company or any of its Subsidiaries shall fail to pay the
principal of any Material Indebtedness at the stated final maturity thereof; provided that this clause (e) shall not apply to any secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness;

(f) Parent, the Company or any of its Subsidiaries shall fail to (i) make any payment of principal, interest or other amount when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in respect of any Senior Debt and such failure is not cured prior to the Business Day before the expiration of the applicable grace period under such Senior Debt (after giving effect to any written waiver or other written extension thereof) or (ii) observe or perform any other agreement set forth in any Senior Debt or contained in any instrument or agreement evidencing, securing or relating to such Senior Debt and such failure is not cured prior to the Business Day before the expiration of the applicable grace period under such Senior Debt (after giving effect to any written waiver or other written extension thereof), which failure would enable or permit the holder or holders of such Senior Debt or any trustee or agent on its or their behalf to cause such Senior Debt to become due or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that, in each case, a forbearance with respect to any such failure shall not be deemed to eliminate such failure unless the requisite holders execute and deliver to Parent, the Company or any of its Subsidiaries, as applicable, an irrevocable extension or waiver under the terms of such Senior Debt with respect to such failure (any failure described in this clause (f), a "Senior Debt Event of Default");

(g) there shall have occurred a Change in Control;

(h) there shall have occurred an Insolvency Event;

(i) the failure by Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries to pay one or more final judgments aggregating in excess of $84,000,000 (to the extent not covered by insurance), which judgments are not discharged or effectively waived or stayed for a period of 45 consecutive days, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries to enforce any such judgment;

(j) (i) an ERISA Event shall have occurred, (ii) the PBGC shall institute proceedings (including giving notice of intent thereof) to terminate any Plan or Plans, (iii) Parent, the Company or any of its Subsidiaries or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, or (iv) Parent, the Company or any of its Subsidiaries shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan; and in each case in clauses (i) through (iv) above, such event or condition, together with all other such events or conditions, if any, would reasonably be expected to have a Material Adverse Effect; or

(k) this Second Amended and Restated Certificate of Designation or any other Related Agreement shall for any reason be asserted in writing by the Member, the General Partner, Parent, the Company or any of its Subsidiaries or any of their respective Affiliates not to be a legal, valid and binding obligation of any party thereto.


"Existing ADTSC Roll-Over Notes" shall mean, collectively, (a) the $1,000,000,000 in aggregate principal amount of the 3.50% Notes due 2022, (b) the $750,000,000 in aggregate principal amount of the 4.875% Notes due 2042 or 2032, as applicable, (c) the $700,000,000 in aggregate principal amount of the 4.125% Senior Notes due 2023, (d) the $1,000,000,000 in aggregate principal amount of the 6.25% Senior Notes due 2021 and (e) the $300,000,000 in aggregate principal amount of the 5.25% Senior Notes due 2020.

"First Call Date" shall mean May 2, 2019.
"First Lien Credit Agreement" shall mean the Amended and Restated First Lien Credit Agreement, dated as of the Closing Date, by and among Holdings, the Borrower, the lenders party thereto and Barclays Bank PLC, as administrative agent.

"Five-Year Treasury Yield" shall mean, as of the relevant date, the greater of (a) 1.25% per annum and (b) the yield (rounded upwards if necessary to the nearest 1/100th of 1.00%) on actively traded U.S. Treasury securities adjusted to a constant maturity of five years, as determined by reference to the 5-Year Constant Maturity Treasury Rate for such date published by the U.S. Department of the Treasury (currently located under the caption "Daily Treasury Yield Curve Rates" at http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx? data=yield), or, if such information is no longer published by the U.S. Department of the Treasury, by reference to comparable information contained in any other publicly available source of similar market data as reasonably determined in good faith by the Company.

"Foreign Subsidiary" shall mean any Subsidiary of the Borrower that is incorporated or organized under the laws of any jurisdiction other than the U.S., any state thereof or the District of Columbia.

"Fund" shall mean, collectively, Apollo Investment Fund VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware) VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware 892) VIII, L.P., a Delaware limited partnership, and Apollo Overseas Partners VIII, L.P., a Cayman Islands exempted limited partnership.

"Fund Affiliate" shall mean (a) each Affiliate of the Fund that is neither a "portfolio company" (which shall mean a company actively engaged in providing goods or services to unaffiliated customers), whether or not controlled, nor a company controlled by a "portfolio company" and (b) any individual who is a partner or employee of Apollo Management, L.P. or Apollo Management VIII, L.P.

A "Fund Change in Control" shall be deemed to occur if:

(a) the Fund ceases to have the ability or right to appoint, directly or indirectly, directors or managers constituting a majority of the voting power of the Board of Directors, the Board of Managers or the board of directors or board of managers or other governing body of the General Partner, Parent, the Company or any of its Subsidiaries;

(b) (i) the Fund ceases to Beneficially Own and own of record, directly or indirectly, 100% of the issued and outstanding Equity Interests of the General Partner or the Equity Interests of the other Person surviving or resulting from a Fund Change in Control relating to the General Partner, as applicable, (ii) the Fund ceases to Beneficially Own and own of record, directly or indirectly, at least 125,000,000 Units and/or Units representing at least 32.81% of the issued and outstanding Units or the equivalent Equity Interests of the other Person surviving or resulting from a Fund Change in Control relating to Parent, as applicable, or (iii) the Fund ceases to Beneficially Own and own of record, directly or indirectly, at least 311,649.94 shares of Common Stock and/or Common Stock representing at least 32.81% of the issued and outstanding Common Stock or the equivalent Equity Interests of the other Person surviving or resulting from a Fund Change in Control relating to the Company, as applicable, in each case without giving effect to any adjustments in the event of any stock or securities dividend, stock or securities split, stock or securities distribution, recapitalization or combination; provided that the percentage calculations in clauses (ii) and (iii) shall be calculated without regard to any Equity Interests of Parent or the Company granted to or held by any Covered Person (or any Affiliate of such Covered Person), but only to the extent such Equity Interests comprise 5.50% or less of all Equity Interests of any such Person in the aggregate; or

(c) the General Partner, Parent or the Company (i) merges or consolidates with or into any other Person, another Person merges with or into the General Partner, Parent or the Company, or the General Partner, Parent or, except in connection with a Permitted Securitization Financing, the Company Disposes to another Person all or substantially all of the assets of the General Partner, Parent, the Company and its Subsidiaries, taken as a
whole, whether directly or indirectly through the sale of assets of one or more of their respective Subsidiaries, or (ii) engages in any recapitalization, reclassification or other transaction unless, in the context of any such merger or consolidation referenced in the foregoing clause (i) or recapitalization, reclassification or other transaction referenced in the foregoing clause (ii), (A) the Fund continues to Beneficially Own and own of record, directly or indirectly, immediately after giving effect to such transaction, (I) 100% of the issued and outstanding Equity Interests of the General Partner, (II) at least 125,000,000 Units and/or 32.81% of the issued and outstanding Units and (III) at least 311,649.94 shares of Common Stock and/or 32.81% of the issued and outstanding Common Stock or, in each case, the equivalent Equity Interests of the other Person surviving or resulting from such transaction, in each case without giving effect to any adjustments in the event of any stock or securities dividend, stock or securities split, stock or securities distribution, recapitalization or combination and (B) no Shares are cancelled or converted into shares of any other class or series of capital stock of the Company or any Equity Interests of the Company or any other Person (or the right to receive any such Equity Interests), any property (including cash or the right to receive cash or other property) or any combination of the foregoing; provided that the percentage calculations in clauses (II) and (III) shall be calculated without regard to any Equity Interests of Parent or the Company granted to or held by any Covered Person (or any Affiliate of such Covered Person), but only to the extent such Equity Interests comprise 5.50% or less of all Equity Interests of any such Person in the aggregate.

"GAAP" shall mean generally accepted accounting principles in effect from time to time in the U.S., applied on a consistent basis, subject to the provisions of Section 1(b); provided that any reference to the application of GAAP in Sections 2.13(b) or 2.20 of the Securities Purchase Agreement or Section 1.2(d) of the Second Amended and Restated Series A Investors Rights Agreement to a Foreign Subsidiary (and not as a consolidated Subsidiary of the Borrower) shall mean generally accepted accounting principles in effect from time to time in the jurisdiction of organization of such Foreign Subsidiary.

"General Partner" shall mean Prime Security Services TopCo Parent GP, LLC, a Delaware limited liability company.

"Guarantee" of or by any Person (the "guarantor") shall mean (a) any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other monetary obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (iv) entered into for the purpose of assuring in any other manner the holders of such Indebtedness or other obligation of the payment thereof or to protect such holders against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of the guarantor securing any Indebtedness or other obligation (or any existing right, contingent or otherwise, of the holder of Indebtedness or other obligation to be secured by such a Lien) of any other Person, whether or not such Indebtedness or other obligation is assumed by the guarantor; provided that the term "Guarantee" shall not include endorsements of instruments for deposit or collection in the ordinary course of business or customary and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or Disposition of assets permitted by the Loan Documents and this Second Amended and Restated Certificate of Designation (other than such obligations with respect to Indebtedness). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the Indebtedness in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Hedging Agreement" shall mean any agreement with respect to any swap, forward, future or derivative transaction, or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value, or credit spread transaction, repurchase transaction, reserve repurchase transaction, securities lending transaction, weather index transaction, spot contracts, fixed price physical delivery contracts, or any similar transaction or any combination of these transactions, in each case of
"Holder" shall mean, as of the relevant date, any Person that is the holder of record of at least one Share as of such date.

"Holdings" shall mean Prime Security Services Holdings, LLC, a Delaware limited liability company. Unless the context otherwise requires, "Holdings" shall also include any Intermediate Holding Company.

"Immaterial Subsidiary" shall mean any Subsidiary of the Borrower that (a) did not, as of the last day of the fiscal quarter of the Borrower most recently ended for which financial statements have been (or were required to be) delivered pursuant to Section 4.1(f) of the Securities Purchase Agreement or Sections 1.2(b)(i) or 1.2(b)(ii) of the Second Amended and Restated Series A Investors Rights Agreement, have assets with a value in excess of 5.00% of the Consolidated Total Assets or revenues representing in excess of 5.00% of total revenues of the Borrower and its Subsidiaries on a consolidated basis as of such date, and (b) taken together with all Immaterial Subsidiaries as of such date, did not have assets with a value in excess of 10.0% of Consolidated Total Assets or revenues representing in excess of 10.0% of total revenues of the Borrower and its Subsidiaries on a consolidated basis as of such date; provided that the Company may elect in its sole discretion to exclude as an Immaterial Subsidiary any Subsidiary of the Borrower that would otherwise meet the definition of "Immaterial Subsidiary". Each Immaterial Subsidiary as of the Amendment Date shall be set forth in Exhibit E to the Second Amended and Restated Series A Investors Rights Agreement and the Company shall update such Exhibit from time to time after the Amendment Date as necessary to reflect all Immaterial Subsidiaries at such time (the selection of Subsidiaries of the Borrower to be added to or removed from such Exhibit to be made as the Company may determine).

"Incremental Assumption and Amendment Agreement" shall mean the Incremental Assumption and Amendment Agreement, dated as of the Closing Date, by and among Holdings, the Borrower, the lenders party thereto, Barclays Bank PLC, as administrative agent, and the other parties thereto.

"Indebtedness" of any Person shall mean, if and to the extent (other than with respect to clause (i) of this definition) the same would constitute indebtedness or a liability on a balance sheet prepared in accordance with GAAP, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services (other than such obligations accrued in the ordinary course), (e) all Capitalized Lease Obligations of such Person, (f) all net payments that such Person would have to make in the event of an early termination, on the date Indebtedness of such Person is being determined, in respect of outstanding Hedging Agreements, (g) the principal component of all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit, (h) the principal component of all obligations of such Person in respect of bankers' acceptances, (i) all Guarantees by such Person of Indebtedness described in clauses (a) through (h) above and (j) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (excluding accrued dividends that have not increased the liquidation preference of such Disqualified Stock); provided that, in the case of the Borrower and its Subsidiaries, Indebtedness shall not include (A) trade and other ordinary-course payables, accrued expenses, and intercompany liabilities arising in the ordinary course of business, (B) prepaid or deferred revenue, (C) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase prices of an asset to satisfy unperformed obligations of the seller of such asset, (D) earn-out obligations until such obligations become a liability on the balance sheet of such Person in accordance with GAAP, (E) obligations in respect of Third Party Funds or (F): (I) all intercompany Indebtedness having a term not exceeding 364 days (inclusive of any roll-over or extensions of terms) and made in the ordinary course of business and (II) intercompany liabilities in connection with the cash management, tax and accounting operations of the Borrower and its Subsidiaries. The Indebtedness of any Person shall include the Indebtedness of any partnership in which such Person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness limits the liability of such Person.
in respect thereof. To the extent not otherwise included, Indebtedness shall include the amount of any Receivables Net Investment.

"Initial Public Offering" shall mean a consummated underwritten initial public offering of Common Stock.

"Insolvency Event" shall mean:

(a) any voluntary or involuntary liquidation, dissolution or winding up of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries;

(b) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries, or of a substantial part of the property or assets of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries or for a substantial part of the property or assets of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries (except, solely with respect to the Borrower or any of its Material Subsidiaries, in a transaction permitted under the Loan Documents), and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; or

(c) the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (b) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries or for a substantial part of the property or assets of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) become unable or admit in writing its inability or fail generally to pay its debts as they become due.

For purposes of this definition, "Material Subsidiary" shall mean any Subsidiary of the Borrower that would not be an Immaterial Subsidiary under clause (a) of the definition thereof.

"Intermediate Holding Company" shall have the meaning assigned to such term in Section 9(a)(iv).

"Junior Financing" shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"Junior Stock" shall mean Common Stock, any other Preferred Securities and any other Equity Interest of the Company (other than the Series A Preferred Securities).

"Lien" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, hypothecation, pledge, charge, security interest or similar monetary encumbrance in or on such asset and (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset; provided that in no
event shall an operating lease or an agreement to sell be deemed to constitute a Lien.

"LLC Agreement" shall mean the Limited Liability Company Agreement of the General Partner dated as of the Closing Date.

"Loan Documents” shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"LP Agreement" shall mean the Third Amended and Restated Limited Partnership Agreement of Parent dated as of the Closing Date.

"Make-Whole Amount" shall mean, with respect to any Share as of any Redemption Date occurring prior to the First Call Date, the difference of (I) the present value as of such Redemption Date of the Series A Preference Amount as of the First Call Date of the Share being redeemed (i.e., the product of 105.50% multiplied by the Accumulated Stated Value as of the First Call Date of such Share being redeemed), assuming (a) that such Share were to remain outstanding through the First Call Date and then be redeemed on the First Call Date and (b) for purposes of determining the Accumulated Stated Value as of the First Call Date of such Share that (i) all the Dividends that would accumulate on such Share (based on the Accrued Dividend Rate as in effect as of such Redemption Date) from such Redemption Date to, but not including, the Dividend Payment Date immediately prior to the First Call Date (the "Nearest Dividend Payment Date") would not be paid and would compound and increase the Stated Value of such Share on each Dividend Payment Date that would occur during the period from such date through the Nearest Dividend Payment Date with such Dividends in each case accumulating on the Stated Value of such Share as it so increased and (ii) all the Dividends that would accumulate on such Share (based on the Accrued Dividend Rate as in effect as of such Redemption Date and, for the avoidance of doubt, after giving effect to the increase to the Stated Value of such Share described in clause (i) of this definition) from the Nearest Dividend Payment Date (or, if such Redemption Date occurs after the Nearest Dividend Payment Date and prior to the First Call Date, from such Redemption Date (and in such case, without duplication of amounts in clause (i) already included in the Accumulated Stated Value)) to, but not including, the First Call Date would not be paid and would compound and increase the Stated Value of such Share on the First Call Date, with such present value being computed using an annual discount rate (applied quarterly) equal to the Applicable Treasury Rate as of such Redemption Date plus 50 basis points, minus (II) the Accumulated Stated Value of the Share being redeemed as of such Redemption Date, provided that, with respect to any Share as of any Redemption Date occurring after June 30, 2018 and before the First Call Date, if the cash balance in the Segregated Account has been at all times prior to the Redemption Date at least equal to the Minimum Segregated Account Amount, then the Make-Whole Amount per Share shall be reduced by the Reduction Amount.

"Manager" shall have the meaning assigned to such term in the LLC Agreement.

"Mandatory Redemption Date" shall have the meaning assigned to such term in Section 6(a)(ii).

"Material Adverse Effect" shall mean a material adverse effect on the business, property, operations or financial condition of the Company and its Subsidiaries, taken as a whole, or the validity or enforceability of this Second Amended and Restated Certificate of Designation or any other Related Agreement or the rights and remedies of the Purchaser and the Holders hereunder or thereunder.

"Material Event" shall have the meaning assigned to such term in Section 7(a).

"Material Event Offer" shall have the meaning assigned to such term in Section 7(a).

"Material Event Offer Period" shall have the meaning assigned to such term in Section 7(c)(i).

"Material Event Redemption" shall have the meaning assigned to such term in Section 7(a).
"Material Event Redemption Date" shall have the meaning assigned to such term in Section 7(a).

"Material Event Redemption Notice" shall have the meaning assigned to such term in Section 7(c)(iii).

"Material Indebtedness" shall mean (a) any Senior Debt and/or (b) any Indebtedness of any one or more of Parent, the Company or any of its Subsidiaries in an aggregate principal amount exceeding $84,000,000; provided that in no event shall any Permitted Securitization Financing be considered Material Indebtedness.

"Material Subsidiary" shall mean any Subsidiary other than an Immaterial Subsidiary.

"Member" shall mean AP VIII Prime Security Services Holdings, L.P., a Delaware limited partnership.

"Merger" shall have the meaning assigned to such term in the definition of "Merger Agreement".

"Merger Agreement" shall mean the Agreement and Plan of Merger, dated as of February 14, 2016, by and among ADT, the Borrower, Merger Sub (as defined therein), the Company and, solely for the purposes of Article IX thereof, Parent, pursuant to which Merger Sub will merge with and into ADT, with ADT surviving as an indirect wholly owned subsidiary of the Borrower (the "Merger").

"Minimum Segregated Account Amount" shall mean either (a) at any time following the consummation of an Initial Public Offering (but before the consummation of any subsequent Public Offering (a "Subsequent Offering")), an amount in cash equal to at least $750,000,000, or (b) at any time following the consummation of a Subsequent Offering, an amount equal to at least the aggregate Redemption Price for all outstanding Series A Preferred Securities outstanding as of such time, (i) in the event such Subsequent Offering occurs on or prior to June 30, 2018, the aggregate Redemption Price shall be initially calculated assuming the Redemption Date was July 1, 2018 and for each calendar quarter ending after June 30, 2018, the aggregate Redemption Price shall be calculated assuming the Redemption Date was the last date of such calendar quarter during which such Subsequent Offering was consummated and for each calendar quarter thereafter the aggregate Redemption Price shall be calculated assuming the Redemption Date was the last date of such calendar quarter.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which Parent, the Company or any of its Subsidiaries or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding six plan years made or accrued an obligation to make contributions.

"Nearest Dividend Payment Date" shall have the meaning assigned to such term in the definition of "Make-Whole Amount".

"Optional Redemption Date" shall have the meaning assigned to such term in Section 6(a)(i).

"Parent" shall mean Prime Security Services TopCo Parent, L.P., a Delaware limited partnership.

"Parent Entity" shall mean any direct or indirect controlling parent of the Company (excluding the Fund, the Fund Affiliates and their respective parent entities).
"PBGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Affiliate Transaction" shall mean:

(a) other than Affiliate Investment Transactions, which are Permitted Affiliate Transactions only if satisfying clause (i) of this definition of "Permitted Affiliate Transaction", any transaction (or series of related transactions) upon terms that are substantially no less favorable to the Company and any of its Subsidiaries that are party to such transaction (or series of related transactions) than would be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate, as determined by the Board of Managers in good faith;

(b) loans or advances to employees or consultants of the Company, any of the Company's Subsidiaries or any Parent Entity that are, in each case, made in connection with recruiting or retaining such employees or consultants to operate or manage their respective businesses, as determined by the Board of Managers in good faith to be reasonably necessary to successfully recruit or retain such employees or consultants, and the payment and cancellation of such loans or advances;

(c) [Reserved];

(d) any agreement to pay, and the payment of, monitoring, consulting, management, transaction, advisory or similar fees payable to the Fund or any Fund Affiliate in an aggregate amount in any fiscal year for all such agreements and payments not to exceed the lesser of (i) 1.00% of EBITDA for such fiscal year and (ii) $20,000,000;

(e) any Permitted Restricted Payment;

(f) the payment of (i) reasonable out-of-pocket costs to any Covered Person, in each case relating to services performed for or on behalf of the Company and (ii) amounts arising out of the Company's or any Parent Entity's indemnification and advancement obligations to any Covered Person;

(g) (i) any Compensation Arrangement with any Covered Person and employment agreements entered into by the Company or any of its Subsidiaries in the ordinary course of business, (ii) any subscription agreement or similar agreement pertaining to the repurchase of Equity Interests pursuant to any Permitted Restricted Payment and (iii) any employee compensation, benefit plan or arrangement, any health, disability or similar insurance plan which covers bona fide employees of the Company and its Subsidiaries, and any reasonable employment contract and transactions pursuant thereto;

(h) any transaction in respect of which the Company delivers to the Holders a letter addressed to the Board of Managers from an independent accounting, appraisal or investment banking firm, in each case of nationally recognized standing that is in the good faith determination of the Company qualified to render such letter, which letter states that (i) (A) such transaction is on terms that are substantially no less favorable to the Company or such Subsidiary, as applicable, than would be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate or (B) such transaction is fair to the Company or such Subsidiary, as applicable, from a financial point of view and (ii) such transaction does not disproportionately affect the rights of the Holders or the value of the Shares;

(i) investments in securities of, or the extension of any debt or equity financing to, the Company or any of its Subsidiaries by the Fund or any Fund Affiliate (any such investment or financing, an "Affiliate Investment Transaction") so long as (i) the investment is being offered generally to other investors (including the Holders) on the same or more favorable terms and (ii) the investment constitutes less than 5.00% of the outstanding issue amount of such class of securities; or

(j) transactions between the Company and any of its Subsidiaries and any Person, a director of
which is also a director of the Company or any Parent Entity; provided that (i) such director abstains from voting as a director of the Company or such Parent Entity, as the case may be, on any matter involving such other Person and (ii) such Person is not an Affiliate of the Company for any other reason other than such director's acting in such capacity.

"Permitted Refinancing Indebtedness" shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"Permitted Restricted Payment" shall mean:

(a) any Restricted Payment on account of any Share;

(b) [Reserved];

(c) [Reserved]; or

(d) any dividends, distributions or other payments made to Parent or the Company, in order to permit Parent or the Company to make payments in respect of (i) dividends, distributions or other payments on account of purchases or redemptions, or payments, dividends or distributions in respect of, Equity Interests held by a Covered Person or under any Compensation Arrangement or any shareholders agreement then in effect upon such Person's death, disability, retirement or termination of employment or under the terms of any Compensation Arrangement and (ii) dividends, distributions or other payments (A) in respect of bona fide overhead, legal, accounting and other professional fees and expenses of the Company or any Parent Entity, (B) in respect of bona fide franchise and similar taxes and other fees and expenses in connection with the maintenance of the Company's (or any Parent Entity's) existence and the Company's (or any Parent Entity's indirect) ownership of its Subsidiaries, (C) Permitted Affiliate Transactions (other than pursuant to clause (a) or (h) of such definition), (D) to the Company (and, if applicable, any Parent Entity) in an amount not to exceed the amount of any U.S., federal, state, local or foreign taxes that the Company and/or its Subsidiaries, as applicable, would have paid if the Company and/or its Subsidiaries, as applicable, had been a stand-alone corporate taxpayer or stand-alone corporate group with respect to any taxable period during which (x) the Company and/or any of its Subsidiaries are members of a consolidated, combined, affiliated, unitary or similar tax group for U.S. federal and/or applicable state, local or foreign tax purposes and (y) the Company or any Parent Entity is the common parent of such group, or (E) in respect of bona fide non-cash repurchases of Equity Interests deemed to occur upon exercise of stock options if such Equity Interests represent a portion of the exercise price of such options; provided that, in the case of clauses (A) and (B) above, the amount of such Restricted Payments shall not exceed the portion of any amounts referred to in such clauses (A) and (B) that are allocable to Parent and its Subsidiaries (which shall be 100% at any time that, as the case may be, (x) the Company owns no material assets other than the Equity Interests of Holdings and assets incidental to such equity ownership or (y) any Parent Entity owns, directly or indirectly, no material assets other than Equity Interests of the Company and any other Parent Entity and assets incidental to such equity ownership).

"Permitted Securitization Documents" shall mean all documents and agreements evidencing, relating to or otherwise governing a Permitted Securitization Financing.

"Permitted Securitization Financing" shall mean one or more transactions pursuant to which (i) Securitization Assets or interests therein are sold to or financed by one or more Special Purpose Securitization Subsidiaries, and (ii) such Special Purpose Securitization Subsidiaries finance their acquisition of such Securitization Assets or interests therein, or the financing thereof, by selling or borrowing against Securitization Assets and any Hedging Agreements entered into in connection with such Securitization Assets; provided that recourse to the Borrower or any of its Subsidiaries (other than the Special Purpose Securitization Subsidiaries) in connection with such transactions shall be limited to the extent customary (as determined by the Company in good faith in consultation with the Preferred Majority Holder) for similar transactions in the applicable jurisdictions (including, to the extent applicable, in a manner consistent with the delivery of a "true sale"/"absolute transfer" opinion with respect to any transfer by the Borrower or any of its Subsidiaries (other than a Special
"Person" shall mean any natural person, corporation, business trust, joint venture, association, company, partnership, limited liability company or government, individual or family trusts, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) that is (a) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, (b) sponsored or maintained (at the time of determination or at any time within the five years prior thereto) by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate, and (c) in respect of which Parent, the Company, any of its Subsidiaries or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Preferred Majority Holder" shall mean the Holder (together with its Affiliates) or the Holders (together with their respective Affiliates) of not less than a majority of the voting power and the aggregate Accumulated Stated Value of all Shares.

"Preferred Securities" shall have the meaning assigned to such term in the recitals hereof.

"Pro Forma Basis" shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"Public Offering" means an underwritten public offering of Common Stock.

"Purchaser" shall have the meaning assigned to such term in the Securities Purchase Agreement.

"Qualified Equity Interests" shall mean any Equity Interest other than Disqualified Stock.

"Qualified IPO" shall mean an Initial Public Offering that (a) generates gross cash proceeds of at least $750,000,000 and (b) on or prior to which the Company shall have deposited in a Segregated Account an amount in cash equal to at least $750,000,000.

"Receivables Assets" shall mean accounts receivable (including any bills of exchange) and related assets and property from time to time originated, acquired or otherwise owned by the Borrower or any of its Subsidiaries.

"Receivables Net Investment" shall mean the aggregate cash amount paid by the lenders or purchasers under any Permitted Securitization Financing in connection with their purchase of, or the making of loans secured by, Receivables Assets or interests therein, as the same may be reduced from time to time by collections with respect to such Receivables Assets or otherwise in accordance with the terms of the Permitted Securitization Documents (but excluding any such collections used to make payments of, with respect to any Person for any period, commissions, discounts, yield and other fees and charges incurred in connection with any Permitted Securitization Financing which are payable to any Person other than the Borrower or a Subsidiary, minus interest income for such period); provided that if all or any part of such Receivables Net Investment shall have been reduced by application of any distribution and thereafter such distribution is rescinded or must otherwise be returned for any reason, such Receivables Net Investment shall be increased by the amount of such distribution, all as though such distribution had not been made.

"Redemption Date" shall mean an Optional Redemption Date, a Mandatory Redemption Date or a Material Event Redemption Date, as applicable.

"Redemption Percentage" shall mean, as of the relevant date, the applicable percentage.
under the heading "Redemption Percentage" set forth in the table below:

<table>
<thead>
<tr>
<th>Period In Which Such Date Occurs</th>
<th>Redemption Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>If such date occurs during the period from and including the First Call Date to, but not including, May 2, 2020</td>
<td>105.50%</td>
</tr>
<tr>
<td>If such date occurs during the period from and including May 2, 2020 to, but not including, May 2, 2021</td>
<td>102.75%</td>
</tr>
<tr>
<td>If such date occurs on or after May 2, 2021</td>
<td>100%</td>
</tr>
</tbody>
</table>

"Redemption Price" shall have the meaning assigned to such term in Section 6(b)(ii).

"Reduction Amount" shall mean an amount equal to the sum of (x) the difference between (A) the Make-Whole Amount per Share calculated on the basis of the Accumulated Stated Value assuming a redemption date of July 1, 2018 and (B) the Make-Whole Amount per Share calculated on the basis of an Accumulated Stated Value per share equal to $1,000 assuming a redemption date of July 1, 2018 (without regard to any Compounding Dividends with respect to such Share as of July 1, 2018), plus (y) the difference between (A) the Aggregate Accumulated Dividends assuming a redemption date of July 1, 2018 for purposes of Section 6(a)(i) and Section 6(b)(i)(A) and (B) the Aggregate Accumulated Dividends assuming a redemption date of July 1, 2018 for purposes of Section 6(a)(i) and Section 6(b)(i)(A) calculated assuming that (i) from June 30, 2017 to and including July 1, 2018, the Accrued Dividend Rate equaled the Five-Year Treasury plus 9.00% per annum and (ii) Dividends accrued on each date during such period accumulated on a daily basis in arrears on the Stated Value per Share, with the Stated Value per Share for such purposes being $1,000 (without regard to any Compounded Dividends with respect to such Share as of any date during such period).

"Related Agreements" shall mean the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), the Second Amended and Restated Series A Investors Rights Agreement, the Securities Purchase Agreement, the Equityholders Agreement, the LLC Agreement, the LP Agreement and the Warrant.

"Reportable Event" shall mean any reportable event as defined in Section 4043(c) of ERISA or the regulations issued thereunder, other than those events as to which the 30-day notice period referred to in Section 4043(c) of ERISA has been waived, with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code).

"Restricted Payment" shall mean (a) to declare or pay any dividend or make any other distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, with respect to any of the Equity Interests of the Company or any of its Subsidiaries (other than, in each case, to the Company or any direct or indirect Subsidiary of the Company which Equity Interests of such Subsidiary shall be at least 90.0% owned, directly or indirectly, by the Company) or (b) directly or indirectly redeem, purchase, retire or otherwise acquire for value (or permit any Person to purchase or acquire) any of the Equity Interests of the Company or set aside any amount for any such purpose. The amount of any Restricted Payment made other than in the form of cash or cash equivalents shall be the fair market value thereof (as determined by the Company in good faith).

"Second Amended and Restated Certificate of Designation" shall have the meaning assigned to such term in the recitals hereof.

"Second Amended and Restated Series A Investors Rights Agreement" shall mean the Second Amended and Restated Series A Investors Rights Agreement, dated as of the date hereof, by and among the Purchaser, the Holders party thereto, the Member, the General Partner, Parent and the Company.
"Second Lien Credit Agreement" shall mean the Second Lien Credit Agreement, dated as of July 1, 2015, by and among Holdings, the Borrower, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent.

"Second Priority Senior Secured Notes" shall mean the $3,140,000,000 in aggregate principal amount of the 9.25% Second Priority Senior Secured Notes due 2023 issued pursuant to the Second Priority Senior Secured Notes Indenture.

"Second Priority Senior Secured Notes Documents" shall mean the Second Priority Senior Secured Notes, the Second Priority Senior Secured Notes Indenture, the "Second Lien Intercreditor Agreement" (as defined in the Second Priority Senior Secured Notes Indenture), the "First Lien/Second Lien Intercreditor Agreement" (as defined in the Second Priority Senior Secured Notes Indenture) and the "Security Documents" (as defined in the Second Priority Senior Secured Notes Indenture), each as in effect on the Closing Date.

"Second Priority Senior Secured Notes Indenture" shall mean the Indenture, dated as of the Closing Date, among the Borrower, Prime Finance Inc., a Delaware corporation, as co-issuer, the subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as trustee.

"Securities Act" shall mean the Securities Act of 1933.

"Securities Purchase Agreement" shall mean the Securities Purchase Agreement, dated as of the Closing Date, by and among the Purchaser, Parent and the Company.

"Securitization Assets" shall mean any of the following assets (or interests therein) from time to time originated, acquired or otherwise owned by the Borrower or any of its Subsidiaries or in which the Borrower or any of its Subsidiaries has any rights or interests, in each case, without regard to where such assets or interests are located: (a) Receivables Assets, (b) franchise fee payments and other revenues related to franchise agreements, (c) royalty and other similar payments made related to the use of trade names and other intellectual property, business support, training and other services, (d) revenues related to distribution and merchandising of the products of the Borrower and its Subsidiaries, (e) rents, real estate taxes and other non-royalty amounts due from franchisees, (f) intellectual property rights relating to the generation of any of the foregoing types of assets, (g) parcels of or interests in real property, together with all easements, hereditaments and appurtenances thereto, all improvements and appurtenant fixtures and equipment, incidental to the ownership, lease or operation thereof, and (h) any other assets and property to the extent customarily included in securitization transactions of the relevant type in the applicable jurisdictions (as determined by the Company in good faith).

"Segregated Account" shall mean the deposit account established and owned by the Company solely for the purpose of holding the Minimum Segregated Account Amount, which Minimum Segregated Account Amount may only be used by the Company to redeem the Series A Preferred Securities, in whole or in part, from time to time, in each case, in accordance with Section 1.5 of the Second Amended and Restated Series A Investors Rights Agreement.

"Senior Debt" shall mean any Indebtedness incurred pursuant to any of (a) the Loan Documents, (b) the Second Priority Senior Secured Notes Documents and/or (c) the documents governing the Existing ADTSC Roll-Over Notes, in each case as amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders, holders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time, including any agreement or indenture extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of any Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof and whether or not such original Senior Debt remains outstanding.

"Senior Debt Acceleration" shall have the meaning assigned to such term in clause (e)(i)
of the definition of "Event of Default".

"Senior Debt Event of Default" shall have the meaning assigned to such term in clause (f) of the definition of "Event of Default".

"Series A Preference Amount" shall mean, as of any date that is on or after the First Call Date, an amount per Share equal to the product of (a) the Redemption Percentage applicable as of such date multiplied by (b) the Accumulated Stated Value of such Share as of such date.

"Series A Preferred Securities" shall have the meaning assigned to such term in Section 2.

"Share" shall mean, as of the relevant date, any issued and outstanding share of the Series A Preferred Securities as of such date.

"Similar Business" shall mean any business, the majority of whose revenues are derived from (a) business or activities conducted by the Company and its Subsidiaries on the Closing Date, (b) any business that is a natural outgrowth or reasonable extension, development or expansion of any such business or any business similar, reasonably related, incidental, complementary or ancillary to any of the foregoing or (c) any business that in the Company's good faith business judgment constitutes a reasonable diversification of businesses conducted by the Company and its Subsidiaries.

"Special Purpose Securitization Subsidiary" shall mean (i) a direct or indirect Subsidiary of the Borrower established in connection with a Permitted Securitization Financing for the acquisition of Securitization Assets or interests therein, and which is organized in a manner (as determined by the Company in good faith) intended to reduce the likelihood that it would be substantively consolidated with Holdings (prior to a Qualified IPO (as defined in the First Lien Credit Agreement as in effect on the Closing Date)), the Borrower or any of its Subsidiaries (other than Special Purpose Securitization Subsidiaries) in the event Holdings (prior to a Qualified IPO (as defined in the First Lien Credit Agreement as in effect on the Closing Date)), the Borrower or any such Subsidiary becomes subject to a proceeding under the U.S. Bankruptcy Code (or other insolvency law) and (ii) any Subsidiary of a Special Purpose Securitization Subsidiary.

"Stated Value" shall mean, as of the relevant date and with respect to each Share, the sum of (a) $1,000 (adjusted as appropriate in the event of any stock or securities dividend, stock or securities split, stock or securities distribution, recapitalization or combination) plus (b) the aggregate Compounded Dividends with respect to such Share as of such date.

"Subsidiary" shall mean, with respect to any Person (in this definition referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50.0% of the equity or more than 50.0% of the ordinary voting power or more than 50.0% of the general partnership interests are, at the time any determination is being made, directly or indirectly, owned, Controlled or held, or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent.

"Third Party Funds" shall mean any segregated accounts or funds, or any portion thereof, received by Borrower or any of its Subsidiaries as agent on behalf of third parties in accordance with a written agreement that imposes a duty upon Borrower or one or more of its Subsidiaries to collect and remit those funds to such third parties.

"Units" shall mean the limited partnership units of Parent.

"U.S." shall mean the United States of America.
"U.S. Bankruptcy Code" shall mean Title 11 of the United States Code or any similar federal or state law for the relief of debtors.

"Warrant" shall mean the Warrant to Purchase Class A-1 Units, designated as Warrant No. 1, issued by Parent to the Purchaser on the Closing Date.

"Wholly Owned Subsidiary" of any Person shall mean a Subsidiary of such Person, all of the Equity Interests of which (other than directors' qualifying shares or nominee or other similar shares required pursuant to applicable law) are owned by such Person or another Wholly Owned Subsidiary of such Person. Unless the context otherwise requires, "Wholly Owned Subsidiary" shall mean a Subsidiary of the Company that is a Wholly Owned Subsidiary of the Company.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

(b) Interpretation. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. The headings are for convenience only and shall not be given effect in interpreting this Second Amended and Restated Certificate of Designation. References herein to any Section shall be to a Section hereof unless otherwise specifically provided. References herein to any law shall mean such law, including all rules and regulations promulgated under or implementing such law, as amended from time to time and any successor law unless otherwise specifically provided. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Second Amended and Restated Certificate of Designation, refer to this Second Amended and Restated Certificate of Designation as a whole and not to any particular provision of this Second Amended and Restated Certificate of Designation. The use of the masculine, feminine or neuter gender or the singular or plural form of words shall not limit any provisions of this Second Amended and Restated Certificate of Designation. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The word "will" shall be construed to have the same meaning as the word "shall". With respect to the determination of any period of time, "from" shall mean "from and including". The word "or" shall not be exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply 'if'. The terms lease and license shall include sub-lease and sub-license, as applicable. All references to "$", currency, monetary values and dollars set forth herein shall mean U.S. dollars. When the terms of this Second Amended and Restated Certificate of Designation refer to a specific agreement or other document or a decision by any body or Person that determines the meaning or operation of a provision hereof, the secretary of the Company shall maintain a copy of such agreement, document or decision at the principal executive offices of the Company and a copy thereof shall be provided free of charge to any Holder who makes a request therefor. Any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein or unless expressly provided herein or the context otherwise requires). Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Holders that the Company has requested an amendment to any provision hereof to eliminate the effect of any change occurring after the Closing Date in GAAP or in the application thereof on the operation of such provision, regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any changes in GAAP after the Closing Date, any lease of the Company or any of its Subsidiaries, or of a special purpose or other entity not consolidated with the Company and its Subsidiaries at the time of its incurrence of such lease, that would be characterized as an operating lease under GAAP in effect on the Closing
Date (whether such lease is entered into before or after the Closing Date) shall not constitute Indebtedness or a Capitalized Lease Obligation of the Company or any of its Subsidiaries under this Second Amended and Restated Certificate of Designation as a result of such changes in GAAP. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under FASB Accounting Standards Codification 805, 810 or 825 (or any other part of FASB Accounting Standards Codification having a similar result or effect), to value any Indebtedness at "fair value".

2. **Designation.** A total of 750,000 shares of the Preferred Securities are designated as a series known as Series A Preferred Securities, with each such share having an initial Stated Value of $1,000 per share (the "Series A Preferred Securities").

3. **Ranking.** With respect to (a) payment of dividends and (b) distribution of assets upon, or in connection with, any redemption under Section 6 or Section 7, the Series A Preferred Securities shall rank senior to all Junior Stock (except pursuant to any Permitted Restricted Payment).

4. **Voting.**
   
   (a) Generally. The Holders have no voting rights with respect to the Shares except as set forth in this Second Amended and Restated Certificate of Designation, any other Related Agreement or as otherwise required by law.

   (b) Voting Power. At the time of any vote or consent of the Holders under this Second Amended and Restated Certificate of Designation, any other Related Agreement or as otherwise required by law, the voting power of each Share, as a percentage of the aggregate voting power of all Shares, shall equal the product of (i) the quotient of (x) the Accumulated Stated Value of such Share as of such time divided by (y) the aggregate Accumulated Stated Value of all Shares as of such time multiplied by (ii) 100.

5. **Dividends.** From and after the Closing Date, preferential cumulative dividends ("Dividends") shall accumulate on a daily basis in arrears during each Dividend Period at the Cash Dividend Rate (or, with respect to Dividends that become part of the Stated Value pursuant to this Section 5, the Accrued Dividend Rate) in effect from time to time on the then-current Stated Value of each Share, whether or not Dividends are earned or declared by the Board of Directors or the Company is prohibited by law to pay Dividends, and, if declared, shall be due and payable on the Dividend Payment Date with respect to such Dividend Period in accordance with this Section 5. To the extent not prohibited by law, Dividends may be paid in cash on each Dividend Payment Date, when, as and if declared by the Board of Directors. On each Dividend Payment Date related to a Dividend Period for which the Company does not for any reason (including because payment of any Dividend is prohibited by law) pay in cash all Dividends that accumulated during such Dividend Period, any such unpaid Dividends shall (whether or not earned or declared) become part of the Stated Value of such Share as of the applicable Dividend Payment Date ("Compounded Dividends"), provided that, unless the Board of Directors shall otherwise notify the Holders on or prior to the fifth Business Day prior to the applicable Dividend Period, any such unpaid Dividends shall (whether or not earned or declared) become part of the Stated Value of such Share as of the applicable Dividend Payment Date pursuant to this Section 5. The Company may not declare or pay any Dividend in additional Shares. Dividends shall be calculated on the basis of actual days elapsed over a year of 360 days. All Dividends, including Compounded Dividends, are prior to and in preference over any dividend on any Junior Stock and shall be declared and fully paid before any dividends are declared and paid, or any other distributions or redemptions are made, on any Junior Stock (except pursuant to any Permitted Restricted Payment). Except as set forth in Section 7, Dividends shall be payable to the Holders as they appear on the records of the Company on the record date for such Dividends, which, to the extent the Board of Directors determines to declare Dividends in respect of any Dividend Period, shall be the date that is 15 days prior to the applicable Dividend Payment Date, and which record date and Dividend Payment Date, to the extent so determined, shall be declared by the Board of Directors during each Dividend Period on the date that is at least 20 days prior to the Dividend Payment Date and 5 days prior to the record date.

6. **Redemption.**
Redemption Generally.

(i) Optional Redemption. At any time and from time to time, from and after the Closing Date, to the extent not prohibited by law, the Company may elect to redeem any or all Shares for an amount per Share equal to the Redemption Price paid in cash on the terms and subject to the conditions set forth in this Section 6; provided that the Shares to be redeemed shall have an aggregate Accumulated Stated Value of at least $50.0 million (unless the aggregate Accumulated Stated Value of all Shares is less than $50.0 million, in which case the Company shall be required to redeem all Shares). Any election by the Company pursuant to this Section 6(a)(i) shall be made by delivery to the Holders of (A) written notice of payment of the Aggregate Accumulated Dividends and the Make-Whole Amount described in Section 6(b)(i)(A) or the Aggregate Accumulated Dividends described in Section 6(b)(ii)(A), as applicable, at least 15 days prior to the elected redemption date (each such date, an "Optional Redemption Date"); which notice shall indicate the amount of such Aggregate Accumulated Dividends (and, if applicable, such Make-Whole Amount), provide for the record date in accordance with Section 5 and set forth the date and time for payment of such Aggregate Accumulated Dividends (and, if applicable, such Make-Whole Amount), which shall occur on the Optional Redemption Date but prior to redemption of the applicable Shares, and (B) written notice of the Company's election to redeem at least 15 days prior to the Optional Redemption Date, which notice shall indicate the number of Shares being redeemed, the Optional Redemption Date and the manner of and place designated for surrender (as set forth in Section 6(d)) of certificates representing the Shares to be redeemed. Any redemption that is effected pursuant to this Section 6(a)(i) shall be made on a pro rata basis among the Holders in proportion to the aggregate Accumulated Stated Value of the Shares held by each Holder. For the avoidance of doubt, the Shares are not redeemable at the Company's election except pursuant to this Section 6(a)(i).

(ii) Mandatory Redemption. On May 2, 2030 (the "Mandatory Redemption Date"), to the extent not prohibited by law, the Company shall redeem all Shares for an amount per Share equal to the Redemption Price paid in cash on the terms and subject to the conditions set forth in this Section 6. The redemption by the Company pursuant to this Section 6(a)(ii) shall be made by delivery to the Holders of (A) written notice of payment of the Aggregate Accumulated Dividends described in Section 6(b)(ii)(A) at least 15 days prior to the Mandatory Redemption Date, which notice shall indicate the amount of such Aggregate Accumulated Dividends, provide for the record date in accordance with Section 5 and set forth the date and time for payment of such Aggregate Accumulated Dividends, which shall occur on the Mandatory Redemption Date but prior to redemption of all Shares, and (B) written notice of the Company's redemption at least 15 days prior to the Mandatory Redemption Date, which notice shall indicate the number of all Shares being redeemed, the Mandatory Redemption Date and the manner of and place designated for surrender (as set forth in Section 6(d)) of certificates representing all Shares to be redeemed. Any redemption that is effected pursuant to this Section 6(a)(ii) shall be made on a pro rata basis among the Holders in proportion to the aggregate Accumulated Stated Value of all Shares held by the Holders.

(b) Redemption Price. The total price for each Share redeemed pursuant to Section 6(a) or Section 7 (and as adjusted to take into account the prior separate payment of Aggregate Accumulated Dividends in cash as set forth below) shall be:

(i) with respect to any Redemption Date occurring prior to the First Call Date, an amount per Share equal to (A) the sum of (1) the Aggregate Accumulated Dividends as of such Redemption Date plus (2) the Make-Whole Amount as of such Redemption Date plus (3) the Deemed Dividend Gross-Up Payment (if any) (which shall, in each case, be declared separately and paid as a dividend in cash by or on behalf of the Company prior to payment of the amount set forth in Section 6(b)(i)(B)) and (B) the sum of (1) 100% of the Stated Value of such Share as of the Closing Date and (2) any and all DRD Gross-Up Payments owing; and

(ii) with respect to any Redemption Date occurring on or after the First Call Date, an
amount per Share equal to (A) the Aggregate Accumulated Dividends as of such Redemption Date (which shall be declared separately and paid as a dividend in cash by or on behalf of the Company prior to payment of the amount set forth in Section 6(b)(ii)(B)) and (B) any and all DRD Gross-Up Payments owing and (C) an amount equal to the difference of (1) the Series A Preference Amount as of such Redemption Date minus (2) the Aggregate Accumulated Dividends as of such Redemption Date (such per Share aggregate price of the payment of cash dividends and the separate payments described in each of clauses (i)(A) and (i)(B) and (ii)(A) and (ii)(B) and (ii)(C), respectively, each, as applicable, the "Redemption Price").

The applicable aggregate Redemption Price shall be due and payable, and paid in cash in immediately available funds, to the applicable Holders on the applicable Redemption Date.

(c) Rights After a Redemption Date. If any Shares are not redeemed on the applicable Redemption Date, for any reason, all such unredeemed Shares shall remain outstanding and entitled to all of the rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities, including the right to accumulate and receive Dividends thereon as set forth in Section 5 until the date on which the Company actually redeems and pays in full the Redemption Price for such Shares.

(d) Surrender of Certificates. Each Holder of the Shares to be redeemed pursuant to this Section 6 shall surrender the certificates representing such Shares to the Company, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed share powers relating thereto), or, in the event the certificates are lost, stolen, destroyed or mutilated, shall deliver an affidavit of loss and customary indemnity in a form reasonably acceptable to the Company, at the principal executive office of the Company or such other place as the Company may from time to time designate by notice to the Holders, and each surrendered certificate shall be canceled and retired and the Company shall thereafter make payment of the Redemption Price by certified check or wire transfer of immediately available funds; provided that, to the extent such certificates represent a greater number of Shares than the Shares actually redeemed, such Holder shall, in addition to receiving the payment of the Redemption Price for each redeemed Share, receive a new share certificate for the Shares not so redeemed.

(e) Redemption Preference. Any redemption under this Section 6 or Section 7 shall be in preference to and in priority over any dividend or other distribution upon any Junior Stock.


(a) Material Event Offer. Upon any (x) Insolvency Event, (y) Fund Change in Control or (z) Senior Debt Acceleration (each, a "Material Event"), the Company shall make an irrevocable and unconditional offer (a "Material Event Offer") to each Holder to redeem all of such Holder's Shares (such redemption, a "Material Event Redemption") on the applicable redemption date pursuant to Section 7(c) (the "Material Event Redemption Date"), for cash to the extent not prohibited by law, at a price per Share equal to the applicable Redemption Price. Each Holder shall be deemed to have accepted a Material Event Offer with respect to all of its Shares unless such Holder shall have delivered a written notice declining such Material Event Offer with respect to any or all of its Shares during the Material Event Offer Period; provided that, with respect to a Material Event Offer arising from a Senior Debt Acceleration, only the Purchaser or any of its Affiliates that own one or more Shares, on behalf of all Holders, shall have the right to decline such Material Event Offer with respect to any or all Shares. If, on the Material Event Redemption Date, the Company is prohibited by law to redeem all Shares held by Holders that have not declined to have their Shares redeemed, then the Company shall redeem such Shares to the fullest extent not so prohibited. Any Shares that are not redeemed pursuant to the immediately preceding sentence shall remain outstanding and entitled to all of the rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities, including the right to continue to accumulate and receive Dividends thereon as set forth in Section 5 and, under such circumstances, the redemption requirements provided hereby shall be continuous, so that at any time thereafter when the Company is not prohibited by law to redeem such Shares, the Company shall immediately redeem such Shares at a price per Share equal to the Redemption Price as of the Material Event Redemption Date in accordance with Section 6 and this Section 7, together with payment of an amount equal to the product of (i) the additional accumulated and unpaid Dividends following the Material Event Redemption
Date multiplied by (ii) the Redemption Percentage applicable as of the Material Event Redemption Date.

(b) **Company Insolvency Material Event.** Notwithstanding anything to the contrary in this Section 7:

(i) Upon an Insolvency Event with respect to the Company (a "Company Insolvency Material Event"), (A) a Material Event Offer for all Shares shall be deemed made by the Company prior to the occurrence of such Company Insolvency Material Event without any notice or other action on the part of the Company, (B) each Holder of such Shares shall be deemed to have accepted such Material Event Offer immediately after such Material Event Offer is made pursuant to Section 7(b)(i)(A) and prior to the occurrence of such Company Insolvency Material Event without any action on the part of such Holder and (C) such Shares shall be redeemed on the date such Company Insolvency Material Event occurs immediately prior to the occurrence thereof without any action on the part of the Company or the Holder thereof and, with respect to such redemption, such date shall be the Material Event Redemption Date.

(ii) A redemption under Section 7(b)(i) shall be (A) for cash, to the extent not prohibited by law, (B) in preference to and in priority over any dividend or other distribution upon any Junior Stock and (C) effected at a price per Share equal to the Redemption Price. The Company shall pay or cause to be paid in full the aggregate Redemption Price as promptly as practicable and, in any event, before any payment, dividend or other distribution shall be made to the holders of Junior Stock by reason of their ownership thereof. Any such redemption shall occur without the requirement of notice or adherence to the procedures set forth Section 7(c). If, upon such Company Insolvency Material Event, the assets of the Company available for distribution to its equity holders shall be insufficient to pay the Holders the full amount of the Redemption Price, the Holders of such Shares shall share ratably in any distribution of the assets available for distribution based on such Holder's portion of the aggregate Accumulated Stated Value of such Shares.

(c) **Material Event Offer Mechanics.**

(i) A Material Event Offer required to be made pursuant to Section 7(a) shall be commenced within five Business Days following a Material Event and shall remain open for exactly 15 Business Days, except to the extent that a longer period is required by law (the "Material Event Offer Period").

(ii) On the fifth Business Day following the expiration of the Material Event Offer Period, the Company shall redeem all Shares (other than those Shares held by Holders that declined to have their Shares redeemed during the Material Event Offer Period) at a price per Share equal to the Redemption Price. If the Company is prohibited by law to redeem all Shares held by such Holders, then the Company shall redeem on a pro rata basis among such Holders in proportion to the aggregate Accumulated Stated Value of the Shares held by such Holders.

(iii) Prior to commencing a Material Event Offer, the Company shall send a notice (the "Material Event Redemption Notice") to each Holder, which shall state:

(A) that a Material Event Offer is being made and that, unless such Holder provides written notice declining to have its Shares redeemed, all of such Holder's Shares will be redeemed pursuant to this Section 7;

(B) (1) the Redemption Price (including the separate payment amount for the Aggregate Accumulated Dividends), (2) the bank or trust company with which the aggregate Redemption Price shall be deposited on or prior to the Material Event Redemption Date and (3) the Material Event Redemption Date;
(C) that Holders may decline such Material Event Offer by delivering a written notice of declination to the Company prior to the expiration of the Material Event Offer Period; and

(D) a reasonably detailed description of such Material Event.

(iv) On or before any Material Event Redemption Date, the Company shall deposit the amount of the applicable aggregate Redemption Price with a bank or trust company having an office in New York City irrevocably in trust for the benefit of such Holders. On the Material Event Redemption Date, the Company shall immediately cause to be paid the applicable Redemption Price for such Shares to such Holders. Upon such payment in full, such Shares will be deemed to have been redeemed, whether or not the certificates for such Shares have been surrendered for redemption and canceled, and Dividends with respect to such redeemed Shares shall cease to accumulate and all of the rights, preferences, powers, and the qualifications, restrictions and limitations, of such redeemed Shares shall forthwith terminate.

(v) In case fewer than all Shares represented by any certificate are redeemed in accordance with this Section 7, new certificates shall be issued representing the unredeemed Shares without cost to the Holder thereof.

(vi) The Company shall comply, to the extent applicable, with the requirements of Section 14 of the Exchange Act and any other securities laws (or rules of any exchange on which any Shares are then listed) in connection with a redemption under this Section 7. To the extent there is any conflict between the notice or other timing requirements of this Section 7 and the applicable requirements of Section 14 of the Exchange Act, Section 14 of the Exchange Act shall govern.

(d) Company Efforts. The Company shall take such actions as are necessary to give effect to the provisions of Section 6 and this Section 7, including, in the event the Company is prohibited by law from redeeming or otherwise unable to redeem any Share in connection with any Material Event Redemption on the applicable Redemption Date, taking any action necessary or appropriate to remove as promptly as practicable any impediments to its ability to redeem such Share required to be so redeemed, including (i) to the extent not prohibited by law, reducing the stated capital of the Company or revaluing the assets of the Company to their fair market values under Section 154 of the DGCL if such revaluation would create surplus sufficient to make all or any portion of such Material Event Redemption and (ii) if the Company has sufficient surplus but insufficient cash to effect such Material Event Redemption, borrowing the cash necessary to make such Material Event Redemption to the extent it would not result in an Event of Default. In the event of any Fund Change in Control in which the Company is not the continuing or surviving corporation or entity, proper provision shall be made so that such continuing or surviving corporation or entity shall agree to carry out and observe the obligations of the Company under this Second Amended and Restated Certificate of Designation and the other Related Agreements.

8. Affirmative Covenants. The Company shall, and shall cause each of its Subsidiaries to, comply with Section 1.2 of the Second Amended and Restated Series A Investors Rights Agreement, unless the prior affirmative vote or written consent of the Preferred Majority Holder has been obtained.

9. Negative Covenants.

(a) Without the prior affirmative vote or written consent of the Preferred Majority Holder approving such action or omission, the Company shall not, and shall cause its Subsidiaries not to (either directly or indirectly, including by merger, consolidation, operation of law or otherwise):

(i) except pursuant to any Permitted Restricted Payment, make any Restricted Payment in respect of any Equity Interests of the Company or any of its Subsidiaries (including, for the avoidance of doubt, any Equity Interests issued pursuant to a Qualified IPO);
(ii) except in connection with an Initial Public Offering, issue any new, reclassify any existing Equity Interests into, or issue to any Person (other than a Wholly Owned Subsidiary) any Equity Interests or Indebtedness or debt securities, in each case convertible into, Equity Interests of any Subsidiary of the Company; provided, that the Company may issue Equity Interests of the Company in connection with any Public Offering;

(iii) issue any new, reclassify any existing Equity Interests into, or issue any Equity Interests or Indebtedness or debt securities, in each case convertible into, Equity Interests senior or pari passu to the Series A Preferred Securities;

(iv) except in connection with an Initial Public Offering, take any action, including forming a Subsidiary, or effect any recapitalization or reorganization, that results in any Person owning or holding any Equity Interests in (A) Holdings, other than the Company or a Wholly Owned Subsidiary, or (B) the Borrower, other than Holdings or any other Wholly Owned Subsidiary (any such Wholly Owned Subsidiary, an "Intermediate Holding Company"); provided, that the Company may issue Equity Interests of the Company in connection with any Public Offering;

(v) except pursuant to any Permitted Affiliate Transaction, sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transaction with, any of its Affiliates (including the Fund and the Fund Affiliates) (other than transactions between or among the Company and its Subsidiaries or any Person that becomes a Subsidiary of the Company as a result of such transaction);

(vi) settle or consent to any settlement, judgment or award in any litigation, arbitration or other proceeding if such settlement, judgment or award involves a guilty plea or any other acknowledgement of criminal wrongdoing that would reasonably be expected to have a Material Adverse Effect;

(vii) engage at any time in any material respect in any business or business activity substantially different from any business or business activity conducted by any of them on the Closing Date or any Similar Business, and in the case of a Special Purpose Securitization Subsidiary, Permitted Securitization Financings;

(viii) make any election, alter its legal structure or enter into any transaction, agreement or arrangement or take any other action, other than any action contemplated in the Related Agreements, that would reasonably be expected to result in the Shares being treated other than as preferred equity in an entity taxable as a corporation for U.S. federal, state and local income tax purposes (it being understood and agreed that any transaction, agreement or arrangement or action taken or entered into in the ordinary course of business of the Company and its Subsidiaries would not reasonably be expected to result in the Shares being treated other than as preferred equity in an entity taxable as a corporation for U.S. federal, state and local income tax purposes);

(ix) Insolvency Event;

effect, permit the effectiveness of, approve or fail to contest any

(i) except in connection with a Public Offering, solely with respect to the Company, (A) incur, directly or indirectly, any Indebtedness or any other obligation or liability whatsoever other than the obligations under the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), and the Second Amended and Restated Series A Investors Rights Agreement and the Securities Purchase Agreement, (B) create or suffer to exist any Lien upon any property or assets of the Company now owned or hereafter acquired, leased or licensed by it or (C) engage in any business or activity or own any assets other than (1) holding 100% of the Equity Interests of Holdings and (2) performing its obligations and activities incidental thereto under the Certificate of Incorporation (including
this Second Amended and Restated Certificate of Designation), the Second Amended and Restated Series A Investors Rights Agreement and the Securities Purchase Agreement, in each case of clauses (A), (B) or (C) above, except for de minimis amounts related to maintaining its corporate existence and general overhead and corporate housekeeping matters; or

(ii) enter into any agreement to do or consent to any of the foregoing.

(b) Any of the actions or omissions prohibited by this Section 9 (if taken without the prior affirmative vote or written consent of the Preferred Majority Holder approving such action or omission) shall be ultra vires, null and void ab initio and of no force or effect. The Company shall not, and shall cause its Subsidiaries not to (either directly or indirectly, including by merger, consolidation, operation of law or otherwise), by amendment, modification, repeal, restatement, supplementation, termination or waiver of, or consent to any departure by the Company or any of its Subsidiaries from, any provision of this Second Amended and Restated Certificate of Designation or any other Related Agreement or through any Material Event, any Change in Control, any Disposition or any other reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, agreement or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Second Amended and Restated Certificate of Designation or any other Related Agreement.

10. Waivers; Amendment.

(a) No failure or delay of any Holder in exercising any right or power hereunder or any other Related Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Holders hereunder or any other Related Agreement are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Second Amended and Restated Certificate of Designation or any other Related Agreement or any consent to any departure by the Company or any of its Subsidiaries therefrom shall in any event be effective unless the same shall not be prohibited by Section 10(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Company or any of its Subsidiaries in any case shall entitle such Person to any other or further notice or demand in similar or other circumstances.

(b) Any amendment, modification, repeal, restatement, supplementation, termination or waiver of, or consent to any departure by the Company or any of its Subsidiaries from, the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), any other Related Agreement or the bylaws of the Company or any provision hereof or thereof in a manner that would adversely affect any of the rights, preferences, powers, or the qualifications, restrictions or limitations, of the Series A Preferred Securities (in each case, by merger, consolidation, operation of law or otherwise) shall be ultra vires, null and void ab initio and of no force or effect without (i) being in writing, (ii) the Company first having provided written notice of such proposed action to each Holder and (iii) the Company having obtained the affirmative vote or written consent of the Preferred Majority Holder.

(c) The various provisions set forth in this Second Amended and Restated Certificate of Designation are for the benefit of the Holders and shall be enforceable by them, including by one or more actions for specific performance.

11. Notice.

(a) Any notice or other communication required or permitted to be delivered under the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), the bylaws or the DGCL shall be in writing and delivered by (i) personal delivery or electronic mail, (ii) overnight delivery via...
a national courier service or (iii) regular mail, with respect to any holder, at the email address or physical address on file with the Company.

(b) Notice or other communication pursuant to Section 11(a) shall be deemed to have been received (i) in the case of personal delivery or delivery by electronic mail, on the date of such delivery, (ii) in the case of dispatch by nationally recognized overnight courier, on the next Business Day following such dispatch and (iii) in the case of mailing, on the fifth Business Day after the posting thereof.


(a) No Share acquired by the Company by reason of redemption, purchase or otherwise shall be reissued or held in treasury for reissuance, and the Company shall take all necessary action to cause such Share to be canceled, retired and eliminated from the Shares which the Company shall be authorized to issue.

(b) The Holders have no rights to convert any Shares into any other Equity Interests of the Company.

13. Severability. In the event any one or more of the provisions contained in this Second Amended and Restated Certificate of Designation should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The Company and the Holders shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

14. Effect of Amendment and Restatement. As of the date hereof, this Second Amended and Restated Certificate of Designation shall amend, and restate as amended, the Amended and Restated Certificate of Designation, but shall not constitute a novation thereof or in any way impair or otherwise affect the rights or obligations of the parties under the Amended and Restated Certificate of Designation except as such rights or obligations are amended and restated by this Second Amended and Restated Certificate of Designations. The Amended and Restated Certificate of Designation as amended and restated by this Second Amended and Restated Certificate of Designations shall be deemed to be a continuing agreement among the parties hereto and thereto, and all documents, instruments and agreements delivered pursuant to or in connection with the Amended and Restated Certificate of Designation not amended and restated in connection with the entry of the parties into this Second Amended and Restated Certificate of Designation shall remain in full force and effect, each in accordance with its terms, as of the date of delivery or such other date as contemplated by such document, instrument or agreement to the same extent as if the modifications to the Amended and Restated Certificate of Designation contained herein were set forth in an amendment to the Amended and Restated Certificate of Designation in a customary form, unless such document, instrument or agreement has otherwise been terminated or has expired in accordance with or pursuant to the terms of this Second Amended and Restated Certificate of Designation, the Amended and Restated Certificate of Designation or such document, instrument or agreement or as otherwise agreed by the required parties hereto or thereto.
Pursuant to Section 243(b) of the General Corporation Law of the State of Delaware

ADT Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), HEREBY CERTIFIES as follows:

1. The Amended and Restated Certificate of Incorporation of the Corporation, including the annexes thereto, and as amended, restated, supplemented or otherwise modified from time to time (the "Certificate of Incorporation"), (a) authorizes the issuance of up to 1,000,000 shares of preferred securities, par value $0.01 per share (the "Preferred Securities"), of the Corporation in one or more series and (b) designates a series of Preferred Securities as the Series A Preferred Securities, par value $0.01 per share (the "Series A Preferred Securities"), of the Corporation consisting of 750,000 shares.

2. The Corporation duly issued 750,000 shares of Series A Preferred Securities, and all such shares of Series A Preferred Securities have been duly redeemed and reacquired by the Corporation.

3. All such 750,000 shares of Series A Preferred Securities have been retired.

4. The Certificate of Incorporation prohibits the reissuance of shares of Series A Preferred Securities which are reacquired by the Corporation by reason of redemption, purchase or otherwise.

5. Accordingly, pursuant to the provisions of Section 243(b) of the General Corporation Law of the State of Delaware, upon the effectiveness of this Certificate of Retirement, the Certificate of Incorporation shall be amended so as to eliminate therefrom all references to the Series A Preferred Securities (including Annex I attached to the Certificate of Incorporation).

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Retirement to be signed by its duly authorized officer this 30th day of July 2018,

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: EVP & CFO
EXECUTION VERSION

FI FTEENTH SUPPLEMENTAL INDENTURE

FI FTEENTH SUPPLEMENTAL INDENTURE (this “Fifteenth Supplemental Indenture”) dated as of November 14, 2019 among I-VIEW NOW LLC, a Nevada limited liability company (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of July 5, 2012 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsecured debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company has issued (i) $1,000,000,000 of 3.500% Notes due 2022 (the “2022 Notes”), (ii) $750,000,000 of 4.875% Notes due 2042 (the “2042 Notes”), (iii) $700,000,000 of 4.125% Senior Notes due 2023 (the “2023 Notes”) and (iv) $1,000,000,000 of 6.250% Senior Notes due 2021 (the “2021 Notes” and, together with the 2022 Notes, the 2042 Notes and the 2023 Notes, the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Sixth Supplemental Indenture, dated as of April 8, 2016 (the “Sixth Supplemental Indenture”), to provide guarantees and security in respect of the 2022 Notes, the 2042 Notes and the 2023 Notes;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Seventh Supplemental Indenture, dated as of April 22, 2016 (the “Seventh Supplemental Indenture”), to provide guarantees and security in respect of the 2021 Notes; and

WHEREAS, pursuant to the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Fifteenth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Fifteenth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Fifteenth Supplemental Indenture refer to this Fifteenth Supplemental Indenture as a whole and not to any particular section hereof.
2. **Agreement to Guarantee.** The New Guarantor hereby agree, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the Sixth Supplemental Indenture and Article II of the Seventh Supplemental Indenture, as applicable, and to be bound by all other applicable provisions of the Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 13.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fifteenth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS FIFTEENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Fifteenth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Fifteenth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Fifteenth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Fifteenth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Fifteenth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Fifteenth Supplemental Indenture to be duly executed as of the date first above written.

I-VIEW NOW LLC

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

THE ADT SECURITY CORPORATION

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Fifteenth Supplemental Indenture]
SIXTEENTH SUPPLEMENTAL INDENTURE

SIXTEENTH SUPPLEMENTAL INDENTURE (this “Sixteenth Supplemental Indenture”) dated as of January 31, 2020 among ASG INTERNATIONAL, INC., a Delaware corporation, DEFENDER SECURITY CANADA, INC., a Delaware corporation, ADT MS2 LLC, a Delaware limited liability company, DPL TWO LLC, a Indiana limited liability company, DEFENDERS, LLC, a Indiana limited liability company, HOME DEFENDER, INC., a Indiana corporation (each a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of July 5, 2012 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company has issued (i) $1,000,000,000 of 3.500% Notes due 2022 (the “2022 Notes”), (ii) $750,000,000 of 4.875% Notes due 2042 (the “2042 Notes”), (iii) $700,000,000 of 4.125% Senior Notes due 2023 (the “2023 Notes”) and (iv) $1,000,000,000 of 6.250% Senior Notes due 2021 (the “2021 Notes” and, together with the 2022 Notes, the 2042 Notes and the 2023 Notes, the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Sixth Supplemental Indenture, dated as of April 8, 2016 (the “Sixth Supplemental Indenture”), to provide guarantees and security in respect of the 2022 Notes, the 2042 Notes and the 2023 Notes;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Seventh Supplemental Indenture, dated as of April 22, 2016 (the “Seventh Supplemental Indenture”), to provide guarantees and security in respect of the 2021 Notes; and

WHEREAS, pursuant to the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Sixteenth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Sixteenth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The
words “herein,” “hereof” and “hereby” and other words of similar import used in this Sixteenth Supplemental Indenture refer to this Sixteenth Supplemental Indenture as a whole and not to any particular section hereof.

2. **Agreement to Guarantee.** Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the Sixth Supplemental Indenture and Article II of the Seventh Supplemental Indenture, as applicable, and to be bound by all other applicable provisions of the Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 13.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Sixteenth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS SIXTEENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Sixteenth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Sixteenth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Sixteenth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Sixteenth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
   Name: Tina D. Gonzalez
   Title: Vice President

[Signature Page to 2012 1L Indenture - Sixteenth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Sixteenth Supplemental Indenture to be duly executed as of the date first above written.

DEFENDER SECURITY CANADA, INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

DPL TWO LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

DEFENDERS, LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

ADT MS2 LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

HOME DEFENDER, INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer
THE ADT SECURITY CORPORATION

By:  /s/ Jeffrey Likosar

Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

ASG INTERNATIONAL, INC.

By:  /s/ Jeffrey Likosar

Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2012 1L Indenture - Sixteenth Supplemental Indenture]
NINTH SUPPLEMENTAL INDENTURE

NINTH SUPPLEMENTAL INDENTURE (this “Ninth Supplemental Indenture”) dated as of November 14, 2019 among I-VIEW NOW LLC, a Nevada limited liability company (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of May 2, 2016 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), providing for the issuance of 4.875% First-Priority Senior Secured Notes due 2032 (the “Notes”), initially in the aggregate principal amount of $718,266,000;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of May 2, 2016 (the “First Supplemental Indenture”), to provide that under certain circumstances the Company is required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and Conditions set forth therein; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Trustee, the Company and any Notes Guarantors are authorized to execute and deliver this Ninth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Ninth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Ninth Supplemental Indenture refer to this Ninth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agree, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture, the First Supplemental Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture, as applicable.
3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 15.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Ninth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS NINTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Ninth Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Ninth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Ninth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed as of the date first above written.

I-VIEW NOW LLC

By:  /s/ Jeffrey Likosar  
Name: Jeffrey Likosar  
Title: Executive Vice President, Chief Financial Officer and Treasurer

THE ADT SECURITY CORPORATION

By:  /s/ Jeffrey Likosar  
Name: Jeffrey Likosar  
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Ninth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed as of the date first above written

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:  /s/ Tina D. Gonzalez
     Name: Tina D. Gonzalez
     Title: Vice President

[Signature Page to Ninth Supplemental Indenture]
TENTH SUPPLEMENTAL INDENTURE

TENTH SUPPLEMENTAL INDENTURE (this “Tenth Supplemental Indenture”) dated as of January 31, 2020 among ASG INTERNATIONAL, INC., a Delaware corporation, DEFENDER SECURITY CANADA, INC., a Delaware corporation, ADT MS2 LLC, a Delaware limited liability company, DPL TWO LLC, a Indiana limited liability company, DEFENDERS, LLC, a Indiana limited liability company, HOME DEFENDER, INC., a Indiana corporation (each a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of May 2, 2016 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), providing for the issuance of 4.875% First-Priority Senior Secured Notes due 2032 (the “Notes”), initially in the aggregate principal amount of $718,266,000;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of May 2, 2016 (the “First Supplemental Indenture”), to provide that under certain circumstances the Company is required to cause each New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which each New Guarantor shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and Conditions set forth therein; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Trustee, the Company and any Notes Guarantors are authorized to execute and deliver this Tenth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Tenth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Tenth Supplemental Indenture refer to this Tenth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First
Supplemental Indenture and to be bound by all other applicable provisions of the Indenture, the First Supplemental Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 15.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Tenth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS TENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Tenth Supplemental Indenture shall not result in a material modification of the Notes

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Tenth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Tenth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Tenth Supplemental Indenture to be duly executed as of the date first above written.

DEFENDER SECURITY CANADA, INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

DPL TWO LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

DEFENDERS, LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

ADT MS2 LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

HOME DEFENDER, INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2016 1L Indenture - Tenth Supplemental Indenture]
THE ADT SECURITY CORPORATION

By:  /s/ Jeffrey Likosar
     __________________________
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2016 1L Indenture - Tenth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Tenth Supplemental Indenture to be duly executed as of the date first above written

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to 2016 1L Indenture - Tenth Supplemental Indenture]
EIGHTH SUPPLEMENTAL INDENTURE

EIGHTH SUPPLEMENTAL INDENTURE (this “Eighth Supplemental Indenture”), dated as of November 14, 2019 among I-VIEW NOW, LLC, a Nevada limited liability company (the “New Subsidiary Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a limited liability company organized under the laws of Delaware (the “Company”), and PRIME FINANCE INC. (or its successor), a corporation incorporated under the laws of Delaware (the “Co-Issuer” and, together with the Company, the “Issuers”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and collateral agent under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of May 2, 2016 (as amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 9.250% Second-Priority Senior Secured Notes due 2023 (the “Notes”), initially in the aggregate principal amount of $3,140,000,000;

WHEREAS Sections 4.11 and 12.07 of the Indenture provide that under certain circumstances the Issuers are required to cause the New Subsidiary Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantor shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Eighth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Eighth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Eighth Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Eighth Supplemental Indenture refer to this Eighth Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. The New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors, to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.
3. **Notices.** All notices or other communications to any New Subsidiary Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Eighth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS EIGHTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Eighth Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Eighth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Eighth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.

[Remainder of page intentionally left blank.]
IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed as of the date first above written.

I-VIEW NOW LLC

By: /s/ Jeffrey Likosar  
Name: Jeffrey Likosar  
Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ Jeffrey Likosar  
Name: Jeffrey Likosar  
Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME FINANCE INC.

By: /s/ Jeffrey Likosar  
Name: Jeffrey Likosar  
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Eighth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Eighth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Casey A. Boyle
Name: Casey A. Boyle
Title: Assistant Vice President

[Signature Page to Eighth Supplemental Indenture]
FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this “First Supplemental Indenture”) dated as of November 14, 2019, among I-VIEW NOW LLC (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, PRIME FINANCE INC. (or its successor), a Delaware corporation, and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS, Prime Security Services Borrower, LLC (“Issuer”), Prime Finance Inc. (“Co-Issuer” and, together with Issuer, the “Issuers”), the guarantors party thereto, and the Trustee executed and delivered an Indenture, dated as of April 4, 2019 (as originally executed, the “Original Indenture” or, as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Issuers from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Original Indenture, Issuers has issued $750,000,000 of 5.250% First-Priority Senior Secured Notes due 2024 (the “Notes”);

WHEREAS, pursuant to the Indenture, the Trustee and the Issuers are authorized to execute and deliver this First Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this First Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this First Supplemental Indenture refer to this First Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors (if any), to guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture.
3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 17.03 of the Original Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This First Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS FIRST SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this First Supplemental Indenture.

7. **Counterparts.** The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. **Effect of Headings.** The Section headings herein are for convenience only and shall not effect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first above written.

I-VIEW NOW LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME FINANCE INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to First Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
   Name: Tina D. Gonzalez
   Title: Vice President

[Signature Page to First Supplemental Indenture]
SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “Second Supplemental Indenture”) dated as of January 31, 2020, among ASG INTERNATIONAL, INC., a Delaware corporation, DEFENDER SECURITY CANADA, INC., a Delaware corporation, ADT MS2 LLC, a Delaware limited liability company, DPL TWO LLC, a Indiana limited liability company, DEFENDERS, LLC, a Indiana limited liability company, HOME DEFENDER, INC., a Indiana corporation (each a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, PRIME FINANCE INC. (or its successor), a Delaware corporation, and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H :

WHEREAS, Prime Security Services Borrower, LLC (“Issuer”), Prime Finance Inc. (“Co-Issuer” and, together with Issuer, the “Issuers”), the guarantors party thereto, and the Trustee executed and delivered an Indenture, dated as of April 4, 2019 (as originally executed, the “Original Indenture” or, as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Issuers from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Original Indenture, Issuers has issued $750,000,000 of 5.250% First-Priority Senior Secured Notes due 2024 (the “Notes”);

WHEREAS, pursuant to the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Second Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Second Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Second Supplemental Indenture refer to this Second Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors (if any), to guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in the Indenture
and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 17.03 of the Original Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

7. **Counterparts.** The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. **Effect of Headings.** The Section headings herein are for convenience only and shall not effect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

DEFENDER SECURITY CANADA, INC.

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

DPL TWO LLC

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

DEFENDERS, LLC

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

ADT MS2 LLC

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

HOME DEFENDER, INC.

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2024 1L Indenture - Second Supplemental Indenture]
PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ Jeffrey Likosar
   Name: Jeffrey Likosar
   Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME FINANCE INC.

By: /s/ Jeffrey Likosar
   Name: Jeffrey Likosar
   Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2024 1L Indenture - Second Supplemental Indenture]
ASG INTERNATIONAL, INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2024 1L Indenture - Second Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to 2024 1L Indenture - Second Supplemental Indenture]
SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “Second Supplemental Indenture”) dated as of November 14, 2019, among I-VIEW NOW LLC (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, PRIME FINANCE INC. (or its successor), a Delaware corporation, and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H :

WHEREAS, Prime Security Services Borrower, LLC (“Issuer”), Prime Finance Inc. (“Co-Issuer” and, together with Issuer, the “Issuers”), the guarantors party thereto, and the Trustee executed and delivered an Indenture, dated as of April 4, 2019 (as originally executed, the “Original Indenture” or, as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Issuers from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Original Indenture, Issuers have issued $750,000,000 of 5.750% First-Priority Senior Secured Notes due 2026 (the “Notes”);

WHEREAS, pursuant to the First Supplemental Indenture, dated as of September 23, 2019, the Issuers have issued an additional $600,000,000 of Notes;

WHEREAS, pursuant to the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Second Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Second Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Second Supplemental Indenture refer to this Second Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors (if any), to guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in the Indenture.
and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture.

3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 17.03 of the Original Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

7. **Counterparts.** The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. **Effect of Headings.** The Section headings herein are for convenience only and shall not effect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

I-VIEW NOW LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME FINANCE INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to Second Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Second Supplemental Indenture]
THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE (this “Third Supplemental Indenture”) dated as of January 31, 2020, among ASG INTERNATIONAL, INC., a Delaware corporation, DEFENDER SECURITY CANADA, INC., a Delaware corporation, ADT MS2 LLC, a Delaware limited liability company, DPL TWO LLC, a Indiana limited liability company, DEFENDERS, LLC, a Indiana limited liability company, HOME DEFENDER, INC., a Delaware corporation (each a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, PRIME FINANCE INC. (or its successor), a Delaware corporation, and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS, Prime Security Services Borrower, LLC ("Issuer"), Prime Finance Inc. ("Co-Issuer" and, together with Issuer, the “Issuers”), the guarantors party thereto, and the Trustee executed and delivered an Indenture, dated as of April 4, 2019 (as originally executed, the “Original Indenture” or, as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Issuers from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Original Indenture, Issuers have issued $750,000,000 of 5.750% First-Priority Senior Secured Notes due 2026 (the “Notes”);

WHEREAS, pursuant to the First Supplemental Indenture, dated as of September 23, 2019, the Issuers have issued an additional $600,000,000 of Notes;

WHEREAS, pursuant to the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Third Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms: As used in this Third Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Third Supplemental Indenture refer to this Third Supplemental Indenture as a whole and not to any particular section hereof.
2. **Agreement to Guarantee.** Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors (if any), to guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 17.03 of the Original Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Third Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** **THIS THIRD SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

6. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Third Supplemental Indenture.

7. **Counterparts.** The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. **Effect of Headings.** The Section headings herein are for convenience only and shall not effect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first above written.

DEFENDER SECURITY CANADA, INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

DPL TWO LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

DEFENDERS, LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

ADT MS2 LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

HOME DEFENDER, INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2026 1L Indenture - Third Supplemental Indenture]
PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME FINANCE INC.

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2026 1L Indenture - Third Supplemental Indenture]
By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2026 1L Indenture - Third Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to 2026 1L Indenture - Third Supplemental Indenture]
FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this “First Supplemental Indenture”) dated as of January 31, 2020 among ASG INTERNATIONAL, INC., a Delaware corporation, DEFENDER SECURITY CANADA, INC., a Delaware corporation, ADT MS2 LLC, a Delaware limited liability company, DPL TWO LLC, an Indiana limited liability company, DEFENDERS, LLC, an Indiana limited liability company, HOME DEFENDER, INC., an Indiana corporation (each a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a limited liability company organized under the laws of Delaware (the “Company”), and PRIME FINANCE INC. (or its successor), a corporation incorporated under the laws of Delaware (the “Co-Issuer” and, together with the Company, the “Issuers”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and collateral agent under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of January 28, 2020 (as amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 6.250% Second-Priority Senior Secured Notes due 2028 (the “Notes”), initially in the aggregate principal amount of $1,300,000,000;

WHEREAS Sections 4.11 and 12.06 of the Indenture provide that under certain circumstances the Issuers are required to cause each New Subsidiary Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which each New Subsidiary Guarantor shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this First Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this First Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereof are used herein as therein defined, except that the term “holders” in this First Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this First Supplemental Indenture refer to this First Supplemental Indenture as a whole and not to any particular Section hereof.
2. **Agreement to Guarantee.** Each New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors (if any), to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

3. **Notices.** All notices or other communications to any New Subsidiary Guarantor shall be given as provided in Section 13.01 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This First Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** **THIS FIRST SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

6. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this First Supplemental Indenture.

7. **Counterparts.** The parties may sign any number of copies of this First Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.

[Remainder of page intentionally left blank.]
IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the date first written above.

**DEFENDER SECURITY CANADA, INC.**

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

**DPL TWO LLC**

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

**DEFENDERS, LLC**

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

**ADT MS2 LLC**

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

**HOME DEFENDER, INC.**

By: /s/ Jeffrey Likosar
Name: Jeffrey Likosar
Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2L Indenture - First Supplemental Indenture]
PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

PRIME FINANCE INC.

By: /s/ Jeffrey Likosar
    Name: Jeffrey Likosar
    Title: Executive Vice President, Chief Financial Officer and Treasurer

[Signature Page to 2L Indenture - First Supplemental Indenture]
ASG INTERNATIONAL, INC.

By: /s/ Jeffrey Likosar
   ____________________________
   Name: Jeffrey Likosar
   Title: Executive Vice President, Chief Financial Officer and
          Treasurer

[Signature Page to 2L Indenture - First Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to 2L Indenture - First Supplemental Indenture]
DESCRIPTION OF CAPITAL STOCK OF ADT INC.
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2019, ADT Inc. (the “company,” “we,” “us” and “our”) had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: common stock, par value $0.01 per share. The following description of ADT’s capital stock summarizes certain provisions of our restated certificate of incorporation and our amended and restated bylaws. The description is intended as a summary, and is qualified in its entirety by reference to our restated certificate of incorporation and our amended and restated bylaws, copies of which have been filed as exhibits to this Annual Report on Form 10-K.

References to “Apollo” and the “Sponsor” refer to certain investment funds directly or indirectly managed by Apollo Global Management Inc., its subsidiaries and its affiliates. References to “Ultimate Parent” refer to Prime Security Services TopCo Parent, LP, our direct parent company. Defined terms used herein, but otherwise not defined, shall have the meaning ascribed to them in this Annual Report on Form 10-K.

General

Pursuant to our amended and restated certificate of incorporation, our capital stock consists of 3,999,250,000 authorized shares, of which 3,999,000,000 shares, par value $0.01 per share, are designated as “common stock” and 250,000 shares, par value $0.01 per share, are designated as “preferred stock.” As of December 31, 2019, we had 753,622,044 shares of common stock issued and outstanding.

Common Stock

Voting Rights. Except as otherwise required by applicable law or our amended and restated certificate of incorporation, the holders of our common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders generally.

Dividend Rights. Subject to applicable law and the rights of holders of any outstanding series of preferred stock, all shares of our common stock are entitled to share equally in any dividends our board of directors may declare from legally available sources.

Liquidation Rights. Upon our liquidation, dissolution or winding up, whether voluntary or involuntary, after payment or provision of any of our debts and other liabilities, and subject to the rights of any holders of any outstanding series of preferred stock, all shares of our common stock are entitled to share equally in the assets available for distribution to stockholders.

Other Matters. Holders of our common stock have no preemptive or conversion rights, and our common stock is not subject to further calls or assessments by us, except with respect to common stock issued in connection with the exercise of options issued pursuant to our 2016 Equity Incentive Plan, which is subject to a call right by our Sponsor.

Preferred Stock

Pursuant to our amended and restated certificate of incorporation, our board of directors is authorized, by resolution or resolutions, to provide, out of the authorized but unissued shares of preferred stock, for the issuance from time to time of shares of preferred stock in one or more series and, by filing a certificate of designation with the Secretary of State of the State of Delaware in accordance with the DGCL, to establish the number of shares to be included in each such series and the powers (including voting powers, if any), designations, preferences and relative, participating, optional or other special rights (if any), and any qualifications, limitations or restrictions thereof, of each series as our board of directors from time to time may adopt by resolution. Each series of preferred stock will consist of an authorized
number of shares as will be stated and expressed in the certificate of designations providing for the creation of the series.

Composition of Board of Directors; Election and Removal of Directors

In accordance with our amended and restated certificate of incorporation and our amended and restated bylaws, the number of directors comprising our board of directors is determined from time to time exclusively by our board of directors; provided that the number of directors shall not exceed fifteen (15).

Currently, the total number of directors constituting the board of directors is eleven. Our certificate of incorporation provides for a board of directors divided into three classes (each as nearly as equal as possible and with directors in each class serving staggered three-year terms), consisting of four directors in Class I (currently Messrs. DeVries, Ryan, Solomon and Ms. Griffin), four directors in Class II (currently Messrs. Press, Nord, Africk and Winter) and three directors in Class III (currently Messrs. Rayman, Becker and Ms. Drescher). See “-Certain Corporate Anti-takeover Provisions-Classified Board of Directors.” Under our Stockholders Agreement, Ultimate Parent has the right, but not the obligation, to nominate (a) a majority of our directors, as long as our Sponsor beneficially owns 50% or more of our outstanding common stock, (b) 50% of our directors, as long as our Sponsor beneficially owns 40% or more, but less than 50% of our outstanding common stock, (c) 40% of our directors, as long as our Sponsor beneficially owns 30% or more, but less than 40% of our outstanding common stock, (d) 30% of our directors, as long as our Sponsor beneficially owns 20% or more, but less than 30% of our outstanding common stock, (e) 20% of our directors, as long as our Sponsor beneficially owns 5% or more, but less than 20% of our outstanding common stock.

In connection with the acquisition of The ADT Security Corporation (formerly named The ADT Corporation) in May 2016, funds affiliated with or managed by Apollo and certain other investors in our indirect parent entities (the “Co-Investors”) received certain rights, including the right of three Co-Investors to designate one person to serve as a director (such director, the “Co-Investor Designee”) as long as such Co-Investor’s ownership exceeds a specified threshold. Two such Co-Investor Designees resigned from our board of directors on November 14, 2017 and December 19, 2017, respectively, and their respective Co-Investors subsequently executed waiver letters whereby they each waive all rights to designate an individual to serve as a director. Currently, only one Co-Investor has the right to designate a Co-Investor Designee. Under the Stockholders Agreement, Ultimate Parent has the right, but not the obligation, to nominate the Co-Investor Designee to serve as members of our board of directors. Ultimate Parent’s right to nominate the Co-Investor Designee is in addition to Ultimate Parent’s right to nominate a specified percentage of the directors based on the percentage of our outstanding common stock beneficially owned by the Sponsor, as described above. We refer to the directors nominated by Ultimate Parent at the direction of our Sponsor based on such percentage ownership as the “Apollo Designees” and we refer to the Co-Investor Designee and the Apollo Designees collectively as the “Sponsor Directors.”

Each director is to hold office for a three year term and until the annual meeting of stockholders for the election of the class of directors to which such director has been elected and until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Any vacancy on our board of directors (other than in respect of a Sponsor Director) will be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum. Any vacancy on our board of directors in respect of an Apollo Designee will be filled only by a majority of the Apollo Designees then in office or, if there are no such directors then in office, our Sponsor. Any vacancy on our board of directors in respect of the Co-Investor Designee will be filled only by a majority of the Sponsor Directors then in office or, if there are no such directors then in office, our Sponsor. Under our amended and restated certificate of incorporation, stockholders do not have the right to cumulative votes in the election of directors. At any meeting of our board of directors, except as otherwise required by law, a majority of the total number of directors then in office will constitute a quorum for all purposes, except that if funds affiliated with or managed by Apollo own any shares of our common stock and there is at least one member of our board of
directors who is an Apollo representative, then that representative must be present for there to be a quorum unless each Apollo representative waives his or her right to be included in the quorum at such meeting.

**Certain Corporate Anti-takeover Provisions**

Certain provisions in our amended and restated certificate of incorporation and amended and restated bylaws summarized below may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might result in a premium being paid over the market price for the shares held by stockholders.

**Preferred Stock**

Our amended and restated certificate of incorporation contains provisions that permit our board of directors to issue, without any further vote or action by stockholders, shares of preferred stock in one or more series and, with respect to each such series, to fix the number of shares constituting the series and the designation of the series, the voting rights (if any) of the shares of the series, and the powers, preference and relative, participation, optional and other special rights, if any, and any qualifications, limitations or restrictions, of the shares of such series.

**Classified Board of Directors**

Our amended and restated certificate of incorporation provides that our board of directors is divided into three classes of directors, with the classes as nearly equal in number as possible, and with the directors in each class serving staggered three-year terms. As a result, approximately one-third of our board of directors is elected each year. The classification of directors has the effect of making it more difficult for stockholders to change the composition of our board of directors. Our amended and restated certificate of incorporation provides that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by our board of directors, as described above in “-Composition of Board of Directors; Election and Removal of Directors.”

**Removal of Directors; Vacancies**

Under the DGCL, unless otherwise provided in our amended and restated certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our amended and restated certificate of incorporation provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, that from and after the time Apollo and its affiliates cease to beneficially own, in the aggregate, at least 50.1% of our outstanding common stock, directors may only be removed for cause, and only by the affirmative vote of holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class. Any vacancy caused by the removal of an Apollo nominee shall only be filled by Apollo. Any vacancy on our board of directors (other than in respect of a Sponsor Director) will be filled only by the affirmative vote of a majority of the remaining directors, although less than a quorum. Any vacancy on our board of directors in respect of an Apollo Designee will be filled only by a majority of the Apollo Designees then in office or, if there are no such directors then in office, our Sponsor. Any vacancy on our board of directors in respect of a Co-Investor Designee will be filled only by a majority of the Sponsor Directors then in office or, if there are no such directors then in office, our Sponsor, as described above in “-Composition of Board of Directors; Election and Removal of Directors.”
No Cumulative Voting

Our amended and restated certificate of incorporation does not provide stockholders the right to cumulate votes in the election of directors.

Special Meetings of Stockholders

Our amended and restated certificate of incorporation provides that if less than 50.1% of our outstanding common stock is beneficially owned by Apollo, special meetings of the stockholders may be called only by the chairman of the board of directors or by the secretary at the direction of a majority of the directors then in office. For so long as at least 50.1% of our outstanding common stock is beneficially owned by Apollo, special meetings must be called by the secretary at the written request of the holders of a majority of the voting power of the then outstanding common stock. The business transacted at any special meeting will be limited to the proposal or proposals included in the notice of the meeting.

Stockholder Action by Written Consent

Subject to the rights of the holders of one or more series of our preferred stock then outstanding, any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of our stockholders; provided, that prior to the time at which Apollo ceases to beneficially own at least 50.1% of our outstanding common stock, any action required or permitted to be taken at any annual or special meeting of our stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by or on behalf of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and are delivered in accordance with applicable Delaware law.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our amended and restated bylaws provide that stockholders who are not parties to the Stockholders Agreement and who are seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder’s notice generally must be delivered to and received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year’s annual meeting; provided, that in the event that the date of such meeting is advanced more than 30 days prior to, or delayed by more than 60 days after, the anniversary of the preceding year’s annual meeting of our stockholders, a stockholder’s notice to be timely must be so delivered not earlier than the close of business on the 120th day prior to such meeting and not later than the close of business on the later of the 90th day prior to such meeting or, if the first public announcement of the date of such meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made. Our amended and restated bylaws specify certain requirements as to the form and content of a stockholder’s notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

All the foregoing provisions of our amended and restated certificate of incorporation and amended and restated bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and in the policies formulated by the board of directors and to discourage certain types of transactions that may involve an actual or threatened change in control. These same provisions may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest. In addition, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they may also inhibit fluctuations in the market price of our common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management.
Delaware Takeover Statute

Our amended and restated certificate of incorporation provides that we are not governed by Section 203 of the DGCL. In the absence of the provision of our amended and restated certificate of incorporation electing not to be governed by Section 203, we would have been subject to the restrictions on business combinations between us and our subsidiaries and interested stockholders as provided in Section 203.

However, our amended and restated certificate of incorporation includes a provision that restricts us from engaging in any “business combination” with an “interested stockholder” for three years following the date that person becomes an interested stockholder, unless

- before that person became an interested stockholder, our board of directors approved the transaction in which the interested stockholder became an interested stockholder or approved the business combination;
- upon consummation of the transaction that resulted in the interested stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) stock held by directors who are also officers of our Company and by employee stock plans that do not provide employees with the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; or
- following the transaction in which that person became an interested stockholder, the business combination is approved by our board of directors and authorized at a meeting of stockholders by the affirmative vote of the holders of at least 66 2/3% of our outstanding voting stock not owned by the interested stockholder.

In general, a “business combination” is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder and an “interested stockholder” is any person who, together with affiliates and associates, is the owner of 15% or more of our outstanding voting stock or is our affiliate or associate and was the owner of 15% or more of our outstanding voting stock at any time within the three-year period immediately before the date of determination. Under our amended and restated certificate of incorporation, an “interested stockholder” generally does not include our Sponsor and any affiliate thereof or their direct and indirect transferees.

This provision of our amended and restated certificate of incorporation could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Amendment of Our Certificate of Incorporation

Under Delaware law, our amended and restated certificate of incorporation may be amended only with the affirmative vote of holders of at least a majority of the outstanding stock entitled to vote thereon.
Notwithstanding the foregoing, our amended and restated certificate of incorporation provides that, from and after the time Apollo ceases to beneficially own at least 50.1% of our outstanding common stock, in addition to any vote required by applicable law, our amended and restated certificate of incorporation or our amended and restated bylaws, the affirmative vote of holders of at least 66 2/3% of all of the outstanding shares of our capital stock entitled to vote thereon, voting together as a single class is required to amend the following provisions of our amended and restated certificate of incorporation:

- the provision authorizing the board of directors to designate one or more series of preferred stock and, by resolution, to provide the rights, powers and preferences, and the qualifications, limitations and restrictions thereof, of any series of preferred stock;
- the provisions providing for a classified board of directors, establishing the term of office of directors, relating to the removal of directors, and specifying the manner in which vacancies on the board of directors and newly created directorships may be filled;
- the provisions authorizing our board of directors to make, alter, amend or repeal our amended and restated bylaws;
- the provisions regarding the calling of special meetings and stockholder action by written consent in lieu of a meeting;
- the provisions eliminating, to the fullest extent permitted by law, the personal liability of a director for monetary damages to the corporation or its stockholders for breaches of fiduciary duty as a director;
- the provisions providing for indemnification and advance of expenses of our directors and officers;
- the provisions regarding competition and corporate opportunities;
- the provision specifying that, unless we consent in writing to the selection of an alternative forum, the Chancery Court of the State of Delaware will be the sole and exclusive forum for intra-corporate disputes;
- the provisions regarding entering into business combinations with interested stockholders;
- the provision requiring that, from and after the time Apollo ceases to beneficially owns at least 50.1% in voting power of our outstanding common stock, amendments to specified provisions of our amended and restated certificate of incorporation require the affirmative vote of 66 2/3% in voting power of our outstanding stock, voting as a single class; and
- the provision requiring that, from and after the time Apollo ceases to beneficially owns at least 50.1% of our outstanding common stock, amendments by the stockholders to our amended and restated bylaws require the affirmative vote of 66 2/3% in voting power of our outstanding stock, voting as a single class.

Amendment of Our Bylaws

Our amended and restated bylaws provide that they can be amended by the vote of the holders of shares constituting a majority of the voting power or by the vote of a majority of the board of directors. However, our amended and restated certificate of incorporation provides that, from and after the time Apollo ceases to beneficially owns at least 50.1% in voting power of our outstanding common stock, in addition to any vote required under our amended and restated certificate of incorporation, the affirmative vote of the holders of at least 66 2/3% of the voting power of the outstanding shares of stock entitled to vote thereon, voting as a single class, is required for the stockholders to alter, amend or repeal any provision of our amended and restated bylaws or to adopt any provision inconsistent therewith.

The provisions of the DGCL, our amended certificate and our amended bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit
temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have
the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders
may otherwise deem to be in their best interests.

**Exclusive Forum Selection**

Unless we consent in writing to the selection of an alternative forum, the Chancery Court of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or stockholders;
- any action asserting a claim arising pursuant to any provision of the DGCL or of our amended and restated certificate of incorporation or our amended and restated bylaws; or
- any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and, to the fullest extent
permitted by law, to have consented to the provisions described in this paragraph. However, the enforceability of similar forum provisions in other companies’
certificates of incorporation have been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be unenforceable.

**Listing**

Our shares of common stock are listed on the New York Stock Exchange under the symbol “ADT.”

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC.
RECEIVABLES PURCHASE AGREEMENT

Dated as of March 5, 2020

among

ADT LLC,

individually and as Servicer,

ADT FINANCE LLC,

as Seller,

THE VARIOUS PURCHASERS AND PURCHASER AGENTS FROM TIME TO TIME PARTY HERETO,

and

MIZUHO BANK, LTD.,

as Administrative Agent, Arranger, Collateral Agent and Structuring Agent
TABLE OF CONTENTS

ARTICLE I PURCHASE OF RECEIVABLES 1
  SECTION 1.1 Purchase of Pool Receivables and Related Assets; Purchase Price 1
  SECTION 1.2 Purchase Procedures; Assignment of the Seller’s Interests. 2

ARTICLE II COMPUTATIONAL RULES 7
  SECTION 2.1 Selection of Rate Tranches 7
  SECTION 2.2 Computation of each Purchaser’s Investment and each Purchaser’s Tranche Investment 7
  SECTION 2.3 Computation of Yield 8
  SECTION 2.4 Yield Rate, Fees, Etc 8
  SECTION 2.5 Benchmark Replacement 8

ARTICLE III SETTLEMENTS 9
  SECTION 3.1 Settlement Procedures. 9
  SECTION 3.2 Deemed Collections; Reduction of Purchasers’ Pool Investment, Etc 12
  SECTION 3.3 Payments and Computations, Etc 15
  SECTION 3.4 Treatment of Collections and Deemed Collections 21
  SECTION 3.5 Extension of the Purchase Termination Date 21
  SECTION 3.6 Account Control 22

ARTICLE IV FEES AND YIELD PROTECTION 22
  SECTION 4.1 Fees 22
  SECTION 4.2 Yield Protection. 22
  SECTION 4.3 Funding Losses 25
  SECTION 4.4 Mitigation; Replacement of Purchasers. 25

ARTICLE V CONDITIONS OF PURCHASES 26
  SECTION 5.1 Conditions Precedent to Effectiveness 26
  SECTION 5.2 Conditions Precedent to All Purchases 28
  SECTION 5.3 Condition Subsequent 29

ARTICLE VI REPRESENTATIONS AND WARRANTIES 29
  SECTION 6.1 Representations and Warranties of the Seller 29
  SECTION 6.2 Representations and Warranties of ADT 35

ARTICLE VII GENERAL COVENANTS 40
  SECTION 7.1 Affirmative Covenants of the Seller 40
  SECTION 7.2 Reporting Requirements of the Seller 44
  SECTION 7.3 Negative Covenants of the Seller 45
  SECTION 7.4 Affirmative Covenants of ADT 48
  SECTION 7.5 Reporting Requirements of ADT 53
  SECTION 7.6 Negative Covenants of ADT 55
  SECTION 7.7 Nature of Obligations 56
  SECTION 7.8 Corporate Separateness; Related Matters and Covenants 57

ARTICLE VIII ADMINISTRATION AND COLLECTION 60
  SECTION 8.1 Designation of the Servicer. 60
  SECTION 8.2 Duties of the Servicer 61
  SECTION 8.3 Rights of the Collateral Agent 62
  SECTION 8.4 Responsibilities of the Servicer 64
  SECTION 8.5 Further Action Evidencing Purchases 64

-1-
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.6</td>
<td>Application of Collections</td>
<td>64</td>
</tr>
<tr>
<td>9.1</td>
<td>Grant of Security Interest</td>
<td>65</td>
</tr>
<tr>
<td>9.2</td>
<td>Waiver</td>
<td>65</td>
</tr>
<tr>
<td>10.1</td>
<td>Events of Termination</td>
<td>66</td>
</tr>
<tr>
<td>10.2</td>
<td>Remedies</td>
<td>69</td>
</tr>
<tr>
<td>11.1</td>
<td>Limited Liability of Purchasers, Purchaser Agents, Collateral Agent,</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>and the Administrative Agent</td>
<td></td>
</tr>
<tr>
<td>11.2</td>
<td>Authorization and Action of each Purchaser Agent</td>
<td>70</td>
</tr>
<tr>
<td>11.3</td>
<td>Authorization and Action of the Administrative Agent and Collateral</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Agent</td>
<td></td>
</tr>
<tr>
<td>11.4</td>
<td>Delegation of Duties of each Purchaser Agent</td>
<td>71</td>
</tr>
<tr>
<td>11.5</td>
<td>Delegation of Duties of the Administrative Agent and the Collateral</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>Agent</td>
<td></td>
</tr>
<tr>
<td>11.6</td>
<td>Successor Administrative Agent and Collateral Agent</td>
<td>71</td>
</tr>
<tr>
<td>11.7</td>
<td>Indemnification</td>
<td>72</td>
</tr>
<tr>
<td>11.8</td>
<td>Reliance, etc</td>
<td>72</td>
</tr>
<tr>
<td>11.9</td>
<td>Purchasers and Affiliates</td>
<td>73</td>
</tr>
<tr>
<td>11.10</td>
<td>Sharing of Recoveries</td>
<td>73</td>
</tr>
<tr>
<td>11.11</td>
<td>Non-Reliance</td>
<td>73</td>
</tr>
<tr>
<td>12.1</td>
<td>Indemnities by the Seller</td>
<td>74</td>
</tr>
<tr>
<td>12.2</td>
<td>Indemnities by ADT and the Servicer</td>
<td>76</td>
</tr>
<tr>
<td>13.1</td>
<td>Amendments, Etc</td>
<td>77</td>
</tr>
<tr>
<td>13.2</td>
<td>Notices, Etc</td>
<td>78</td>
</tr>
<tr>
<td>13.3</td>
<td>Successors and Assigns; Participations; Assignments</td>
<td>78</td>
</tr>
<tr>
<td>13.4</td>
<td>No Waiver; Remedies; Set-Off</td>
<td>81</td>
</tr>
<tr>
<td>13.5</td>
<td>Binding Effect; Survival</td>
<td>82</td>
</tr>
<tr>
<td>13.6</td>
<td>Costs and Expenses</td>
<td>83</td>
</tr>
<tr>
<td>13.7</td>
<td>No Proceedings; Limited Recourse</td>
<td>83</td>
</tr>
<tr>
<td>13.8</td>
<td>Confidentiality</td>
<td>85</td>
</tr>
<tr>
<td>13.9</td>
<td>Captions and Cross References</td>
<td>88</td>
</tr>
<tr>
<td>13.10</td>
<td>Integration</td>
<td>88</td>
</tr>
<tr>
<td>13.11</td>
<td>Governing Law</td>
<td>89</td>
</tr>
<tr>
<td>13.12</td>
<td>Waiver of Jury Trial</td>
<td>89</td>
</tr>
<tr>
<td>13.13</td>
<td>Consent to Jurisdiction; Waiver of Immunities</td>
<td>89</td>
</tr>
<tr>
<td>13.14</td>
<td>Execution in Counterparts</td>
<td>90</td>
</tr>
<tr>
<td>13.15</td>
<td>Pledge to a Federal Reserve Bank</td>
<td>90</td>
</tr>
<tr>
<td>13.16</td>
<td>Severability</td>
<td>90</td>
</tr>
<tr>
<td>13.17</td>
<td>Acknowledgement and Consent to Bail-In of EEA Financial Institutions</td>
<td>90</td>
</tr>
<tr>
<td>13.18</td>
<td>PATRIOT Act Notice</td>
<td>91</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>Definitions</td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT A</td>
<td>Purchase Request</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT B</td>
<td>Paydown Notice</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT C</td>
<td>Form of Compliance Certificate</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT D</td>
<td>Form of Information Package</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT E</td>
<td>Forms of Contract</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT F</td>
<td>Credit and Collection Policy</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT G-1</td>
<td>Form of Lock-Box Account Payment Direction</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT G-2</td>
<td>Form of Collection Account Payment Direction</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT G-3</td>
<td>Form of Omnibus Account Payment Direction</td>
<td></td>
</tr>
<tr>
<td>EXHIBIT H</td>
<td>Form of Joinder</td>
<td></td>
</tr>
</tbody>
</table>

| SCHEDULE I                       | Addresses for Notices           |
| SCHEDULE II                      | Payment Instructions           |
| SCHEDULE III                     | Advance Rate Matrix            |
| SCHEDULE IV                      | Pool Limits                    |
| SCHEDULE V                       | Lock-box and Account Information |
| SCHEDULE VI                      | Certain UCC Details            |

-v-
RECEIVABLES PURCHASE AGREEMENT

This RECEIVABLES PURCHASE AGREEMENT dated as of March 5, 2020 (this “Agreement”), is entered into by and among ADT LLC, a Delaware limited liability company (“ADT”), individually and as Servicer (as defined below), ADT FINANCE LLC, a Delaware limited liability company, (the “Seller”), the various PURCHASERS and PURCHASER AGENTS (as such terms are defined below) from time to time party hereto and MIZUHO BANK, LTD. (“Mizuho”), as Administrative Agent, Arranger, Structuring Agent and Collateral Agent (as such terms are defined below).

PRELIMINARY STATEMENT. ADT will, pursuant to the Sale Agreement (as defined below) from time to time, sell, or contribute, transfer and assign certain Receivables (as defined below) and the Related Assets (as defined below) to the Seller. Subject to the terms and conditions of this Agreement, the Purchasers may, from time to time, purchase from the Seller certain Receivables of the Seller on the terms set forth herein. Accordingly, the parties hereto agree as follows:

Capitalized terms used and not otherwise defined in this Agreement are used as defined in (or by reference in) Appendix A, and the other interpretive provisions set out in Appendix A shall be applied in the interpretation of this Agreement.

ARTICLE I
PURCHASE OF RECEIVABLES

SECTION 1.1 Purchase of Pool Receivables and Related Assets; Purchase Price. In accordance with the procedures set forth in Section 1.2(a) and subject to the terms and conditions of this Agreement, including Article V, the Seller may, from time to time, elect to sell the Receivables identified in Annex A to the related Purchase Request, together with all Related Assets in respect thereof, to the Collateral Agent on behalf of the Purchasers and the Purchasers may in their sole discretion agree to purchase such Receivables and Related Assets. On each Purchase Date, in consideration of the payment to the Seller of the cash purchase price payable pursuant to Section 1.2(b), if any, (the “Cash Purchase Price”) by the participating Purchasers on such Purchase Date and the agreement to pay the deferred purchase price payable to the Seller pursuant to Section 1.2(g) (the “RPA Deferred Purchase Price”) the Seller shall sell, convey, transfer and assign to the Collateral Agent, on behalf of such Purchasers, each of the Receivables identified in Annex A to the related Purchase Request together with all Related Assets in respect thereto, in each case, as existing on the immediately preceding Cut-off Date (each, a “Purchase”). The Collateral Agent shall hold the Receivable Pool and Related Assets on behalf of the Purchasers in each Purchaser Group in accordance with the Proportionate Share of each Purchaser Group from time to time. Within each Purchaser Group each Purchaser Agent shall hold such Purchaser Group’s Proportional Share of the Receivable Pool and the Related Assets on behalf of the Purchasers in such Purchaser Group in accordance with the respective outstanding portions of the Investment funded by such Purchasers. The amount of the RPA Deferred Purchase Price determined on any Purchase Date relating to Receivables purchased by the Collateral Agent on behalf of the Purchasers on any Purchase Date in accordance with the terms of this Agreement shall be an amount equal to the aggregate Unpaid
Balance of all such Eligible Receivables less the Cash Purchase Price, if any, paid for such Eligible Receivables.

SECTION 1.1 Purchase Procedures; Assignment of the Seller’s Interests.

(a) Purchase Requests. Each Purchase of Receivables under this Agreement shall be made at the written request of the Seller or the Servicer (on behalf of the Seller) to the Administrative Agent (each a “Purchase Request”) not later than 11:00 a.m. (New York City time) on the fifth (5th) Business Day preceding the proposed Purchase Date. Any such Purchase Request shall be in substantially the form of Exhibit A hereto and shall specify (A) the desired date of such proposed Purchase (which shall be a Business Day occurring prior to the Purchase Termination Date and shall be a Settlement Date) and the Cut-off Date immediately preceding such proposed Purchase Date, (B) whether or not such proposed Purchase is a Non-Cash Purchase, (C) unless such proposed Purchase is to be a Non-Cash Purchase, the proposed Cash Purchase Price in respect of such proposed Purchase (which shall be an amount at least equal to $1,000,000 in the aggregate for all Purchaser Groups, or to the extent that the then available aggregate Purchasers’ Pool Limit is less than such amount, such lesser amount equal to such available unused portion of the aggregate Purchasers’ Pool Limit), (D) the RPA Deferred Purchase Price as of such proposed Purchase Date in respect thereof, (E) a detailed list of the Receivables proposed to be sold to the Purchaser on such proposed Purchase Date, including in respect of each Receivable the name and Billing Address of the related Obligor (or the identification number or code of such Obligor, provided that it includes the State (or commonwealth) in the United States in respect of such Billing Address), the account number or Contract identification number, the Remaining Term as of the proposed Purchase Date, the ADT Credit Score, the Product Type, whether a credit check was completed, the Unpaid Balance, the Financed Unpaid Balance, the aggregate Unpaid Balance of all such Receivables, and such additional detail that the Administrative Agent may from time to time reasonably request, of each Receivable as of the immediately preceding Cut-off Date, and (F) unless such proposed Purchase is to be a Non-Cash Purchase, the allocation of such proposed Purchase based on the Ratable Share of each Purchaser Group’s Purchase Limit; provided, however, that, the Seller (or the Servicer on its behalf) shall not submit a Purchase Request hereunder following the Purchase Termination Date. Each Purchase Request shall be accompanied by an Information Package (or in the case of the initial Purchase Date, a pro forma Information Package) in respect of the Settlement Period immediately preceding such proposed Purchase Date, including such information required by Section 3.1(c). Upon the written request of the Seller or the Servicer, the Administrative Agent shall confirm to such requesting party each Purchaser Group’s Purchase Limit. A Purchase Request shall be irrevocable.

Not later than 1:00 pm (New York City time) on the same Business Day of its receipt of a Purchase Request together with the related Information Package pursuant to the foregoing paragraph (it being understood that if any such Purchase Request or Information Package is received by the Administrative Agent after 11:00 a.m. (New York City time) such Purchase Request and Information Package shall be deemed to have been received on the
following Business Day), the Administrative Agent shall deliver a copy of such Purchase Request and Information Package to each Purchaser Agent. Except in respect of a proposed Non-Cash Purchase, each Purchaser Agent shall notify the Administrative Agent no later than 4:00 pm (New York City time) on the second (2nd) Business Day preceding the date of such proposed Purchase of whether the Purchasers in its Purchaser Group approve or reject the proposed Purchase; provided, that to the extent that any Purchaser Agent does not notify the Administrative Agent that it approves such proposed Purchase on or before 4:00 pm (New York City time) on such day, it shall be deemed to have rejected the proposed Purchase, unless on such day and prior to any proposed reallocation by the Administrative Agent of such Purchaser Group’s deemed rejected portion of the Ratable Share of the Cash Purchase Price in respect of such proposed Purchase, such non-responding Purchaser Agent approves in writing such proposed Purchase in the full amount of such requested Cash Purchase Price. In the event that some but not all of the Purchaser Groups agree to fund their Ratable Share of the Cash Purchase Price a proposed Purchase, the Seller may request the Administrative Agent to re-allocate the rejected portion of the proposed Purchase, and seek approval among the Purchaser Groups that approved the original proposed Purchase, based on the Ratable Share of the Purchase Limits of such Purchaser Groups; provided, that there shall be no obligation of any Purchaser in any Purchaser Group to fund any such incremental Purchase. Except in respect of a proposed Non-Cash Purchase, upon final allocation, which shall in no event result in the Purchaser Group Investment of any Purchaser Group to exceed its Purchaser Group Limit, the Administrative Agent shall advise each Purchaser Agent of the amount of the requested Purchase to be funded by each Purchaser in its Purchaser Group and the allocated share of each Purchaser of such Purchase (the “Allocated Share”), and each such approving Purchaser shall pay its Allocated Share of the applicable Cash Purchase Price on the proposed date of such Purchase (the “Purchase Date”) in accordance with clause (b) below. For the avoidance of doubt, no Purchaser shall have any obligation to approve any Purchase Request and except for the initial Purchase no Purchase shall be made on a day which does not constitute a Settlement Date. Neither the approval of any Purchaser Agent nor any other party will be required for any proposed Non-Cash Purchase and such Purchase shall be deemed to be made on the Settlement Date immediately following the date such Purchase Request is made in writing to the Administrative Agent (which Settlement Date shall be treated as the “Purchase Date” for such Non-Cash Purchase); provided, that (i) any Receivables included in such Non-Cash Purchase shall be treated as Eligible Receivables solely to the extent satisfying the definition thereof and (ii) each applicable condition precedent set forth in Section 5.2 shall be satisfied.

In connection with each Purchase Date, and in recognition of the sale of the Receivables hereunder and the sale of the Collections as existing on the immediately preceding Cut-off Date, the Servicer and Seller shall as promptly as practicable, and in any event within three (3) Business Days of such Purchase Date, deposit, or cause to be deposited, to the Collateral Agent’s Account, an amount equal to all Collections and other proceeds actually received by any ADT Entity with respect to such Pool Receivable that were collected during the period from (and including) the immediately preceding Cut-off Date and to (and including) such Purchase Date, and such deposit shall satisfy Seller’s and Servicer’s obligation to deposit or remit the corresponding portion of such Collections and other

SK 28677 0004 8417431 v39
proceeds. For the avoidance of doubt, all Collections and other proceeds actually received after each Purchase Date, whether relating to a period prior to or after the related Purchase Date, shall be remitted to the Collateral Agent’s Account in accordance with this Agreement.

(b) Payment of Cash Purchase. On each Purchase Date for any Purchase (other than any Non-Cash Purchase) which has been requested and approved in accordance with clause (a) above, the applicable Purchasers shall, upon satisfaction of the applicable conditions set forth herein (including in Article V) and upon the completion of the application of Collections in accordance with Section 3.1(d) with respect to such Purchase Date, pay their Allocated Share of the Cash Purchase Price with respect to such Purchase, which Cash Purchase Price shall equal the lesser of: (i) the amount requested by the Seller under clause (a) above, and (ii) the amount which, after giving effect to such Purchase and the application of all Collections on such Purchase Date in accordance with Section 3.1(d) is the largest amount that will not cause (a) the Purchasers’ Pool Investment to exceed the Purchasers’ Pool Limit, or (b) the sum of the Purchasers’ Pool Investment and the Required Reserves to exceed the Net Portfolio Balance. The Cash Purchase Price payable on any Purchase Date shall be paid in immediately available funds to the Seller at the account of the Seller specified on Schedule II or at such other account designated from time to time by the Seller or the Servicer (on behalf of the Seller) in the related Purchase Request.

(c) Sale of Receivables. On each Purchase Date, the Seller hereby sells, assigns, and transfers to the Collateral Agent (for the benefit of the Purchasers) (ratably, according to each Purchaser’s Investment), in consideration of the aggregate Cash Purchase Price paid on each such Purchase Date, if any, and the agreement to pay the RPA Deferred Purchase Price in accordance with and subject to the terms of this Agreement, effective upon Seller’s receipt of payment of such Cash Purchase Price for such Receivables (or in the case of a Non-Cash Purchase, effective on the Settlement Date immediately following the date such Purchase Request is made in writing to the Administrative Agent), all of the Seller’s right, title and interest in, to and under (i) each of the Receivables specified on Annex A to the related Purchase Request, and (ii) all Related Assets with respect to such Receivables, in each case, as existing on the immediately preceding Cut-off Date. Notwithstanding such sale, assignment and transfer, neither the Collateral Agent nor any Purchaser shall have any right to sell, transfer or assign any Pool Receivables or Related Assets (or any interest therein) other than (x) pursuant to and in accordance with Section 10.2 following the Acceleration Date or (y) transfers of interests in the Receivable Pool and Related Assets in accordance with Section 13.3. On the Final Payout Date, all right, title and interest in, to and under the Pool Receivables and Related Assets shall revert back to the Seller, and any obligation to pay any RPA Deferred Purchase Price shall thereupon be extinguished.

(d) Characterization as a Purchase and Sale; Recharacterization.

(i) It is the intention of the parties to this Agreement that the transfer and conveyance of the Seller’s right, title and interest in, to and under the Receivable Pool and Related Assets to the Collateral Agent (for the benefit of the Purchasers) pursuant to this Agreement shall constitute a purchase and sale and not
a pledge for security, and such purchase and sale of the Receivable Pool and Related Assets to the Collateral Agent (for the benefit of the Purchasers) hereunder shall be treated as a sale for all purposes (except for financial accounting purposes and except as may be permitted for tax purposes as provided in Section 1.2(d)(ii)). The provisions of this Agreement and the other Transaction Documents shall be construed to further these intentions of the parties. If, notwithstanding the foregoing, the transfer and conveyance of the Receivable Pool and Related Assets to the Collateral Agent (for the benefit of the Purchasers) is characterized by any bankruptcy trustee or any other Person as a pledge and not a sale, the parties intend that the Seller shall be deemed hereunder to have granted, and the Seller does hereby grant, to the Collateral Agent (for the benefit of the Purchasers) a security interest in and general lien on all of the Seller’s right, title, and interest now or hereafter existing in, to and under all of the Seller’s assets, whether now owned or hereafter acquired, and wherever located (whether or not in the possession or control of the Seller), including all of the Seller’s right, title and interest in, to and under the Receivable Pool and the Related Assets in respect thereof. For the avoidance of doubt, the foregoing shall not be construed to require any party hereto to characterize the transfer and conveyance of any Receivables hereunder as a sale for financial accounting purposes. Each of the parties hereto further expressly acknowledges and agrees that the Purchases by the Purchasers hereunder, regardless of the intended true sale nature of the overall transaction, are financial accommodations (within the meaning of Section 365(c)(2) of the Bankruptcy Code to or for the benefit of the Seller. For the avoidance of doubt, the Receivables and Related Assets purchased by the Collateral Agent on behalf of the participating Purchasers on a Purchase Date, includes the right to receive all Collections and other proceeds payable or received by the Seller in respect of such Receivables on and after the Cut-off Date immediately preceding such Purchase Date, which Collections shall be applied in accordance with the terms of this Agreement, including without limitation Section 7.1(h).

(ii) **Tax Treatment.**

(A) It is the intention of the Seller (or, if applicable, ADT), the Servicer, the Administrative Agent, and the Purchasers that, for purposes of U.S. federal income tax and state and local taxes measured by net income, each Purchase will be treated as a loan from the applicable Purchaser to ADT or the Seller, as the case may be, under applicable tax laws (it being understood that all payments to the Purchasers, in their capacity as such, representing Yield, fees and other amounts accrued under this Agreement or the other Transaction Documents shall be deemed to constitute interest payments or other payments in connection with such loan), and none of the Seller (or, if applicable, ADT), the Servicer, the Administrative Agent, the Collateral Agent nor the Purchasers shall take any position inconsistent therewith for such tax purposes, unless otherwise required by applicable laws as confirmed in the opinion of nationally recognized tax counsel and the person taking any such inconsistent position provides written advance notice.
to the other Affected Parties of such change in position, it being understood that the parties to this Agreement will otherwise defend in good faith such agreed-upon position prior to such change in position.

(B) ADT and the Seller, by entering into this Agreement, and the Purchasers, by funding the Purchase of the Receivable Pool and Related Assets, agree to treat the Purchase of the Receivable Pool and Related Assets, for purposes of U.S. federal income tax and state and local taxes measured by net income, and for state and local sales and other transactional tax purposes, as creating indebtedness secured by the Receivable Pool and Related Assets. Accordingly, the Seller (or, if applicable, ADT), rather than the Collateral Agent, the Administrative Agent, the Purchasers, or any other Affected Party, shall be entitled to and shall retain the benefit of (1) any bad debt deduction for written-off receivables for purposes of U.S. federal income tax and state and local taxes measured by net income, and (2) any deduction, credit, or refund with respect to state and local sales and other transactional taxes paid or collected and remitted to the appropriate Governmental Authority on written-off receivables. The provisions of this Agreement and all related Transaction Documents shall be construed to further these intentions of the parties. For purposes of this Section 1.2(d)(ii)(B), the term “Affected Party” shall include any assignee pursuant to Section 13.3(c) or 13.3(d).

(e) Purchasers Limitation on Payments. Notwithstanding any provision contained in this Agreement or any other Transaction Document to the contrary, none of the Purchasers, Purchaser Agents, the Collateral Agent or the Administrative Agent shall be obligated (whether on behalf of a Purchaser or otherwise), to pay any amount to the Seller in respect of any portion of the RPA Deferred Purchase Price relating to the Receivable Pool, except in accordance with Section 1.2(g), from available Collections deposited in the Collateral Agent’s Account. Any amount which the Administrative Agent, the Collateral Agent, a Purchaser Agent or a Purchaser is not obligated to pay pursuant to the operation of the preceding sentence shall not constitute a claim (as defined in § 101 of the Bankruptcy Code) against, or obligation of, any Purchaser Agent, the Collateral Agent, any Purchaser, or the Administrative Agent, as applicable, for any such insufficiency unless and until such amount becomes available for distribution to the Seller pursuant to the terms hereof and such party is contractually obliged to make such payment.

(f) Obligations Not Assumed. The foregoing sale, assignment, transfer, and conveyance does not constitute, and is not intended to result in, the creation or an assumption by the Administrative Agent, any Purchaser Agent, the Collateral Agent or any Purchaser of any obligation or liability of the Seller, ADT, the Servicer, or any other Person under or in connection with all, or any portion of, the Receivable Pool or Related Assets, all of which shall remain the obligations and liabilities of the Seller, ADT, the Servicer, and such other Persons, as applicable.
(g) **RPA Deferred Purchase Price.** In accordance with the terms of, and subject to the limitations set forth in, this Agreement, the Collateral Agent (on behalf of the Purchasers in each Purchaser Group) shall pay to the Seller the RPA Deferred Purchase Price relating to the Receivable Pool on each Settlement Date from the related Monthly Collections that are available for allocation therefor (if any) pursuant to Section 3.1(d)(vii). Any payment of any amount of RPA Deferred Purchase Price shall be deemed to be made by each Purchaser Group according to its Proportionate Share of such amount. Any amounts properly distributed to the Seller in accordance with this Section 1.2(g) in respect of the RPA Deferred Purchase Price shall be for the account of the Seller, and may be applied by the Seller for so long as no Event of Termination or Unmatured Event of Termination would be continuing immediately after such application, toward the purchase of additional Receivables and Related Assets or may be distributed to ADT.

**ARTICLE II**

**COMPUTATIONAL RULES**

**SECTION 2.1 Selection of Rate Tranches.** Subject to the requirements set forth in this Article II, each Purchaser Agent shall from time to time, only for purposes of computing Yield with respect to each Purchaser in its Purchaser Group, account for such Purchaser’s Investment in terms of one or more Rate Tranches and the applicable Yield Rate, which may be different for each Rate Tranche. Each Purchaser’s Investment in respect of the Receivable Pool shall be allocated to each Rate Tranche by the related Purchaser Agent to reflect the funding sources for each portion of the Receivable Pool so that:

1. **(a)** there will be one or more Rate Tranches in respect of the Receivable Pool, selected by each Purchaser Agent, reflecting the portion, if any, of the aggregate Investment of the Purchasers in its Purchaser Group funded or maintained by such Purchasers other than through the issuance of Commercial Paper Notes (including by outstanding Liquidity Advances or by funding under an Enhancement Agreement); and

2. **(b)** there will be a Rate Tranche in respect of the Receivable Pool, selected by each Purchaser Agent, equal to the excess of the aggregate Investment of the Purchasers in its Purchaser Group over the aggregate amounts allocated at such time pursuant to clause (a) above, which Rate Tranche shall reflect the portion of such aggregate Investment funded or maintained by such Purchasers through the issuance of Commercial Paper Notes.

Each Purchaser Agent may in its sole discretion, allocate all or any portion of any Purchaser’s Investment in respect of any Purchaser in its Purchaser Group to one or more Rate Tranches as such Purchaser Agent shall select.

**SECTION 2.2 Computation of each Purchaser’s Investment and each Purchaser’s Tranche Investment.** In making any determination of the Purchasers’ Pool Investment, any Purchaser’s Investment and any Purchaser’s Tranche Investment, the following rules shall apply:
(a) each Purchaser’s Investment shall not be considered reduced unless Collections available for distribution pursuant to Section 3.1(d)(iv) shall have been actually paid to, and received by, the applicable Purchaser Agent for application hereunder to reduce such Purchaser’s Investment in accordance with the terms hereof;

(b) each Purchaser’s Investment (or any other amounts payable under any Transaction Document) shall not be considered reduced (or paid) by any distribution of any portion of Collections or other payments, as applicable, if at any time such distribution or payment is rescinded or must otherwise be returned for any reason; and

(c) if there is any reduction in any Purchaser’s Investment, there shall be a corresponding reduction (in the aggregate) in such Purchaser’s Tranche Investment with respect to one or more Rate Tranches selected by the related Purchaser Agent in its reasonable discretion.

SECTION 2.3 Computation of Yield. In making any determination of Yield, the following rules shall apply:

(a) Yield shall accrue daily on the Purchasers’ Pool Investment on such day. Each Purchaser Agent shall determine the Yield accruing with respect to each Rate Tranche for the Purchasers in its Purchaser Group daily, in accordance with the definition of Yield;

(b) no provision of this Agreement shall require the payment or permit the collection of Yield in excess of the maximum permitted by applicable Law; and

(c) Yield for any Rate Tranche shall not be considered paid by any distribution or other payment if at any time such distribution or payment is rescinded or must otherwise be returned for any reason.

SECTION 2.4 Yield Rate, Fees, Etc. It is understood and agreed that (a) the Yield Rate for any Rate Tranche may change from one applicable Yield Period or Settlement Period to the next, and the applicable Bank Rate, Base Rate, CP Rate or Hedge Rate used to calculate the applicable Yield Rate may change from time to time and at any time during an applicable Yield Period or Settlement Period, (b) any rate information provided by any Purchaser Agent to the Seller or the Servicer shall be based upon such Purchaser Agent’s good faith estimate.

SECTION 2.5 Benchmark Replacement. (a) Notwithstanding anything to the contrary herein or in any other Transaction Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Administrative Agent and the Seller may mutually agree to amend this Agreement to replace the LIBO Rate with a Benchmark Replacement. Any such amendment will become effective without any further action or consent of the Purchase Agents, Purchasers or the Servicer: at 5:00 p.m. on the fifth (5th) Business Day (or such earlier Business Day set forth in the notice of such proposed amendment) after the Administrative Agent and the Seller have provided such proposed amendment to the Purchase Agents and the Servicer in all cases. No replacement of the LIBO Rate with a Benchmark
Replacement pursuant to this Section 2.5 will occur prior to the applicable Benchmark Transition Start Date.

(a) **Benchmark Replacement Conforming Changes.** In connection with the implementation of a Benchmark Replacement, the Administrative Agent and the Seller will have the right to mutually agree to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of the Purchaser Agents or the Purchasers.

(b) **Notices; Standards for Decisions and Determinations.** The Administrative Agent will promptly notify the Seller, the Servicer and each Purchaser Agent of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent and the Seller pursuant to this Section 2.5, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in the Administrative Agent’s sole discretion and without consent from any Purchaser Agent, any Purchaser or the Servicer, except, in each case, as expressly required pursuant to this Section 2.5.

(c) **Benchmark Unavailability Period.** During any Benchmark Unavailability Period, the Yield that would be computed using the LIBO Rate shall be computed using the Base Rate.

**ARTICLE III**

**SETTLEMENTS**

**SECTION 3.1** Settlement Procedures.

The parties hereto will take the following actions with respect to each Settlement Date:

(a) **Information Package.** By no later than the fifth (5th) Business Day prior to each Settlement Date specified in clause (a) of the definition thereof, (each a “Reporting Date” for and related to the Settlement Period ending immediately prior to such date and, to the extent required in clause (b) below, the Yield Period ending immediately prior to such Settlement Date), the Servicer shall deliver to the Collateral Agent and the Administrative Agent, which the Administrative Agent shall, upon receipt, forward to each Purchaser Agent, an e-mail attaching an Excel file and a file in .pdf or similar format signed by a Responsible Officer of the Servicer containing the information described in Exhibit D,
including the information calculated by the Servicer pursuant to this Section 3.1 (each, an “Information Package”) for and related to the Settlement Period ending immediately prior to such Reporting Date; provided, that during the continuance of an Unmatured Event of Termination or Event of Termination, the Administrative Agent may (or at the request of the Required Purchasers shall) request, in its reasonable discretion, the Servicer to, and the Servicer agrees to, deliver any information related to the Pool Receivables and Related Assets, or the transactions contemplated hereby as the Administrative Agent or the Required Purchasers shall request (including a calculation of the Net Portfolio Balance, the Required Reserves and each component or subcomponent thereof (including as determined on dates other than as set forth therein), the daily Collections, etc.) on each Business Day.

(b) Yield; Other Amounts Due. On or before the second (2nd) Business Day prior to each Reporting Date, each Purchaser Agent shall notify the Administrative Agent and the Servicer of (i) the amount of Yield accrued in respect of each related Rate Tranche funded by the Purchasers in each Purchaser Group for each day during, in respect of Yield calculated at the CP Rate, the most recently ended Settlement Period, and in respect of Yield calculated at the Bank Rate, the Yield Period ending immediately prior to the related Settlement Date, and (ii) all Fees accrued each day during the most recently ended Settlement Period, and (iii) all other amounts payable or to be paid by the Seller under this Agreement and the other Transaction Documents on the immediately succeeding Settlement Date (other than amounts described in clause (c) below) to such Purchaser Agent or any Purchaser in, or Affected Party related to, any Purchaser Group. Such Yield, Fees and other amounts accrued in respect of such immediately preceding Settlement Period or Yield Period, as applicable, shall be due and payable by the Seller on the next succeeding Settlement Date (notwithstanding any limitation on recourse or other liability limitation contained (other than for the avoidance of doubt, the usury savings clause set forth in this Agreement) herein to pay such amounts).

(c) Settlement Computations. On each Reporting Date, the Servicer shall include in the Information Package, calculations, as of the most recent Cut-off Date for the related Settlement Period or Yield Period, as applicable, the following (I) without taking into account any Receivables included in a Purchase to be made on the Settlement Date next succeeding such Reporting Date, (A) the Unpaid Balance and Financed Unpaid Balance of each of the Pool Receivables, the Purchasers’ Pool Investment, the Purchaser Group Investment of each Purchaser Group, the Required Reserves, the Net Portfolio Balance, and each component of each of the foregoing, (B) the amount of the reduction or increase (if any) in each of the Required Reserves, the Net Portfolio Balance, the Purchasers’ Pool Investment and the Purchaser Group Investment since the Cut-off Date immediately preceding the Cut-off Date for the most recently ended Settlement Period, and each component of each of the foregoing (including a breakdown of Collections and Deemed Collections and any related Dilutions or other reductions, if any, during such Settlement Period), (C) the excess (if any) of the sum of the Purchasers’ Pool Investment and the Required Reserves, over the Net Portfolio Balance, (D) the excess (if any) of the Purchasers’ Pool Investment, over the Purchasers’ Pool Limit, (E) the excess (if any) of the Purchaser Group Investment of each Purchaser Group, over the Purchaser Group Limit of each such
Purchaser Group, (F) the aggregate Investment of any Exiting Purchasers, (G) the total Pool Deficiency Amount (if any), (H) the total Deemed Collections for such Settlement Period, (I) the amount of all other Obligations payable on the next Settlement Date, (J) the Excess Concentration Amount, (K) the Pool Receivables (and the aggregate Financed Unpaid Balance thereof) that are subject to the Conditional Service Guaranty and have been originated within the six (6) months prior to such Reporting Date, and (L) the amount of Monthly Collections; and (II) if any Purchase Request is being delivered contemporaneously with the delivery of such Information Package, the information specified in clauses (A), (C) through (I), (K) and (L) above, determined on a pro forma basis after giving effect the proposed Purchase to be made on the Settlement Date next succeeding such Reporting Date, the computation of the Collections available for allocation pursuant to each sub-section (i) through (vii) of Section 3.1(d), the computation of the Cash Purchase Price, if any, to be paid by the Purchasers on such next succeeding Settlement Date in respect of any Purchase in accordance with Section 1.2(b).

(d) Order of Application. The Collateral Agent shall, on each Settlement Date, to the extent funds are available in the Collateral Agent’s Account, distribute the related Monthly Collections for the following purposes and in the following order of priority:

(i) to the Servicer, all accrued then due and unpaid Servicing Fee;

(ii) to the Collateral Agent and the Administrative Agent in respect of all costs, expenses, Fees and Indemnified Amounts then due and payable to the Collateral Agent and the Administrative Agent (solely in their capacities as such) under this Agreement and the other Transaction Documents; provided, that the expenses and Indemnified Amounts payable under this clause (i) on any Settlement Date shall not in the aggregate exceed $500,000;

(iii) on a pari passu basis, to each Purchaser Agent ratably (based on the aggregate accrued and unpaid Yield and Fees due and payable to them and the members of their respective Purchaser Groups) Yield accrued and unpaid on all Rate Tranches relating to the Receivable Pool for the Purchasers in its Purchaser Group howsoever funded or maintained during (x) in respect of Yield calculated at the CP Rate, the related Settlement Period and (y) in respect of Yield calculated at the Bank Rate, the Yield Period ending immediately prior to such Settlement Date and to the accrued and unpaid Fees for its Purchaser Group then due and payable;

(iv) to the Purchaser Agents to the reduction of the Purchasers’ Pool Investment (A) if clause (C) below does not apply, to reduce, to the extent necessary, the Pool Deficiency Amount to zero in the priority set forth in Section 3.1(e), ratably (based upon the respective amounts of reduction of Investment owed to each Purchaser Group in respect of each application to the Purchasers in each such Purchaser Agent’s Purchaser Group), determined without taking into account any Receivables to be acquired by the Purchasers on such Settlement Date, (B) if clause (C) below does not apply, in the amount required pursuant to Section 3.2(b), ratably (based upon their respective Purchaser Group Investments), determined
without taking into account any Receivables to be acquired by the Purchasers on such Settlement Date, or (C) during the continuance of an Event of Termination or an Unmatured Event of Termination or following the Purchase Termination Date, ratably (based upon their respective Purchaser Group Investments) to reduce the Purchasers’ Pool Investment to zero; provided, that for the avoidance of doubt, any amounts paid to any Purchaser Agent pursuant to this clause (iv) shall be applied in reduction of the Investment of the relevant Purchasers in such Purchaser Agent’s Purchaser Group;

(v) to the Purchaser Agents and the Purchasers ratably (based on the aggregate accrued and unpaid Seller Obligations owing) in respect of all costs, expenses and Indemnified Amounts due and payable to the Purchaser Agents and the Purchasers (solely in their capacities as such) under this Agreement and the other Transaction Documents;

(vi) first, ratably (based upon the amounts due and payable), to the Collateral Agent and the Administrative Agent in respect of expenses and Indemnified Amounts due and payable to the Collateral Agent and the Administrative Agent, to the extent such amounts were not paid pursuant to clause (i) above, and second, to each Purchaser Agent ratably (based on the aggregate accrued and unpaid Seller Obligations owing to their respective Purchaser Groups) all accrued and unpaid other Seller Obligations due and payable to any Affected Parties in such Purchaser Agent’s Purchaser Group;

(vii) to the Seller, for its own account, amounts in respect of payment of the RPA Deferred Purchase Price; and

(viii) to the Seller, for its own account, any remaining amounts.

(e) **Priority for Investments Reductions**. The Collateral Agent shall apply Monthly Collections in the Collateral Agent’s Account which are available to reduce the Pool Deficiency Amount in accordance with clause (iv)(A) of Section 3.1(d) to the applicable Purchaser Agents, pari passu based upon respective amounts owed to each Purchaser in the related Purchaser Groups for each such specified applications in the following order: (i) first, to reduce the Purchasers’ Pool Investment to an amount equal to the Net Portfolio Balance, minus the Required Reserves at such time, (ii) second, to reduce the Purchasers’ Pool Investment to an amount equal to the Purchasers’ Pool Limit, (iii) third, to reduce each Purchaser Group Investment to an amount equal to the related Purchaser Group Pool Limit, and (iv) fourth to reduce the aggregate Investment of all Exiting Purchasers to zero.

**SECTION 3.2 Deemed Collections; Reduction of Purchasers’ Pool Investment, Etc.**

(a) **Deemed Collections**. If on any day:

(i) the Unpaid Balance of any Pool Receivable is reduced, cancelled, subject to set-off, offset, netting, special refund or credit as a result of
Dilution or for any other reason, including pursuant to the Conditional Service Guaranty (other than solely as a result of such Pool Receivable becoming a Defaulted Receivable in accordance with the Credit and Collection Policy) as a result of the bankruptcy or insolvency of the related Obligor or a payment default of the related Obligor;

(ii) the Financed Unpaid Balance of any Pool Receivable is less than the amount included to represent such amount in calculating the Net Portfolio Balance for purposes of any Information Package;

(iii) any Pool Receivable (or the terms of any related Contract governing such Pool Receivable) is extended, amended, waived, or otherwise modified or adjusted (except as set forth in clause (iv) below) or as expressly permitted under Section 8.2(b);

(iv) the due date for payment of any Pool Receivable is extended to a date that is more than thirty (30) days after such Pool Receivable’s original due date;

(v) (A) any of the representations or warranties of the Seller set forth in clauses (j) or (n) or (bb) of Section 6.1 or the Servicer set forth in Section 6.2(t) were untrue when made with respect to any Pool Receivable, or (B) if the Level 1 Ratings Trigger is in effect, any Pool Receivable is a Conditional Service Guaranty Receivable; or

(vi) any Collection Agent Fee is paid, including by setoff, offset or reduction of any Collections;

then, on such day, the Seller shall be deemed to have received a Collection of such Pool Receivable and, in respect of such Collections deemed received during any Settlement Period, the Seller shall, unless such amounts are permitted to be netted as provided below, pay to the Collateral Agent’s Account by the date which is no later than three (3) Business Days (x) in respect of clause (ii) or (v) above, after the Seller or the Servicer has knowledge thereof or has received notice thereof, and (y) in respect of any other clause above, prior to the Settlement Date immediately succeeding such Settlement Period or after the occurrence of an Event of Termination that remains continuing, within one (1) Business Day from the event giving rise to such Deemed Collection) for application by the Collateral Agent pursuant to Section 3.1(d) as provided in this Agreement an amount equal to:

(1) in the case of clause (i) above, the amount of such reduction, set-off, offset, netting, special refund, credit or cancellation; in the case of clause (ii) above, the difference between the actual Financed Unpaid Balance and the amount included to represent such amount in respect of such Pool Receivable in calculating the Net Portfolio Balance in such Information Package; or, in the case of clause (iv) above, in the amount that such extension affects the Financed Unpaid Balance of the related Pool Receivable in the sole determination of the Administrative Agent, as applicable, by notice to
the Seller and the Servicer; provided, that the aggregate amount of Deemed Collections paid by the Seller pursuant to this clause 1 in respect of any Pool Receivable shall not exceed its Financed Unpaid Balance; or

(2) in the case of clause (iii) or (v) above, the amount of the entire Financed Unpaid Balance of the relevant Pool Receivable or Pool Receivables (as determined immediately prior to the applicable event) with respect to which such extension, amendment, waiver, or modification occurs or such representations or warranties were or are untrue; or

(3) in the case of clause (vi) above, the amount by which such Collection Agent Fee exceeds the lesser of (i) the ordinary course and customary collection fees and expenses payable to Collection Agents by the Servicer and consistent with its past practices as reasonably demonstrated by the Servicer to the Administrative Agent, and (ii) an amount equal to 20% of the Financed Unpaid Balance of the applicable Pool Receivable as determined immediately prior to the payment of such Collection Agent Fee;

provided, that so long as no Event of Termination or Unmatured Event of Termination shall have occurred and be continuing, in the event the Seller has paid Deemed Collections in respect of a Pool Receivable at least equal to the amount of the full Financed Unpaid Balance thereof to the Collateral Agent’s Account, in accordance with and pursuant to this Section 3.2, such Pool Receivable and the Related Assets thereof shall be deemed repurchased by the Seller and shall be automatically released from the security interest of the Collateral Agent upon such payment in full of such Deemed Collections to the Collateral Agent’s Account, and upon such repurchase, the portion of the RPA Deferred Purchase Price relating to such Pool Receivable shall be deemed to be fully satisfied and discharged, without any further action on the part of any Person; provided, further, that for the avoidance of doubt, no ADT Entity shall initiate any amendments to any Pool Receivable or otherwise take any action that would result in a Deemed Collection for the purpose of repurchasing any Pool Receivable, and any such action shall constitute an Event of Termination under Section 10.1(q).

Collections deemed received by the Seller under this Section 3.2(a) are herein referred to as “Deemed Collections”. To the extent no Pool Deficiency Amount would result therefrom, the Seller may, at its option, net the amount of Deemed Collections required to be deposited in the Collateral Agent’s Account prior to any Settlement Date, from the amount of the RPA Deferred Purchase Price payable to the Seller on the next Settlement Date after the due date of payment of such Deemed Collections by Seller hereunder.

(b) The Sellers’ Optional Reduction of Purchasers’ Pool Investment. The Seller may at any time and from time to time elect to reduce (in whole or in part) Purchasers’ Pool Investment by giving or causing the Servicer to give the Collateral Agent and the Administrative Agent at least five (5) Business Days’ prior written notice (which shall be in substantially the form of Exhibit B hereto) of such elected reduction, which notice shall include (i) the proposed date of such reduction, which shall be a Settlement Date, and (ii) the amount of any such proposed reduction (which amount shall be not less than $5,000,000)
and shall be an integral multiple of $100,000 thereafter). Any such requested reduction in the Purchasers’ Pool Investment shall be applied to reduce the Investments of each Purchaser to the extent Monthly Collections are available therefor in accordance with Section 3.1(d).

SECTION 3.3 Payments and Computations, Etc.

(a) Payments. All amounts to be paid to, or deposited by the Seller, the Servicer or ADT with, the Collateral Agent, the Administrative Agent, any Purchaser Agent, or any other Person hereunder shall, except as otherwise expressly provided herein, be paid or deposited in accordance with the terms hereof no later than 1:00 p.m. (New York City time) on the day when due in U.S. Dollars in same day funds to the Collateral Agent’s Account or to such other account as the Collateral Agent shall designate in writing to the Seller and the Servicer from time to time.

All ADT Obligations to be paid by any ADT Entity (other than the Seller) to the Collateral Agent, the Administrative Agent, any Purchaser Agent, any Purchaser, any Indemnified Party or any Affected Party shall, except as otherwise expressly provided herein, be paid or deposited in accordance with the terms hereof no later than 1:00 p.m. (New York City time) on the day when due in U.S. Dollars in same day funds to the Administrative Agent’s Account.

Amounts remitted to the Administrative Agent’s Account in respect of ADT Obligations shall be distributed on each Settlement Date for the payment of ADT Obligations due and payable on or prior to such Settlement Date (i) to the Administrative Agent and the Collateral Agent for ADT Obligations then due and payable to it in accordance with the terms of this Agreement, and (ii) to the applicable Purchaser Agent for ADT Obligations then due and payable to it, its related Purchasers, its related Affected Parties and its related Indemnified Parties. For purposes of making the applications set forth in the immediately preceding sentence, the Administrative Agent shall rely upon the certifications (the "Demand Certifications") of each of the Collateral Agent (if other than the Administrative Agent) and each of the Purchaser Agents (if other than the Administrative Agent) as to the ADT Obligations then due and payable to it (or in respect of a Purchaser Agent owing to it and its related Purchasers, Affected Parties and Indemnified Parties). Each of the Collateral Agent (if other than the Administrative Agent) and each Purchaser Agent shall provide the Administrative Agent with a Demand Certification upon making any demand or claim for payment of any ADT Obligations, which Demand Certification shall specify the date upon which such ADT Obligations are due and payable and the ADT Obligation giving rise to such payment. If amounts remitted in respect of ADT Obligations which are on deposit in the Administrative Agent’s Account on any Settlement Date are insufficient to pay in full all ADT Obligations which are then due and payable on such Settlement Date, the Administrative Agent shall distribute such funds on a pro rata basis to the relevant parties based upon the ADT Obligations then due and payable to such parties based upon the amount of the ADT Obligations then due and payable to it (in respect of each of its capacities hereunder) and the Demand Certifications which the Administrative Agent has received.
The Administrative Agent shall have no liability for making payments in accordance with this Section 3.3(a) based upon the Demand Certifications.

(b) **Late Payments.** Each ADT Entity, shall pay to the applicable Purchaser Agent, for the benefit of the applicable Affected Party, interest on all amounts not paid or deposited by such party on the date when due hereunder at an annual rate equal to 2.00% above the Base Rate, payable on demand, provided, that such interest rate shall not at any time exceed the maximum rate permitted by applicable Law.

(c) **Method of Computation.** All computations of interest, Yield, Liquidation Discount, Yield and Fee Reserve, any Fees payable under Section 4.1, and any other fees payable by the Seller to the Collateral Agent, any Purchaser, any Purchaser Agent, the Administrative Agent, or any other Affected Party in connection with Purchases hereunder shall be made on the basis of a year of 360 days for the actual number of days (including the first day but excluding the last day) elapsed (except that calculations with respect to the Prime Rate shall be on the basis of a year of 365 or 366 days, as the case may be).

(d) **Payment of Currency and Setoff.** All payments by any ADT Entity or the Servicer to any Affected Party or any other Person in connection with the Transaction Documents shall be made in U.S. Dollars and without set-off or counterclaim, except, for the avoidance of doubt, any netting expressly permitted herein. Any ADT Entity’s obligations hereunder shall not be satisfied by any tender or recovery of another currency except to the extent such tender or recovery results in receipt of the full amount of U.S. Dollars.

(e) **Taxes.**

(i) Except to the extent required by applicable Law, any and all payments and deposits required to be made hereunder, under any other Transaction Document or under any instrument delivered hereunder or thereunder to any Affected Party or otherwise hereunder or thereunder by the Seller or the Servicer shall be made free and clear of, and without withholding or deduction for, any and all present or future Indemnified Taxes. If the Seller or the Servicer shall be required by applicable Law to make any such withholding or deduction, (A) the Seller (or the Servicer, on its behalf) shall make an additional payment to such Affected Party, in an amount sufficient so that, after making all required withholdings or deductions (including withholdings or deductions applicable to additional sums payable under this Section 3.3(e)), such Affected Party receives an amount equal to the sum it would have received had no such withholdings or deductions been made, (B) the Seller (or the Servicer, on its behalf) shall make such deductions, and (C) the Seller (or the Servicer, on its behalf) shall pay the full amount deducted to the relevant taxation authority or other Governmental Authority in accordance with applicable Law.

(ii) The Seller will indemnify each Affected Party for the full amount of (A) Indemnified Taxes (including any Indemnified Taxes imposed by any jurisdiction on amounts payable under this Section) paid by such Affected Party, as
the case may be, and any reasonable expenses payable by such Affected Party arising therefrom or with respect thereto; and (B) any incremental U.S. federal income or withholding Taxes or state or local Taxes measured by net income that arise because a Purchase of the Receivable Pool or Related Assets is not treated by a taxing authority as intended for purposes of U.S. federal income Tax or state or local Taxes measured by net income under Section 1.2(d)(ii)(A) (such indemnification described in this clause (B) will include U.S. federal income and withholding Taxes and state and local Taxes measured by net income necessary to make such Affected Party whole on an after-tax basis taking into account the taxability of receipt of payments under this clause (B) and any reasonable expenses (other than Taxes) arising out of, relating to, or resulting from the foregoing); provided, however, that no Affected Party shall be entitled to indemnification under this clause (B) for Taxes other than Taxes attributable solely and directly to income derived from the transactions effectuated by the Transaction Documents. Notwithstanding anything to the contrary in this Agreement, no Affected Party shall recover, whether through a payment of additional amounts pursuant to Section 3.3(e)(i) or a payment pursuant to the indemnification obligations of this Section 3.3(e)(ii), more than once for any Tax imposed. Any indemnification under this Section 3.3(e)(ii) shall be paid by the Seller to the Collateral Agent’s Account by the date which is no later than three (3) Business Days prior to the Settlement Date immediately succeeding the Settlement Period in which written demand therefor is made by any Affected Party, together with a statement of reasons for such demand and the calculations of such amount. Such calculations, if made in good faith, absent manifest error, shall be final and conclusive on all parties.

(iii) Within five (5) days after the date of any payment of Taxes withheld by the Seller or the Servicer, as applicable, in respect of any payment to any Affected Party, the Seller or the Servicer, as applicable, will furnish to the Administrative Agent, the original or a certified copy of a receipt evidencing payment thereof (or other evidence reasonably satisfactory to the Administrative Agent).

(iv) Without prejudice to the survival of any other agreement contained herein, the agreements and obligations contained in this Section shall survive the resignation or replacement of, or any assignment by, any Affected Party, and the payment in full of Obligations hereunder.

(v) (A) Any Affected Party that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Transaction Document shall deliver to the Servicer (on behalf of the Seller) and the Administrative Agent, at the time or times reasonably requested by the Seller or the Servicer and at the time or times prescribed by applicable Law, such properly completed and executed documentation reasonably requested by the Seller or the Servicer as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Affected Party, if reasonably requested by the Seller or the Servicer, shall deliver such other documentation prescribed by
applicable Law or reasonably requested by the Seller or the Servicer as will enable the Seller or the Servicer to
determine whether or not such Affected Party is subject to backup withholding or information reporting requirements.
Notwithstanding the foregoing, submission of such documentation (other than any documentation required by clause
(B) below) shall not be required if in the Purchaser’s reasonable judgment such completion, execution, or submission
would subject such Purchaser to any material unreimbursed cost or expense or would materially prejudice the legal or
commercial position of such Purchaser.

(A) Without limiting the generality of the foregoing,

(1) Each Affected Party that is not a “United States person,” within the meaning of
Section 7701(a)(30) of the Code, shall, on or before the date it becomes a party to this Agreement, deliver to
the Servicer (on behalf of the Seller) and the Administrative Agent such certificates, documents, or other
evidence, as required by the Code or Treasury Regulations issued pursuant thereto, including Internal Revenue
Service Form W-8BEN, Form W-8BEN-E, Form W-8ECI, W-IMY (or any successor form), with appropriate
attachments, or any other applicable certificate or statement of exemption, properly completed and duly
executed by such Affected Party establishing that any payment made or deemed made to such Affected Party
is (i) not subject to United States Federal withholding Tax under the Code because such payments are
effectively connected with the conduct by such Affected Party of a trade or business in the United States,
(ii) exempt or entitled to a reduction from United States Federal withholding tax under a provision of an
applicable Tax treaty, (iii) eligible for the benefits of the exemption for portfolio interest under Section 881(c)
of the Code, in which case such Affected Party shall also deliver a certificate to the effect that such Affected
Party is not (A) a “bank” within the meaning of Section 881(c)(3)(A) of the Code, (B) a “10 percent
shareholder” of the Seller, within the meaning of Section 881(c)(3)(B) of the Code, or (C) a “controlled
foreign corporation” described in Section 881(c)(3)(C) of the Code, or (iv) made to a person who is not the
beneficial owner of the payments. In addition, each such Affected Party shall, if legally able to do so,
thereafter deliver such certificates, documents or other evidence from time to time establishing that payments
received hereunder are not subject to, or subject to a reduced rate of, such withholding upon receipt of a
written request therefor from the Seller or the Administrative Agent.

(2) Each Affected Party that is a “United States person,” shall, on or before the date it
comes a party to this Agreement, deliver to the Servicer (on behalf of the Seller) and the Administrative
Agent such certificates, documents, or other evidence, as required by the Code or Treasury Regulations issued
pursuant thereto, including Internal Revenue Service Form W-9 (or any successor form) or any other
applicable certificate
or statement of exemption properly completed and duly executed by such Affected Party establishing that payment made to such Affected Party is not subject to United States Federal backup withholding Tax under the Code. In addition, each such Affected Party shall, if legally able to do so, thereafter deliver such certificates, documents, or other evidence from time to time establishing that payments received hereunder are not subject to such withholding upon receipt of a written request therefor from the Seller or the Administrative Agent.

(3) Each Affected Party that is entitled to any exemption or reduction of non-U.S. withholding tax with respect to any payment under this Agreement shall, on or before the date it becomes a party to this Agreement, deliver to the Servicer (on behalf of the Seller) and the Administrative Agent such certificates, documents, or other evidence as may reasonably be requested by the Servicer (on behalf of the Seller) or the Administrative Agent, establishing that such payment is not subject to, or is subject to a reduced rate of, withholding. In addition, each such Affected Party shall, if legally able to do so, thereafter deliver such certificates, documents, or other evidence from time to time establishing that payments received hereunder are not subject to such withholding, or are subject to a reduced rate of withholding, upon receipt of a written request therefrom to the Servicer (on behalf of the Seller) or the Administrative Agent.

(4) If a payment made to an Affected Party under any Transaction Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Affected Party were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Affected Party shall deliver to the Seller (or the Servicer on behalf of the Seller) and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Seller (or the Servicer on behalf of Seller) or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Seller (or the Servicer on behalf of Seller) or the Administrative Agent as may be necessary for the Seller (or the Servicer on behalf of the Seller) and the Administrative Agent to comply with their obligations under FATCA and to determine that such Affected Party has complied with such Affected Party’s obligations under FATCA or to determine the amount to deduct and withhold from such payment.

(vi) For purposes of this Section 3.3(e), “applicable Law” includes FATCA.
(vii) Each Purchaser (or in respect of a Conduit Purchaser, the Purchaser Agent on behalf of such Conduit Purchaser) shall severally indemnify the Administrative Agent, within five (5) days after demand therefor, for (i) any Indemnified Taxes attributable to such Purchaser (but only to the extent that the Seller or ADT has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Seller or ADT to do so), (ii) any Taxes attributable to such Purchaser’s failure to comply with the provisions of Section 13.3(b) relating to the maintenance of a Participant Register, and (iii) any Excluded Taxes attributable to such Purchaser, in each case, that are payable or paid by the Administrative Agent in connection with any Transaction Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant taxing authority. A certificate as to the amount of such payment or liability delivered to any Purchaser by the Administrative Agent to set off and apply any and all amounts at any time owing to such Purchaser under any Transaction Document or otherwise payable by the Administrative Agent to the Purchase from any other source against any amount due to the Administrative Agent under this paragraph (e)(vii).

(viii) Any Affected Party claiming compensation under Section 4.2(a) or any Indemnified Taxes or additional amounts payable pursuant to this Section 3.3 shall use reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to, at the expense of the Servicer, file any certificate or document reasonably requested in writing by the Seller or the Servicer or to change the jurisdiction of its applicable lending office if the making of such a filing or change would avoid the need for or reduce the amount of any such additional amounts which may thereafter accrue and would not, in the sole determination of such Affected Party, be otherwise disadvantageous to such Affected Party.

(ix) If any Affected Party receives a refund in respect of any Indemnified Taxes as to which it has been indemnified by the Seller or with respect to which the Seller has paid additional amounts, in each case pursuant to this Section, it shall promptly repay such refund to the Seller (to the extent of amounts that have been paid by the Seller (or the Servicer, on its behalf) under this Section with respect to such refund), net of all out-of-pocket expenses (including Taxes imposed with respect to such refund) of such Affected Party and without interest (other than interest paid by the relevant taxing authority with respect to such refund); provided, however, that the Seller (or the Servicer, on its behalf) upon the request of such Affected Party, agrees to return such refund (plus penalties, interest, or other charges) to such Affected Party in the event such Affected Party or the Administrative Agent is required to repay such refund. Nothing in this Section shall obligate any Affected Party to apply for any such refund.

(x) If ADT determines that a reasonable basis exists for contesting an Indemnified Tax for which it has paid additional amounts or indemnification payments, each applicable Affected Party shall use reasonable efforts to cooperate
with ADT as ADT may reasonably request in challenging such Tax. ADT shall indemnify and hold each such Affected Party harmless against any out-of-pocket expenses incurred by such person in connection with any request made by ADT pursuant to this Section 3.3(e)(x).

(x) Subject to the provisions of this Section 3.3, if any Affected Party shall, to its knowledge, have received notice of any attempt by a taxing authority to impose or collect any Indemnified Tax from such Affected Party, such Affected Party shall use commercially reasonable efforts to notify the Servicer (on the Seller’s behalf) of such attempt, and the Seller shall, provided that the Seller shall first deposit with the applicable Purchaser Agent amounts sufficient to indemnify the Affected Party as provided under Section 3.3(e)(ii), have the right, at their sole expense, (A) if such Affected Party is contesting the imposition of any such Tax in good faith by appropriate proceedings, to be kept reasonably informed by such Affected Party about the progress of such proceedings, or (B) if such Affected Party is not so contesting, to initiate any proceedings resisting or objecting to the imposition or collection of any such Tax.

(xii) The Servicer (on behalf of the Seller) shall pay, or at the option of the Administrative Agent timely reimburse it for the payment of, Other Taxes.

(xiii) Nothing contained in this Section shall require any Affected Party to make available any of its Tax returns (or any other information relating to its Taxes which it deems to be confidential).

(xiv) For purposes of this Section 3.3, the term “Affected Party” shall include any assignee pursuant to Section 13.3(c) or 13.3(d).

SECTION 3.4 Treatment of Collections and Deemed Collections. So long as the Seller or the Servicer shall hold any Collections (including Deemed Collections) required to be paid to the Collateral Agent’s Account, the Seller and the Servicer shall hold such Collections in trust for the Collateral Agent and shall clearly mark its records to reflect the same. The Seller shall promptly enforce all obligations of ADT under the Sale Agreement, including, payment of Deemed Collections (as defined in the Sale Agreement).

SECTION 3.5 Extension of the Purchase Termination Date. Provided that no Unmatured Event of Termination or Event of Termination has occurred and is continuing, no earlier than three (3) months prior to (but no later than forty-five (45) days prior to) the then current Purchase Termination Date, the Seller (or the Servicer on the Seller’s behalf) may request an extension of the then current Purchase Termination Date by submitting a request for an extension (each, an “Extension Request”) to the Collateral Agent and the Administrative Agent, which the Administrative Agent shall, upon receipt, forward to each Purchaser Agent. Such Extension Request must specify (i) the date (which must be at least thirty (30) days after the applicable Extension Request is delivered to the Collateral Agent and the Administrative Agent) as of which each Purchaser is requested to respond to such Extension Request by (each, a “Response Date”). Promptly upon receipt of an Extension Request, each Purchaser Agent (on behalf of its Purchasers) shall
notify the Servicer (on behalf of the Seller) as to whether each Purchaser in its Purchaser Group approves such Extension Request (it being understood that each Purchaser in a Purchaser Group may accept or decline such Extension Request in its sole discretion). The failure of any Purchaser to affirmatively notify the Servicer (on behalf of the Seller) of such Purchaser’s election regarding such Extension Request by the applicable Response Date shall be deemed to be a refusal by such Purchaser to grant the requested extension. In the event that the Administrative Agent and the Purchasers with Pool Limits which aggregate to an amount at least equal to 75% of the then current Purchasers’ Pool Limit shall approve of such request (such date, the “Approval Date”), then the current Purchase Termination Date shall be extended to the date which is 364 days after such Approval Date and each such Purchaser and the other parties hereto that approved such Extension Request shall enter into such documents as the Administrative Agent and such Purchasers may deem necessary or appropriate to reflect such extension. In the event that the Purchasers relating to a Purchaser Group decline an Extension Request (each such declining Purchaser, an “Exiting Purchaser”), the Purchaser Agent for such Exiting Purchasers shall so notify the Servicer (on behalf of the Seller), the Collateral Agent, the Administrative Agent, and each of the other parties hereto of such Exiting Purchaser’s determination. If the Purchasers of a Purchaser Group become Exiting Purchasers, such Purchaser Groups’ Pool Limit shall automatically be reduced to zero on the then-current Purchase Termination Date, without giving effect to any other Purchasers of any other Purchaser Group’s agreement to extend the Purchase Termination Date, if any. This Section 3.5 shall not be deemed to limit or restrict the ability of the parties hereto to extend the Purchase Termination Date pursuant to an amendment in accordance with Section 13.1.

SECTION 3.6 Account Control

The Servicer acknowledges, represents and agrees that it has established each of the Lock-box Accounts, each of the Collection Accounts and the Omnibus Account and further acknowledges, represents and agrees that each such Account is a deposit account maintained at an Eligible Bank. Without limiting the Servicer’s obligation pursuant to Clauses (c) or (d) of Section 7.6, if, at any time, any Lock-box Account, any Collection Account or the Omnibus Account ceases to be with an Eligible Bank, the Servicer shall, as promptly as practicable and in any event within thirty (30) days after the Servicer or the Seller has knowledge thereof, (i) establish a new Lock-box Account, Collection Account or Omnibus Account, as the case may be, with a depository institution that is an Eligible Bank, (ii) transfer any amounts held in such Account to such new Lock-box Account, Collection Account or Omnibus Account, as the case may be, and (iii) cause a Payment Direction or Control Agreement to be in full force and effect in respect of such Eligible Bank. The Servicer shall not terminate any Collection Account or the Omnibus Account except as contemplated by this Section 3.6 without the prior written consent of the Collateral Agent.

ARTICLE IV

FEES AND YIELD PROTECTION

SECTION 4.1 Fees. From the Closing Date until the Final Payment Date, the Seller shall pay to the Collateral Agent for distribution to each Purchaser Agent and each Purchaser, as applicable, on each Settlement Date subject to Section 3.1(d) all Fees.
SECTION 4.2 Yield Protection.

(a) If any Change in Law:

(i) shall subject an Affected Party to any duty, cost or other charge (other than Taxes, which shall be governed by Section 3.3(e)) with respect to any Investment or interest in the Receivable Pool or Related Assets owned, maintained or funded by it (or its participation in any of the foregoing), or any obligations or right to make Purchases or to provide funding or maintenance therefor (or its participation in any of the foregoing);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, or similar requirement against assets of any Affected Party, deposits, or obligations with or for the account of any Affected Party or with or for the account of any Affiliate (or entity deemed by the Federal Reserve Board or other Governmental Authority to be an affiliate) of any Affected Party, or credit extended by any Affected Party;

(iii) shall impose any other condition affecting any Investment or the Receivable Pool or Related Assets owned, maintained, or funded in whole or in part by any Affected Party, or its obligations or rights, if any, to make (or participate in) Purchases or to provide (or participate in) funding therefor or the maintenance thereof;

(iv) shall change the rate for, or changes the manner in which the Federal Deposit Insurance Corporation (or a successor thereto) or similar Person assesses, deposit insurance premiums, or similar charges which an Affected Party is obligated to pay; or

(v) shall (i) change the amount of capital maintained or required or requested or directed to be maintained by any Affected Party or (ii) subject any Affected Party to any Taxes (other than (A) Indemnified Taxes, and (B) Excluded Taxes) on its Purchases, the Receivable Pool or Related Assets, commitments, or other obligations, or its deposits, reserves, other liabilities, or capital attributable thereto;

and the result of any of the foregoing is or would be, in each case, as determined by the applicable Purchaser Agent or the applicable Affected Party:

(A) to increase the cost to (or impose a cost on) (1) an Affected Party funding or making or maintaining any Purchases, any purchases, or loans or other extensions of credit under any Liquidity Agreement, any Enhancement Agreement, or any commitment (hereunder or under any Liquidity Agreement or any Enhancement Agreement) of such Affected Party with respect to any of the foregoing, or (2) the Collateral.
Agent, any Purchaser Agent, or the Administrative Agent for continuing its relationship with any Purchaser;

(B) to reduce the amount of any sum received or receivable by an Affected Party under this Agreement, any Liquidity Agreement or any Enhancement Agreement (or its participation in any such Liquidity Agreement or Enhancement Agreement) with respect thereto; or

(C) to reduce the rate of return on the capital of such Affected Party as a consequence of its obligations hereunder, under any Liquidity Agreement or under any Enhancement Agreement (or its participation in any such Liquidity Agreement or Enhancement Agreement), including its funding or maintenance of any portion of any Investment or the Receivable Pool or Related Assets, or arising in connection herewith (or therewith) to a level below that which such Affected Party could otherwise have achieved hereunder or thereunder,

then, within three (3) Business Days following its receipt of notice from such Affected Party (or by the Administrative Agent or a Purchaser Agent on its behalf) in accordance with Section 4.2(c), the Seller shall pay directly to such Affected Party such additional amount or amounts as will compensate such Affected Party for such additional or increased cost or such reduction.

(b) Each Affected Party (or the Administrative Agent or a Purchaser Agent on its behalf), shall use commercially reasonable efforts to promptly notify the Servicer (on behalf of the Seller) and the Administrative Agent of any event of which it has actual knowledge which will entitle such Affected Party to compensation pursuant to this Section 4.2; provided, that the Seller shall not be required to compensate an Affected Party pursuant to this Section 4.2 for any increased costs or reductions incurred more than 180 days prior to the date that such Affected Party notifies the Seller of the Change in Law giving rise to such increased costs or reductions and of such Affected Party’s intention to claim compensation therefor; provided, further, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180 day period referred to above shall be extended to include the period of retroactive effect thereof.

(c) In determining any amount provided for or referred to in this Section 4.2, an Affected Party may use any reasonable averaging and attribution methods that it, in its sole discretion, shall deem applicable. Any Affected Party (or the Administrative Agent or a Purchaser Agent on its behalf) when making a claim under this Section 4.2 shall submit to the Servicer (on behalf of the Seller) and the Administrative Agent a written statement of such increased cost or reduced return, which statement, in the absence of manifest error, shall be conclusive and binding.

(d) Except as set forth in Section 4.2(b), no failure or delay on the part of any Affected Party (or the Administrative Agent or any Purchaser Agent) to demand compensation pursuant to this Section 4.2 shall not constitute a waiver of such Affected Party’s (or the Administrative Agent’s or any Purchaser Agent’s on its behalf) right to demand
such compensation or otherwise adversely affect the rights of any Affected Party to such compensation.

(e) The Seller acknowledges that any Affected Party may institute measures in anticipation of a Change in Law (including, without limitation, the imposition of internal charges on such Affected Party’s interests or obligations under this Agreement), and may commence allocating charges to or seeking compensation from the Seller under this Section 4.2 in connection with such measures, in advance of the effective date of such Change in Law, and the Seller agrees to pay such charges or compensation to such Affected Party (except for Taxes contemplated by clause (ii) of Section 4.2(a)(v)), to the extent such charges or compensation would otherwise be payable by the Seller under this Section 4.2 after such effective date of such Change in Law, following demand therefor without regard to whether such effective date has occurred but only to the extent of, and on or after such Affected Party’s measures must be implemented prior to such effective date at the demand of the applicable prudential regulator. The Seller further acknowledges that any charge or compensation demanded hereunder may take the form of a monthly charge to be assessed by such Affected Party.

SECTION 4.3 Funding Losses. If any Affected Party incurs any cost, loss, or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Affected Party), at any time, as a result of (a) any optional or required settlement or repayment with respect to any Purchaser’s Tranche Investment of any Rate Tranche, howsoever funded, being made on any day other than the scheduled last day of an applicable Yield Period with respect thereto, (b) any Purchase not being completed by the Seller in accordance with its request therefor under Section 1.2, or (c) the failure to exercise or complete (in accordance with Section 3.2(b)) any reduction in Purchasers’ Pool Investment elected to be made under Section 3.2(b), (d) any reduction in Purchasers’ Pool Investment elected under Section 3.2(b) exceeding the total amount of Rate Tranches, howsoever funded, with respect to which the last day of the related Yield Period is the date of such reduction, or (e) the failure to reduce Purchasers’ Pool Investment, then, upon written notice from such Affected Party (or the Administrative Agent or a Purchaser Agent on its behalf) to the Servicer (on behalf of the Seller), the Seller shall pay to the Collateral Agent’s Account by the date which is no later than three (3) Business Days prior to the Settlement Date immediately succeeding the Settlement Period in which such written notice is delivered by such Affected Party. Such written notice shall, in the absence of manifest error, be conclusive and binding upon the Seller and the Servicer. If an Affected Party incurs any cost, loss, or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Affected Party), at any time, and is not entitled to reimbursement for such loss or expense in the manner set forth above, such Affected Party shall individually bear such loss or expense without recourse to, or payment from, any other Affected Party.

SECTION 4.4 Mitigation; Replacement of Purchasers.

(a) If any Affected Party requests compensation under Section 4.2, or if the Seller is required to pay any additional amount to any Affected Party or any Governmental
Authority for the account of any Affected Party pursuant to Section 3.3(e), then such Affected Party and its related Purchaser Agent shall use reasonable efforts to designate a different office, branch or Affiliate for funding or booking its Investment hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the reasonable judgment of such Affected Party or such Purchaser Agent, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 4.2 or Section 3.3(e), in the future, and (ii) would not subject such Affected Party or its related Purchaser Agent to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Affected Party or its related Purchaser Agent. ADT hereby agrees to pay all reasonable costs and expenses incurred by such Affected Party and its related Purchaser Agent in connection with any such designation or assignment.

(b) If (i) any Purchaser (or Affiliated Party relating to such Purchaser) requests compensation under Section 4.2 or (ii) any Purchaser has become an Exiting Purchaser, so long as no Event of Termination or Unmatured Event of Termination has occurred and remains continuing, the Seller may, at ADT’s sole expense and effort (including payment of any applicable processing and recordation fees), upon notice to the Collateral Agent, the related Purchaser Agent and the Administrative Agent, require all Purchasers in the Purchaser Group relating to such Purchaser to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in this Agreement), all of their respective interests, rights, and obligations under this Agreement and the other Transaction Documents to a willing assignee that is an Eligible Assignee and that shall assume such interests, rights, and obligations pursuant to a written agreement reasonably acceptable to the Collateral Agent, the Administrative Agent, and the assigning Purchasers; provided, that (x) the Seller shall have received the prior written consent of the Collateral Agent and the Administrative Agent with respect to any assignee that is not already a member of a Purchaser Group hereunder, which consent shall not unreasonably be withheld, conditioned, or delayed, and (y) each member of such assigning Purchaser Group shall have received payment of an amount equal to all outstanding Investments and Yield in respect thereof, accrued fees and all other amounts payable to it hereunder, from the assignee or the Seller; provided, further, that any such assigning Purchaser shall be a beneficiary of any of this Agreement’s terms that expressly survive termination of this Agreement; and provided, still further, that if the Person then serving as the Collateral Agent and/or the Administrative Agent is a member of the Purchaser Group being removed pursuant to this Section, such Person shall cease to be the Administrative Agent and/or Collateral Agent, as applicable, upon the foregoing assignment and such assignment shall not be effective until a successor Collateral Agent and/or Administrative Agent, as the case may be, has been appointed by the Required Purchasers and has accepted such appointment and assumed all of the obligations of such Person.

ARTICLE V

CONDITIONS OF PURCHASES

26
SECTION 5.1  Conditions Precedent to Effectiveness. The initial Purchase Date hereunder is subject to the conditions precedent that the Collateral Agent, the Administrative Agent and each Purchaser Agent shall have received (unless otherwise waived), each of the following in form and substance reasonably satisfactory to the Collateral Agent, the Administrative Agent and each Purchaser Agent:

(a) a copy of the resolutions or unanimous written consents, as applicable, of the board of directors or managers or member (or any authorized sub-committee), as the case may be, of each of the ADT Entities required to authorize the execution, delivery, and performance by such ADT Entity of each Transaction Document to be delivered by it hereunder, certified by its secretary or any other authorized person;

(b) good standing certificates (or the equivalent) for each of the ADT Entities issued by the Secretary of State (or the equivalent) of the jurisdiction in which each such entity is organized;

(c) a certificate of the secretary or assistant secretary of each of the ADT Entities certifying the names and true signatures of the officers authorized on its behalf to sign the Transaction Documents to be delivered by it (on which certificate the Collateral Agent, the Administrative Agent, each Purchaser and each Purchaser Agent may conclusively rely until such time as such party shall have received from any such ADT Entity, a revised certificate meeting the requirements of this clause (c));

(d) copies of the Constituent Documents of each of the ADT Entities duly certified by the secretary or an assistant secretary of each such ADT Entity, and in the case of any certificates or articles of incorporation, formation or organization, certified by the Secretary of State (or the equivalent) of the jurisdiction in which each such entity is organized;

(e) a search report by a nationally recognized search firm provided in writing to the Collateral Agent and the Administrative Agent by the Servicer listing all financing statements, state and federal tax, or ERISA liens and judgments that name the Seller or ADT, as debtor and that are filed in the jurisdictions in which filings were made pursuant to clause (f) and any other jurisdictions that the Collateral Agent or the Administrative Agent shall reasonably request together with copies of such financing statements;

(f) copies of proper financing statements (form UCC-3) (including amendment and termination statements) and release documentation each in form and substance reasonably satisfactory to the Collateral Agent and the Administrative Agent with respect to any financing statement included in the search report described in clause (e) above, to the extent that any such financing statement set forth therein covers any Pool Receivables or Related Assets, other than financing statements filed pursuant to this Agreement;
(g) proper financing statements naming the Seller as debtor, and the Collateral Agent as secured party, to be filed in all applicable jurisdictions in respect of the Collateral;

(h) favorable opinions of Paul, Weiss, Rifkind, Wharton & Garrison LLP (including with respect to creation and perfection of security interests under the applicable UCC) counsel to the ADT Entities; non-consolidation, and true sale matters; and other customary opinions required by the Collateral Agent and the Administrative Agent;

(i) completion of satisfactory due diligence in respect of the Receivable Pool by Purchasers, Purchaser Agents, the Collateral Agent, and the Administrative Agent;

(j) duly executed copies of each of the Fee Letters;

(k) duly executed copies of the Transaction Documents, including a Payment Direction in respect of each Lockbox Account, each Collection Account and the Omnibus Account which shall each be in full force and effect, and completion of the form of each Exhibit to this Agreement not attached hereto as of the Closing Date together with an amendment hereto attaching such Exhibits;

(l) payment by or on behalf of the Seller of each Purchaser’s, each Purchaser Agent’s, the Collateral Agent’s, and the Administrative Agent’s reasonable and documented out-of-pocket costs and expenses, including all reasonable and documented invoiced legal fees of counsel to such parties and all audit fees of Protiviti Inc. and all Fees required to be paid on the Closing Date under any Fee Letter;

(m) a pro-forma Information Package, which shall evidence compliance with the terms of this Agreement, after giving credit to the initial transfer of an interest in Receivables under this Agreement;

(n) entry into a mutually satisfactory agreement, together with an amendment to this Agreement to reflect such agreement, in respect of applicable confidentiality and information protection requirements in respect of Non-Public Borrower Data, including reasonable and adequate safeguards for the protection of such Non-Public Borrower Data; and

(o) such other agreements, instruments, certificates, opinions, and other documents as the Collateral Agent or the Administrative Agent may reasonably request reasonably in advance of (and in any event at least five (5) Business Days prior to) the initial Purchase Date.

SECTION 5.2 Conditions Precedent to All Purchases. Each Purchase (including the initial Purchase) shall be subject to the further conditions precedent that on the date of such Purchase, the following statements shall be true (and the Seller, on such Purchase Date, shall be deemed to have certified that):

---

28
(a) each of the representations and warranties contained in this Agreement and in each other Transaction Document are true and correct on and as of such day as though made on and as of such day and shall be deemed to have been made on such day (except to the extent such representations and warranties explicitly refer solely to another date, in which case they shall be true and correct as of such other date);

(b) no event has occurred, or would result from such Purchase that constitutes an Event of Termination or an Unmatured Event of Termination that remains continuing (other than, solely with respect to a Non-Cash Purchase, pursuant to Section 10.1(o));

(c) immediately after giving effect to such Purchase on such Purchase Date and the application of Collections in accordance with Section 3.1(d), no Pool Deficiency Amount under clauses (i), (iii) or (iv) of the definition thereof will exist;

(d) the Purchase Termination Date has not occurred; and

(e) except with respect to a Non-Cash Purchase, the applicable Purchaser Agent has approved of the related Purchase Request in accordance with Section 1.2(a).

SECTION 5.3 Condition Subsequent. Each of ADT and the Seller hereby covenant and agree that as promptly as practicable after the Closing Date, but in any event no later than the twelve (12) month anniversary of the Closing Date, it shall (i) establish new accounts in to which only Collections in respect of Pool Receivables shall be deposited directly from the respective Obligors without any intermittent commingling, including with respect to Direct Deposit Obligors on the Pool Receivables, (ii) cause the Collateral Agent to have a first priority perfected interest, free of any Adverse Claims, in all such collections and accounts including pursuant to one or more Control Agreements, (iii) enter into amendments to the Transactions Documents to reflect such changes, and take all other actions reasonable and necessary to effectuate the purposes thereof, and (iv) deliver such certifications and opinions of counsel as the Collateral Agent or the Administrative Agent shall reasonably request, in each case in form, scope and manner reasonably satisfactory to the Administrative Agent, Collateral Agent and each Purchaser Agent.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

SECTION 6.1 Representations and Warranties of the Seller. The Seller represents and warrants, as of the Closing Date, each Purchase Date, each Settlement Date upon which the Purchasers’ Pool Investment is reduced pursuant to Section 3.2(b) and in respect of clause (k) and (n) below, as of the date of each Information Package, as follows:

(a) Organization and Good Standing. It has been duly organized in, and is validly existing and in good standing under the Laws of its jurisdiction of organization, with organizational power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.
(b) **Due Qualification.** It has obtained all necessary licenses, approvals, and qualifications, if any, in connection with its execution and delivery of the Transaction Documents to which it is a party and the performance by it of its obligations contemplated in the Transaction Documents.

(c) **Power and Authority; Due Authorization.** It (i) has all necessary power and authority to (A) execute and deliver this Agreement and the other Transaction Documents to which it is a party in any capacity and (B) perform its obligations under the Transaction Documents applicable to it and (ii) has duly authorized by all necessary limited liability company action the execution, delivery, and performance of this Agreement and the other Transaction Documents to which it is a party.

(d) **Valid Sale; Binding Obligations.** This Agreement constitutes either (x) an absolute and irrevocable valid sale, transfer, and assignment of the Pool Receivables and Related Assets to the Collateral Agent (on behalf of the Purchasers), enforceable against creditors of and purchasers from the Seller, or (y) a security agreement granting a security interest in the Pool Receivables and Related Assets to the Collateral Agent (on behalf of the Purchasers and the other Affected Parties); and this Agreement and each other Transaction Document to which it is a party when duly executed and delivered by it will constitute its legal, valid, and binding obligation enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(e) **No Violation.** The execution and delivery of each of the Transaction Documents to which it is a party, the consummation of the transactions contemplated by this Agreement and the other Transaction Documents and the performance by it of the terms hereof and thereof will not (i) violate or result in a default under, (A) its Constituent Documents, (B) any indenture, agreement, or instrument binding on it or any of its assets or properties, or (C) the ADT Credit Agreement, any ADT Indenture or any ADT Collateral Agreement, (ii) result in the creation or imposition of any Adverse Claim upon any of its assets or properties pursuant to the terms of any such indenture, agreement, or instrument to which it is a party or by which it or any of its properties is bound, other than any Adverse Claim created in connection with this Agreement and the other Transaction Documents, or (iii) violate any Law applicable to it or any of its assets or properties.

(f) **No Proceedings.** There are no actions, suits, or proceedings by or before any arbitrator or Governmental Authority pending against or, to its knowledge, threatened against or affecting it, the Receivable Pool or Related Assets or any of its other assets or properties (i) as to which, if assuming there were to be an adverse determination thereof, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, (ii) seeking to prevent the sale and assignment of all or any portion of the Receivable Pool or Related Assets or the consummation of the purposes of this Agreement or of any of the other Transaction Documents, or (iii) that involve this Agreement or any other Transaction Document or the purposes thereof.
(g) **Bulk Sales Act.** No transaction contemplated hereby requires compliance by the Seller with any bulk sales act or similar Law.

(h) **Governmental Approvals.** No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for its due execution, delivery, and performance of this Agreement or any other Transaction Document or the transactions contemplated thereby, except for the filing of the UCC financing statements referred to in Article V.

(i) **Use of Proceeds.** The use of all funds obtained by it under this Agreement will not conflict with or contravene any of Regulations T, U, and X promulgated by the Board of Governors of the Federal Reserve System.

(j) **Quality of Title.** It has acquired from ADT, for fair consideration and reasonably equivalent value, all of the right, title, and interest in each Pool Receivable and the Related Assets in respect thereof and such acquisition constitutes a True Sale. Each Contract and Pool Receivable and the Related Assets related thereto, are owned by it free and clear of any Adverse Claim; and upon any Purchase the Collateral Agent (for the benefit of the Purchasers) shall have acquired and shall at all times thereafter continuously maintain a valid perfected ownership interest or a first priority perfected security interest in each Pool Receivable, together with the Related Assets, free and clear of any Adverse Claim; and no valid effective financing statement or other instrument similar in effect covering any Pool Receivable, any interest therein or the Related Assets is on file in any recording office except such as may be filed (i) in favor of ADT or the Seller in accordance with any Transaction Document (and assigned to the Collateral Agent), or (ii) in favor of the Collateral Agent for the benefit of the Purchasers in accordance with this Agreement or any Transaction Document. Without limiting the foregoing, no Chattel Paper evidencing Pool Receivables (x) is in the possession of (or, in the case of electronic Chattel Paper, under the control of) any Person other than the Servicer (for the benefit of the Collateral Agent and the Seller), the Collateral Agent or the Collateral Agent’s designee, or (y) has any marks or notations indicating that it has been pledged, assigned, or otherwise conveyed to any Person other than the Seller or the Collateral Agent.

(k) **Accurate Reports.** None of the reports, financial statements, certificates, or other written information (other than forward-looking statements, projections, and statements of a general industry nature, as to which it represents only that it acted in good faith and utilized assumptions reasonable at the time made and due care in the preparation of such statement or projection) furnished or to be furnished by or on behalf of it or any other ADT Entity (including, without limitation, by electronic delivery) to the Administrative Agent, any Purchaser, or any Purchaser Agent in connection with this Agreement or any other Transaction Document or any amendment hereto or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) including without limitation, each Purchase Request, each Information Package and the reports and information provided pursuant to Section 7.5(f) contains any material misstatement of fact or omits to state any material fact necessary to make the statements
therein, in the light of the circumstances under which they were made, not materially misleading. The Seller has disclosed to the Collateral Agent and the Administrative Agent (a) all agreements, instruments, and corporate or other restrictions to which the Seller is subject, and (b) all other matters known to any ADT Entity, the Servicer or any of their Affiliates, that individually or in the aggregate with respect to (a) or (b) above could reasonably be expected to result in a Material Adverse Effect.

(l) **UCC Details.** It is a “registered organization” (as defined in Section 9-102(a) of the UCC) that is formed or organized solely under the laws of the State of Delaware and is “located” in Delaware for purposes of Section 9-307 of the UCC and the offices where it keeps all its physical Records (to the extent not electronically available) and tangible chattel paper or other physical collateral, if any, are located at the addresses specified in Schedule VI (or at such other locations, notified to the Collateral Agent and the Administrative Agent in accordance with Section 7.1(f)), in jurisdictions where all action required by Section 8.5 has been taken and completed. It has never had any, trade names, fictitious names, assumed names, or “doing business as” names and is “located” in Delaware for purposes of Section 9-307 of the UCC. It is organized only in a single jurisdiction.

(m) **Accounts.** The Lock-boxes and names and addresses of all of the Lock-box Banks, together with the account numbers of the Lock-box Accounts at such Lock-box Banks, are specified in Schedule V (or have been notified to and approved by the Collateral Agent and the Administrative Agent in accordance with Section 7.3(d)). The Collection Accounts and Omnibus Accounts, the account numbers for each such account and the account banks maintaining each such account are specified in Schedule V except for such changes as are expressly permitted by Section 3.6.

(n) **Eligible Receivables.** Each Pool Receivable listed as an Eligible Receivable in any Purchase Request or Information Package or included as an Eligible Receivable in the calculation of Net Portfolio Balance on any date is an Eligible Receivable as of the effective date of the information reported in such Purchase Request or Information Package or as of the date of such calculation, as the case may be, or has been cured through a repurchase in accordance with Section 3.2. In selecting the Receivables specified in each Purchase Request, and in selecting the Receivables that it acquired from ADT under the Sale Agreement (i) it did not utilize any selection process for choosing such Receivables that was, in any respect, adverse to the interests of the Purchasers and such selection process did not disadvantage the Purchasers in any way, it being understood that any selection solely on the basis of satisfying the eligibility requirements set forth in the definitions of “Eligible Contract”, or “Eligible Receivable” or in order to limit the Excess Concentration Amount for purposes of inclusion in the Net Portfolio Balance shall not in and of itself be deemed adverse or disadvantageous to the Purchasers, (ii) ADT, the Seller and Servicer has no reason to expect that the performance of the Receivables in any Purchase Request would be worse than any Receivables that it is not offering for sale hereunder or under the Sale Agreement, and (iii) each such Receivable adheres to the Credit and Collection Policy. As of each Purchase Date, it has no knowledge of any fact (including any defaults by the Obligor
thereunder or any Service Charge Receivable) that would cause it to expect any payment on any Eligible Receivable not to be paid in full when due.

(o) **Adverse Change.** Since the Closing Date, (i) there has been no material adverse change in the value, validity, collectability, or enforceability of all or a material portion of the Pool Receivables, and (ii) there has been no Material Adverse Effect with respect to the Seller.

(p) **Credit and Collection Policy.** It has engaged the Servicer to service the Pool Receivables in accordance with the Credit and Collection Policy and all applicable Law. It has complied in all material respects with all applicable Law and with the Credit and Collection Policy.

(q) **Financial Information.** All of its and its Affiliates’ financial statements delivered to the Administrative Agent in accordance with this Agreement present fairly, in all material respects, the actual financial position and results of operations of it and its Affiliates, as the case may be, as of the date and for the period presented or provided, in each case in accordance with GAAP.

(r) **Investment Company Act; Covered Fund.** It is not required to register as an “Investment Company” under (and as defined in) the Investment Company Act. It is not a “covered fund” as defined in Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

(s) **No Other Obligations.** It does not have outstanding any security of any kind except membership interests issued to ADT in connection with its organization and has not incurred, assumed, guaranteed or otherwise become directly or indirectly liable for, or in respect of, any Debt, and no Person has any commitment or other arrangement to extend credit to the Seller, other than as will occur in accordance with the Transaction Documents.

(t) **Representations and Warranties in Other Transactions Documents.** It hereby makes for the benefit of the Collateral Agent, the Administrative Agent, each Purchaser Agent and each Purchaser all of the representations and warranties that the Seller makes, in any capacity, under the Sale Agreement, as if such representations and warranties (together with the related and ancillary provisions) were set forth in full herein.

(u) **Ordinary Course of Business.** Each remittance of Collections by or on behalf of the Seller to the Purchasers (or to the Collateral Agent, the Administrative Agent or any Purchaser Agent on their behalf) under this Agreement will have been (i) in payment of a debt incurred by the Seller in the ordinary course of business or financial affairs of the Seller, and (ii) made in the ordinary course of business or financial affairs of the Seller.

(v) **Tax Matters.** It has filed all federal income tax returns and all other tax returns that are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by it, except for any such taxes or assessments,
if any, that are being appropriately contested in good faith by appropriate proceedings and with respect to which adequate reserves in conformity with GAAP have been provided. No tax lien has been filed, and, to the knowledge of the Seller, no claim is being asserted, with respect to any such tax or assessment, except where such tax or lien is being contested as set forth above or as could not reasonably be expected to have a Material Adverse Effect. It has paid all sales taxes to be paid by it in connection with the Equipment and installation related to each Pool Receivable in compliance with Section 7.1(p), and has promptly notified the Administrative Agent of (i) any failure to pay any sales taxes with respect to any Receivable and whether or not such sales taxes are being contested as set forth above, and (ii) any asserted tax lien relating to any such sales taxes and whether or not such lien is being contested as set forth above.

(w) **Tax Status.** It has not made, at any time, any entity classification election under Treas. Reg. Sec. 301.7701-3 nor is it otherwise treated as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. It has not taken any action that could subject it nor is it otherwise subject to any material amount of Tax imposed by a state or local taxing authority.

(x) **No Event of Termination, Etc.** No event has occurred and is continuing, or would result from any Purchase that constitutes or would constitute an Unmatured Event of Termination or Event of Termination.

(y) **Anti-Corruption Laws, Anti-Terrorism Laws, and Sanctions.**

(i) Each ADT Entity and their respective Subsidiaries is in compliance in all material respects with the material provisions of the USA PATRIOT Act, and, on or prior to the Closing Date, the Seller has provided or caused to be provided to the Administrative Agent all information related to the ADT Entities (including names, addresses and tax identification numbers (if applicable)) reasonably requested in writing by the Administrative Agent not less than 10 Business Days prior to the Closing Date and mutually agreed to be required under “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act, to be obtained by the Administrative Agent or any Purchaser.

(ii) None of the ADT Entities, any of their respective Subsidiaries, nor, to the knowledge of the Seller, any director, officer, agent, employee or Affiliate of any ADT Entity is currently the target of any sanctions administered by the United States, including the Office of Foreign Assets Control of the U.S. Treasury Department (“OFAC”) and the U.S. State Department, the United Nations Security Council, Her Majesty’s Treasury, the European Union or relevant member states of the European Union (collectively, the “Sanctions”) and each ADT Entity and, to the knowledge of the Seller, their respective directors, officers, employees and agents are in compliance with sanctions laws and regulations administered by the United States, including OFAC and the U.S. State Department, the United Nations Security Council, Her Majesty’s Treasury, the European Union or relevant member states of the European Union (collectively, the “Sanctions Laws”) in all material respects.

34
The Seller will not directly or indirectly use the proceeds of any Purchases or otherwise make available such proceeds to any person, for the purpose of financing the activities of any person that is currently the target of any Sanctions or for the purpose of funding, financing or facilitating any activities, business or transaction with or in any country that is the target of the Sanctions, to the extent such activities, businesses or transaction would be prohibited by the Sanctions Laws, or in any manner that would result in the violation of any Sanctions Laws applicable to any party hereto.

(iii) Each ADT Entity, each of their respective Subsidiaries, and to the knowledge of the Seller, their directors, officers, agents or employees, are in compliance with the U.S. Foreign Corrupt Practices Act of 1977 or similar law of a jurisdiction in which the ADT Entities conduct their business and to which they are lawfully subject (“Anti-Corruption Laws”), in each case, in all material respects. No part of the proceeds of any Purchases made hereunder will be used to make any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(z) The Seller does not hold (nor will it hold throughout the term of this Agreement) “plan assets” within the meaning of the Department of Labor regulations located at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA.

(aa) Accounting Treatment. The Seller and ADT expect that the Receivables, Related Assets, and Collections relating to the Receivable Pool will be included on the consolidated balance sheet of the Parent and ADT for purposes of GAAP to the extent they are outstanding as of the end of any reporting period.

(bb) Advertisements, Promotions. No Pool Receivable is subject to any advertisement, promotion or other arrangement offered by any ADT Entity, subject to which such Pool Receivable or the Contract related to such Pool Receivable can be cancelled or terminated, in any manner which would excuse the related Obligor of its obligation to pay all or any part of the Unpaid Balance thereof, except pursuant to the Conditional Service Guaranty.

(cc) Pool Deficiency Amount. Immediately after giving effect to any Purchase on a Purchase Date and the application of the Collections in accordance with Section 3.1(d) on such Purchase Date, no Pool Deficiency Amount under clauses (i), (iii) or (iv) of the definition thereof will exist.

(dd) Payment Directions; Control. A Payment Direction in the form of Exhibit G-1 is in full force and effect in respect of each Lock-box Account, a Payment Direction in the form of Exhibit G-2 is in full force and effect in respect of each Collection Account, and a Payment Direction in the form of Exhibit G-3 is in full force and effect in respect of the Omnibus Account, other than, in each case, to the extent any such Lock-Box Account, Collection Account or the Omnibus Account is subject to a Control Agreement.
SECTION 6.2  Representations and Warranties of ADT. ADT, individually and when acting as the Servicer, represents and warrants, as of the Closing Date and each Settlement Date, upon which the Purchaser’s Pool Investment is reduced pursuant to Section 3.2(b) and in respect of clause (i) and (l) below, as of the date of each Information Package, as follows:

(a) **Organization and Good Standing.** It has been duly organized and is validly existing as a limited liability company in good standing under the Laws of its jurisdiction of organization, with power and authority to own its properties and to conduct its business as such properties are presently owned and such business is presently conducted.

(b) **Due Qualification.** It is duly qualified to do business as a foreign limited liability company in good standing, and has obtained all necessary qualifications, licenses, and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including the servicing of the Pool Receivables) requires such qualifications, licenses, or approvals, except where the failure to do so could not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect.

(c) **Power and Authority; Due Authorization.** It (i) has all necessary power and authority to (A) execute and deliver this Agreement and the other Transaction Documents to which it is a party in any capacity, and (B) carry out the terms of and perform its obligations under the Transaction Documents applicable to it, and (ii) has duly authorized by all necessary limited liability company action the execution, delivery, and performance of this Agreement and the other Transaction Documents to which it is a party.

(d) **Binding Obligations.** This Agreement constitutes, and each other Transaction Document to be signed by it when duly executed and delivered by it will constitute, the legal, valid, and binding obligation of it, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors’ rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(e) **No Violation.** The execution and delivery of each of the Transaction Documents to which it is a party and the consummation of the transactions contemplated by this Agreement and the other Transaction Documents and the performance by it of the terms hereof and thereof will not (i) violate or result in a default under, (A) its Constituent Documents, (B) any indenture, agreement or instrument binding on it or its assets or properties or (C) the ADT Credit Agreement, any ADT Indenture or any ADT Collateral Agreement, (ii) result in the creation or imposition of any Adverse Claim upon any of its assets or properties pursuant to the terms of any such indenture, agreement, or instrument, or (iii) violate any Law applicable to it or any of its assets or properties, except in the case of this clause (iii) to the extent that any such violations individually or in the aggregate could not reasonably be expected to result in a Material Adverse Effect.

(f) **No Proceedings.** There are no actions, suits, or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Servicer, threatened against or affecting the Servicer or any of its assets or properties.
as to which, if assuming there were to be an adverse determination thereof, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect, or (ii) seeking to prevent the servicing of the Receivables relating to the Receivable Pool or otherwise involving or affecting any Transaction Document or the purposes thereof.

(g) **Governmental Approvals.** No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for its due execution, delivery, and performance of this Agreement or any other Transaction Document or the transactions contemplated thereby, except for (x) the filing of the UCC financing statements referred to in Article V, and (y) such authorizations, approvals, actions, notices or filings as have been obtained or made or for which the failure to obtain or make the same, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(h) **Quality of Title.** The Seller has acquired from ADT, for fair consideration and reasonably equivalent value, all of the right, title, and interest in each Pool Receivable and the Related Assets in respect thereof and such acquisition constitutes a True Sale. Immediately prior to each sale or contribution of a Receivable under the Sale Agreement, ADT owned each Contract and Pool Receivable and the Related Assets related thereto free and clear of any Adverse Claim; and upon any Purchase hereunder, the Collateral Agent (for the benefit of the Purchasers) has acquired and at all times thereafter continuously maintains a valid perfected ownership interest or a first priority perfected security interest in each Pool Receivable, together with the Related Assets, free and clear of any Adverse Claim; and no valid effective financing statement or other instrument similar in effect covering any Pool Receivable, any interest therein or the Related Assets is on file in any recording office except such as may be filed (i) in favor of ADT or the Seller in accordance with any Transaction Document (and assigned to the Collateral Agent), or (ii) in favor of the Collateral Agent for the benefit of the Purchasers in accordance with this Agreement or any Transaction Document. Without limiting the foregoing, no Chattel Paper evidencing Pool Receivables (x) is in the possession of (or, in the case of electronic Chattel Paper, under the control of) any Person other than the Servicer (for the benefit of the Collateral Agent and the Seller), the Collateral Agent or the Collateral Agent’s designee, or (y) has any marks or notations indicating that it has been pledged, assigned, or otherwise conveyed to any Person other than the Seller or the Collateral Agent.

(i) **Financial Condition.** All financial statements of the ADT Entities and their respective Subsidiaries (including the notes thereto) delivered to the Collateral Agent, the Administrative Agent, and each Purchaser Agent pursuant to Section 7.5(a), present fairly, in all material respects, the actual financial position and results of operations and cash flows of such entities as of the dates and for the periods presented or provided other than in the case of annual financial statements, in each case in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of all interim balance sheets of the Parent and ADT.
(j) **Accurate Reports.** None of the reports, financial statements, certificates, or other written information (other than forward-looking statements, projections, and statements of a general industry nature, as to which it represents only that it acted in good faith and utilized assumptions reasonable at the time made and due care in the preparation of such statement or projection) furnished or to be furnished by or on behalf of it or any other ADT Entity (including each Purchase Request and each Information Package furnished by the Servicer and each report furnished pursuant to Section 7.5(f)) (including, without limitation, by electronic delivery) to the Collateral Agent, the Administrative Agent, any Purchaser, or any Purchaser Agent in connection with this Agreement or any other Transaction Document or any amendment hereof or delivered hereunder or thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading. ADT, its Affiliates and subsidiaries have disclosed to the Collateral Agent and the Administrative Agent (a) all agreements, instruments, and corporate or other restrictions to which any ADT Entity or its Subsidiaries are subject, and (b) all other matters known to any ADT Entity, the Servicer or any of their Affiliates, that individually or in the aggregate with respect to (a) or (b) above could reasonably be expected to result in a Material Adverse Effect.

(k) **Accounts.** The Lock-boxes, names and addresses of all of the Lock-box Banks, together with the account numbers of the Lock-box Accounts at such Lock-box Banks, are specified in Schedule V (or have been notified to and approved by the Collateral Agent and the Administrative Agent in accordance with Section 7.3(d)). The Collection Accounts and Omnibus Accounts, the account numbers for each such account and the account bank maintaining each such account are specified in Schedule V, except for such changes as are expressly permitted by Section 3.6.

(l) **Eligible Receivables.** Each Pool Receivable listed as an Eligible Receivable in any Purchase Request or Information Package or included as an Eligible Receivable in the calculation of Net Portfolio Balance on any date is an Eligible Receivable as of the effective date of the information reported in such Purchase Request or Information Package or as of the date of such calculation, as the case may be, or has been cured through a repurchase in accordance with Section 3.2. In selecting the Receivables to be sold or contributed to the Seller pursuant to the Sale Agreement (i) it did not utilize any selection process for choosing such Receivables that was, in any respect, adverse to the interests of the Seller or the Purchasers and such selection process did not disadvantage the Seller or the Purchasers in any way it being understood that any selection solely on the basis of satisfying the eligibility requirements set forth in the definitions of “Eligible Contract”, or “Eligible Receivable” or in order to limit the Excess Concentration Amount for purposes of inclusion in the Net Portfolio Balance shall not in and of itself be deemed adverse or disadvantageous to the Purchasers, (ii) ADT, the Seller and Servicer has no reason to expect that the performance of the Receivables in any Purchase Request would be worse than any Receivables that it is not offering for sale hereunder or under the Sale Agreement, and (iii) each such Receivable adheres to the Credit and Collection Policy. As of each Purchase
Date of Eligible Receivables hereunder it has no knowledge of any fact (including any defaults by the Obligor thereunder or any Service Charge Receivable) that would cause it to expect any payment on such Eligible Receivable not to be paid in full when due.

(m) **Adverse Change.** Since the Closing Date, (i) there has been no material adverse change in the validity, collectability, or enforceability of all or a material portion of the Pool Receivables, and (ii) there has been no Material Adverse Effect with respect to ADT or the Parent.

(n) **Credit and Collection Policy; Law.** It has complied with the Credit and Collection Policy and such policies have not changed in any respect since the Closing Date, except as permitted under Sections 7.3(c) and 7.5(g). It has complied with all applicable Law, except where the failure to so comply, individually or in the aggregate could not reasonably be expected to result in a Material Adverse Effect.

(o) **Investment Company Act.** It is not required to register as an “Investment Company” under (and as defined in) the Investment Company Act.

(p) **ERISA.** No ERISA Event has occurred or is reasonably expected to occur, except as could not reasonably be expected to have a Material Adverse Effect.

(q) **Tax Returns and Payments.** It has filed all federal income tax returns and all other tax returns that are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessment received by it, except for any such taxes or assessments, if any, that are being appropriately contested in good faith by appropriate proceedings and with respect to which adequate reserves in conformity with GAAP have been provided. No tax lien has been filed, and, to the knowledge of the Servicer, no claim is being asserted, with respect to any such tax or assessment, except where such tax or lien is being contested as set forth above or as could not reasonably be expected to have a Material Adverse Effect. It has paid all sales taxes to be paid by it in connection with the Equipment and installation related to each Pool Receivable in compliance with Section 7.4(l), and has promptly notified the Administrative Agent of (i) any failure to pay any sales taxes with respect to any Receivable and whether or not such sales taxes are being contested as set forth above, and (ii) any asserted tax lien relating to any such sales taxes and whether or not such lien is being contested as set forth above.

(r) **No Event of Termination, Etc.** No event has occurred and is continuing, or would result from any Purchase of Receivables, that constitutes or would constitute an Unmatured Event of Termination or Event of Termination.

(s) **Anti-Corruption Laws, Anti-Terrorism Laws, and Sanctions.**

(i) Each ADT Entity is in compliance in all material respects with the material provisions of the USA PATRIOT Act, and, on or prior to the Closing Date, the Servicer has provided or caused to be provided to the Administrative Agent all information related to the ADT Entities (including names, addresses and tax

39
identification numbers (if applicable)) reasonably requested in writing by the Administrative Agent not less than 10 Business Days prior to the Closing Date and mutually agreed to be required under “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act, to be obtained by the Administrative Agent or any Purchaser.

(ii) None of the ADT Entities, or an of their respective Subsidiaries, nor, to the knowledge of the Servicer, any director, officer, agent, employee or Affiliate of any ADT Entity is currently the target of any Sanctions and each ADT Entity and, to the knowledge of the Servicer, their respective directors, officers, employees and agents are in compliance with Sanctions Laws in all material respects. The Servicer will not directly or indirectly cause the proceeds of any Purchases to be used or otherwise make available such proceeds to any person, for the purpose of financing the activities of any person that is currently the target of any Sanctions or for the purpose of funding, financing or facilitating any activities, business or transaction with or in any country that is the target of the Sanctions, to the extent such activities, businesses or transaction would be prohibited by the Sanctions Laws, or in any manner that would result in the violation of any Sanctions Laws applicable to any party hereto.

(iii) Each ADT Entity, each of their respective Subsidiaries, and to the knowledge of the Servicer, their directors, officers, agents or employees, are in compliance with Anti-Corruption Laws in all material respects. No part of the proceeds of any Purchases made hereunder will be used to make any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(t) Advertisements, Promotions. No Pool Receivable is subject to any advertisement, promotion or other arrangement offered by any ADT Entity, subject to which such Pool Receivable or the Contract related to such Pool Receivable can be cancelled or terminated, in any manner which would excuse the related Obligor of its obligation to pay all or any part of the Unpaid Balance thereof, except pursuant to the Conditional Service Guaranty.

(u) Pool Deficiency Amount. Immediately after giving effect to any Purchase on a Purchase Date and the application of Collections in accordance with Section 3.1(d), on such Purchase Date, no Pool Deficiency Amount under clauses (iii) or (iv) of the definition thereof will exist.

(v) Payment Directions. A Payment Direction in the form of Exhibit G-1 is in full force and effect in respect of each Lock-box Account, a Payment Direction in the form of Exhibit G-2 is in full force and effect in respect of each Collection Account, and a Payment Direction in the form of Exhibit G-3 is in full force and effect in respect of the Omnibus Account, other than, in each case, to the extent any such Lock-Box Account, Collection Account or the Omnibus Account is subject to a Control Agreement.
Permitted Securitization Financing. The transfer and purchase of Receivables contemplated by the Transaction Documents constitute a Permitted Securitization (as defined in the ADT Credit Agreement) and the entry by any ADT Entity into any Transaction Document and their respective performance thereunder is permitted by the ADT Credit Agreement, each ADT Indenture and each ADT Collateral Agreement, and will not conflict with or violate the terms of the ADT Credit Agreement, any ADT Indenture or any ADT Collateral Agreement. The Pool Receivables, the Related Assets, related Collections and other Collateral are free and clear of any Adverse Claim.

ARTICLE VII

GENERAL COVENANTS

SECTION 7.1 Affirmative Covenants of the Seller. From the date hereof until the Final Payout Date, the Seller shall:

(a) Compliance with Laws, Etc. Comply with all applicable Laws, in respect of the conduct of its business, the Pool Receivables, and each of the related Contracts, except where the failure to so comply, individually or in the aggregate could not reasonably be expected to adversely affect any Pool Receivable, or (otherwise give rise to a Material Adverse Effect.

(b) Preservation of Existence. Preserve and maintain its existence, rights, franchises, and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing in each jurisdiction, except where the failure to qualify or preserve or maintain such existence, rights, franchises, or privileges could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) Inspections. From time to time, at the expense of ADT upon reasonable prior notice, upon the request by the Administrative Agent or the Required Purchasers (or any Purchaser Agent if an Unmatured Event of Termination or Event of Termination has occurred and is continuing) and during regular business hours, permit the Collateral Agent, the Administrative Agent, and the Purchaser Agents, or any of their respective representatives to visit and inspect its properties, to examine and make extracts from its Records, and to discuss its affairs, finances, and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested; provided that, unless an Event of Termination, or an Unmatured Event of Termination has occurred and is continuing at the time of any such inspection, ADT shall only be required to reimburse the reasonable documented out-of-pocket costs and expenses related to one such inspection of the Seller during any 12-month period, which inspection shall be requested and scheduled by the Administrative Agent; provided, further, that the Collateral Agent, the Administrative Agent and the Purchaser Agents shall use reasonable efforts to coordinate the timing of any inspections made of the Seller pursuant to this Section 7.1(c) and of ADT pursuant to Section 7.4(c).
(d) **Keeping of Records and Books of Account; Delivery.** Maintain and implement, or cause to be maintained and implemented, administrative and operating procedures (including an ability to recreate records evidencing the Pool Receivables, the Related Assets and the Service Charge Receivables in the event of the destruction of the originals thereof, backing up on at least a daily basis on a separate backup computer from which electronic file copies can be readily produced and distributed to third parties being agreed to suffice for this purpose), and keep and maintain, or cause to be kept and maintained, all documents, books, records, and other information necessary or advisable for the collection of the Pool Receivables and Related Assets (including records adequate to permit the daily identification of (i) each new Pool Receivable, all Collections relating to each Pool Receivable and adjustments to each existing Pool Receivable received, made or otherwise processed on that day, and (ii) the portion of the amounts received from each Obligor that constitute Collections on the related Pool Receivables and the portion that relates to Collections in respect of Service Charge Receivables in order to effect the priority of payments set forth in the related Contracts.

(e) **Performance and Compliance with Pool Receivables and Contracts.** At ADT’s expense, timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts related to the Pool Receivables, except where the failure to so perform or comply, individually or in the aggregate could not reasonably be expected to adversely affect any Pool Receivable or Related Assets or otherwise result in a Material Adverse Effect.

(f) **Location of Records.** Keep all its physical Records (to the extent not electronically available) and tangible chattel paper or other physical collateral (and any original documents relating thereto), if any, at the address(es) of the Seller referred to in Section 6.1(l) or, upon thirty (30) days’ prior written notice to the Collateral Agent and the Administrative Agent, at such other locations in jurisdictions where all action required to protect and perfect the Collateral Agent’s first priority perfected security interest in the Receivable Pool and the Related Assets free and clear of any Adverse Claim shall have been taken and completed.

(g) **Credit and Collection Policy.** Cause the Servicer to service the Pool Receivables, Related Assets, and Contracts in respect of the Receivable Pool in accordance with the Credit and Collection Policy and not agree to any changes thereto, except as permitted under Section 7.3(c).

(h) **Collections.** Cause the Servicer to promptly withdraw from the bank accounts and/or charge the credit or debit cards of the Direct Deposit Obligors all amounts necessary to effect the timely payment when due of the Unpaid Balance of the Pool Receivables relating to such Direct Deposit Obligors and immediately remit such amounts within one (1) Business Day of the date of withdrawal, debit or credit, directly to a Collection Account, without any commingling of such amounts with any other funds other than Other Permitted Amounts. Instruct, or cause the Servicer to instruct, each Obligor that to the extent any payment in respect of the related Pool Receivable is not to be made through the Servicer’s
withdrawal from the bank account of each such Obligor and/or through the charge of the credit or debit card of each such Obligor, all Collections in respect of the Pool Receivables of each such Obligor shall be made to a Lock-box and remitted directly to a Lock-box that remits such amounts directly to a Lock-box Account covered by a Payment Direction or Control Agreement. Cause the Servicer to as promptly as practicable and in any event within one (1) Business Day of receipt in any Lock-box Account (and within two (2) Business Days of receipt in the related Lock-box) of any Collections, remit, or cause to be remitted, such amounts directly to the Omnibus Account, without any commingling of such amounts with any other funds other than Other Permitted Amounts. Cause the Servicer to as promptly as practicable and in any event within one (1) Business Day of receipt of any Collections in respect of any Pool Receivable in any Collection Account, remit or cause to be remitted such amounts directly to the Omnibus Account, without any commingling with any Funds other than Other Permitted Amounts, all amounts which constitute Collections on the Pool Receivables. Cause the Servicer to as promptly as practicable and in any event within two (2) Business Days of receipt of any Collections in the Omnibus Account, segregate Collections on Pool Receivables from any Other Permitted Amounts and remit or cause to be remitted directly to the Collateral Agent’s Account, without any interferring commingling, all amounts which constitute Collections on the Pool Receivables and ensure that no amounts other than Collections on Pool Receivables are remitted to or are on deposit in the Collateral Agent’s Account. To the extent any Lock-box Account or Collateral Account is subject to a Control Agreement rather than a Payment Direction, all amounts therein, after removal of any amounts, if any, that do not constitute Collections in respect of Pool Receivables, shall be remitted within two (2) Business Days of receipt to the Collateral Agent’s Account rather than to the Omnibus Account.

(i) **Right and Title.** Hold all right, title, and interest in each Pool Receivable, except to the extent that any such right, title, or interest has been transferred or granted to the Collateral Agent (on behalf of the Purchasers).

(j) **Transaction Documents.** Without limiting its covenants or agreements set forth herein or in any other Transaction Document, (i) comply with each and every of its covenants and agreements under the Sale Agreement and its Constituent Documents, and (ii) take all actions reasonably necessary to ensure that each Transaction Document remains enforceable and in effect.

(k) **Enforcement of Sale Agreement.** On its own behalf and on behalf of Purchasers, Purchaser Agents, the Collateral Agent, and the Administrative Agent, (x) promptly enforce all covenants and obligations of ADT contained in the Sale Agreement, and (y) deliver to the Collateral Agent and the Administrative Agent (which will deliver such consents to each Purchaser Agent) all consents, approvals, directions, notices, and waivers and take other actions under the Sale Agreement as may be reasonably directed by the Collateral Agent, the Administrative Agent or the Required Purchasers.

(l) **Filing of Financing Statements.** At ADT’s expense, take all actions necessary (including all filings) to vest in, and maintain in the Collateral Agent (on behalf
of the Purchasers) a valid, first priority perfected security interest or perfected ownership interest in the Pool Receivables and Related Assets free and clear of any Adverse Claims. Without limiting the foregoing, at ADT’s expense, as promptly as practicable (within five (5) Business Days) following such request execute, authorize and deliver all instruments and documents and take all action, necessary or reasonably requested by the Collateral Agent, the Administrative Agent, or any Purchaser Agent (including the filing of financing or continuation statements, amendments thereto, or assignments thereof) to enable the Collateral Agent to exercise and enforce all of its rights hereunder and to vest and maintain vested in the Collateral Agent a valid, first priority perfected security interest or perfected ownership interest in the Pool Receivables, the Related Assets with respect thereto, the Sale Agreement, the Collections with respect thereto and the other Collateral free and clear of any Adverse Claim. The Seller hereby authorizes the Administrative Agent and the Collateral Agent to file any continuation statements, amendments thereto, and assignments thereof as the Collateral Agent, the Administrative Agent, or any Purchaser Agent may from time to time determine to be necessary or desirable to perfect or maintain the perfection or priority of its security interest in the Pool Receivables, the Collections with respect thereto, the Related Assets with respect thereto, the Sale Agreement, and the other Collateral free and clear of any Adverse Claims.

(m) Location. Maintain at all times its jurisdiction of organization and its chief executive office within a jurisdiction in the United States in which Article 9 of the UCC (2001 or later revision) is in effect.

(n) Tax Matters. Pay all applicable taxes required to be paid by it when due and payable in connection with the transfer of the Pool Receivables and Related Assets by the Seller; the Seller acknowledges that none of the Collateral Agent, the Administrative Agent, any Purchaser Agent, or any Purchaser shall have any responsibility with respect thereto. Pay and discharge, or cause the payment and discharge of, all federal income taxes (and all other material taxes) when due and payable, except such as may be contested in good faith by appropriate proceeding and for which an adequate reserve has been established and is maintained in accordance with GAAP.

(o) Credit Risk Retention. From and after the EU Retention Effective Date, cooperate with each Purchaser (including by providing such information and entering into or delivering such additional agreements or documents reasonably requested by such Purchaser or its Purchaser Agent) to the extent reasonably necessary to assure such Purchaser that ADT retain credit risk in the amount and manner required by the EU Securitization Rules and the CRR and to permit such Purchaser to perform its due diligence and monitoring obligations (if any) under the EU Securitization Rules and the CRR.

(p) Certain Governmental Fees, Surcharges, and Taxes. With respect to any portion of a Receivable attributable to governmental fees, surcharges, or taxes, pay (or cause to be paid) such governmental fees, surcharges, or taxes to the applicable Governmental Authority when due in accordance with applicable Law (except for any such governmental fees, surcharges, or taxes that are being appropriately contested in good faith
by appropriate proceedings and with respect to which adequate reserves in conformity with GAAP have been provided), and none of the Collateral Agent, the Administrative Agent, any Purchaser Agent, or any Purchaser shall have any obligation to make any such payment or shall have any other responsibility with respect thereto. Pay all sales taxes to be paid in connection with the Equipment and installation related to each Pool Receivable by the due date thereof (except for any such sales taxes that are being appropriately contested in good faith by appropriate proceedings and with respect to which adequate reserves in conformity with GAAP have been provided).

(q) **Anti-Corruption Laws, Anti-Terrorism Laws, and Sanctions.** Maintain in effect and enforce policies and procedures reasonably designed to ensure compliance in all material respects, by the Seller and its directors, officers, employees, and agents with Anti-Corruption Laws and applicable Sanctions Laws in connection with its business operations, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(r) **Accounting Treatment.** Provide the Collateral Agent and the Administrative Agent with written notice delivered not less than twenty (20) days prior to the last day of each fiscal quarter or fiscal year, if the Receivables relating to the Receivable Pool will not be included on the consolidated balance sheet of ADT for purposes of GAAP as of such date.

**SECTION 7.2 Reporting Requirements of the Seller.** From the date hereof until the Final Payout Date, the Seller shall furnish to the Collateral Agent and the Administrative Agent (who shall promptly send the same to the Purchaser Agents):

(a) **Financial Statements.** As soon as available and in any event within 75 days after the end of its fiscal year, copies of the unaudited annual income statement and balance sheet of the Seller, prepared in conformity with GAAP.

(b) **Events of Termination, Etc.** Notice of the occurrence of any Event of Termination or Unmatured Event of Termination accompanied by a written statement of an appropriate officer of the Seller (or the Servicer on its behalf) setting forth details of such event and the action that the Seller proposes to take with respect thereto, such notice to be provided promptly (but not later than two (2) Business Days) after any Responsible Officer of the Seller or the Servicer obtains actual knowledge thereof.

(c) **Other Information.** Promptly, from time to time, such Records or other information, documents, records, or reports respecting the condition or operations, financial or otherwise, of the Seller, its performance under the Transaction Document and the Pool Receivables and Related Assets as the Collateral Agent, the Administrative Agent, or any Purchaser Agent may from time to time reasonably request.

(d) **Notices Under Sale Agreement.** A copy of each notice received by the Seller from ADT pursuant to any provision of the Sale Agreement.
(e) **ERISA.** Written notice of any ERISA Event.

SECTION 7.3 **Negative Covenants of the Seller.** From the date hereof until the Final Payout Date, the Seller shall not:

(a) **Sales, Adverse Claims, Etc.** Except as otherwise explicitly provided herein or in the Sale Agreement, sell, assign, or otherwise dispose of, or create or suffer to exist any Adverse Claim (by operation of Law or otherwise) upon or with respect to (in each case, other than its or ADT’s ownership interest or contingent claim to ownership), any of its assets or properties (including any Pool Receivable or Related Assets, any other Receivable, any Contract relating to a Receivable, any related Equipment, any Service Charge Receivable or any proceeds of any of the foregoing, or any interest therein, any Collection Account, the Omnibus Account, any Lock-box Account or any other account to which any Collections on Pool Receivables are sent, or any right to receive income or proceeds from or in respect of any of the foregoing).

(b) **Extension or Amendment of Receivables.** Except as provided in Section 8.2(b) and to the extent resulting from the Conditional Service Guaranty, extend, amend or otherwise modify the terms of any Pool Receivable (in each case, including, without limitation, by means of any promotional activity, advertising or other statement or warranty (including on any ADT Entity’s website)), or amend, modify or waive any term or condition of any Contract related thereto or permit the Servicer to do the same.

(c) **Change in Credit and Collection Policy, Business, or Constituent Documents.** (i) Make or consent to any change or amendment to the Credit and Collection Policy or permit the Servicer to make any such change or amendment if such proposed change or amendment could reasonably be expected to adversely affect the value, validity, collectability, or enforceability of any Pool Receivables or the Related Assets or decrease the credit quality of any Pool Receivable or the Related Assets or otherwise give rise to a Material Adverse Effect without (x) the prior written consent of the Collateral Agent, the Administrative Agent, and each Purchaser Agent, or (y) in the case of any such change or amendment required by Law, upon delivery to the Collateral Agent and the Administrative Agent of a certificate of a Responsible Officer of ADT which certifies, that based upon advice of reputable counsel, such change or amendment is required to be made as a result of a change in Law, or (ii) make any change in the character of its business or amend or otherwise modify its Constituent Documents in any respect without the prior written consent of the Collateral Agent, the Administrative Agent and the Required Purchasers.

(d) **Change in Lock-box Bank, Lock-box or Lock-Box account.** (i) Add any bank, lock-box or lock-box account not listed on Schedule V as a Lock-box Bank, Lock-box or Lock-box Account unless the Collateral Agent and the Administrative Agent shall have previously approved and received duly executed copies of Payment Directions in the form of Exhibit G-1 or a Control Agreement duly executed by the parties thereto, (ii) terminate any Lock-box Bank, or related Lock-box, or Lock-box Account without the prior written consent of the Collateral Agent, the Administrative Agent and, in each case, only if all of the payments from Obligors that were being sent to such Lock-box Bank will,
upon termination of such Lock-box Bank and at all times thereafter, be deposited in a Lock-box Account with another Lock-box Bank covered by a Payment Direction in the form of Exhibit G-1 or a Control Agreement, or (iii) amend, supplement, or otherwise modify any Lock-box agreement.

(e) **Deposits to Accounts.** Deposit or otherwise credit, or cause or permit to be so deposited or credited, or direct any Obligor to deposit or remit, any Collections on Pool Receivables to any account not covered by the proper Payment Direction or a Control Agreement or (ii) permit any amount to be deposited, credited or remitted to any Lock-box Account, any Collection Account, or the Omnibus Account other than Collections in respect of Pool Receivables and Other Permitted Amounts. Except for the Collateral Agent’s Account, permit any Collections in respect of Pool Receivables to be deposited, or credited in any account which is not subject to a Payment Direction or a Control Agreement which is in full force and effect.

(f) **Name Change, Mergers, Acquisitions, Sales, etc.** (i) Change its name or the location of any office at which its physical Records (to the extent not electronically available) and tangible chattel paper or other physical collateral, if any, are maintained, (ii) be a party to any merger or consolidation, or purchase or otherwise acquire all or substantially all of the assets or any stock of any class of, or any partnership or joint venture interest (or similar ownership interest) in, any other Person; or, sell, transfer, convey, contribute, or lease all or any substantial part of its assets, or sell or assign with or without recourse any Pool Receivables or any interest therein (other than pursuant hereto and to the Sale Agreement) to any Person, or (iii) have any subsidiaries.

(g) **Debt and Business Activity.** Incur, assume, guarantee, or otherwise become directly or indirectly liable for or in respect of any Debt or other obligation, purchase any asset (or make any investment by share purchase loan or otherwise), or engage in any other activity (whether or not pursued for gain or other pecuniary advantage), in any case, other than as will occur in accordance with this Agreement or the other Transaction Documents.

(h) **Change in Organization, Etc.** Change its jurisdiction of organization or its name, identity, or corporate structure or make any other change such that any financing statement filed or other action taken to perfect the Collateral Agent’s interests under this Agreement would become misleading or would otherwise be rendered ineffective, unless the Seller shall have given the Administrative Agent and the Collateral Agent not less than thirty (30) days’ prior written notice of such change and shall have cured such circumstances. The Seller shall not amend or otherwise modify or waive its Constituent Documents or any provision thereof without the prior written consent of the Collateral Agent and the Administrative Agent.

(i) **Actions Impairing Quality of Title.** Take any action that could reasonably be expected to cause any Pool Receivable, together with the Related Assets, not to be owned by it free and clear of any Adverse Claim; or take any action that could cause the Collateral Agent not to have a valid perfected ownership interest or first priority perfected
security interest in the Receivable Pool and Related Assets and all products and proceeds of the foregoing, free and clear of any Adverse Claim, or suffer the existence of any financing statement or other instrument similar in effect covering any Receivable, any Related Asset, any Contract, or any proceeds thereof on file in any recording office except such as may be filed (i) in favor of the Seller pursuant to the Transaction Document, (ii) in favor of the Collateral Agent (for the benefit of the Purchasers) in accordance with this Agreement or any Transaction Documents, or (iii) in favor of any other Person (other than an Affiliate of any ADT Entity, or in respect of the ADT Credit Agreement, any ADT Indenture or any ADT Collateral Agreement to the extent such filings are in effect on the Closing Date and any continuation statement in respect thereof) which the Seller in good faith believes is filed in error or is invalid, has notified the Administrative Agent and the Collateral Agent of its determination, the Seller is diligently contesting the filing of such financing statement, and which the Seller has terminated or caused to be terminated within the earlier to occur of (x) sixty (60) days of the filing thereof, and (y) thirty (30) days of the discovery thereof.

(j) **Actions by ADT.** Notwithstanding anything to the contrary set forth in the Sale Agreement, consent to (i) any change or removal of any notation required to be made by ADT pursuant to Section 3.3 of the Sale Agreement, or (ii) any waiver of or departure from any term set forth in Section 5.4 of the Sale Agreement, in each case, without the prior written consent of the Collateral Agent, the Administrative Agent and each Purchaser Agent.

(k) **Tax Status.** Take (or permit any other Person to take) any action that could (or could reasonably be expected to) cause the Seller to be treated as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes. The Seller shall not take (or permit any other Person to take) any action that could cause it to be subject to any material amount of Tax imposed by a state or local taxing authority (which shall not be deemed to include, for the avoidance of doubt, any annual Taxes, franchise Taxes or similar Taxes).

(l) **Chattel Paper.** Permit any Chattel Paper relating to the Pool Receivable or Related Assets to be in the possession of (or, in the case of electronic Chattel Paper, under the control of) any Person other than the Servicer (for the benefit of the Collateral Agent and the Seller), the Collateral Agent or the Collateral Agent’s designee.

(m) **Distributions.** If an Event of Termination or Unmatured Event of Termination has occurred and is continuing, distribute any amounts that it receives in respect of the RPA Deferred Purchase Price to the Parent or any other Affiliate of the Parent.

SECTION 7.4 **Affirmative Covenants of ADT.** From the date hereof until the Final Payout Date, ADT, individually and when acting as the Servicer, shall:

(a) **Compliance with Laws, Etc.** Comply with all applicable Laws in respect of the conduct of its business, its assets and properties, the Pool Receivables, the related Contracts and the servicing and collection thereof, except where the failure to so comply, individually or in the aggregate could not reasonably be expected to adversely affect any Pool Receivable, or otherwise give rise to a Material Adverse Effect.
(b) **Preservation of Corporate Existence.** Preserve and maintain its corporate existence, rights, franchises, and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing in each jurisdiction except where the failure to preserve or maintain such existence, rights, franchises, or privileges or to be so qualified could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) **Inspections.** From time to time, at its expense, upon reasonable prior notice, upon the reasonable request by the Administrative Agent or the Required Purchasers (or any Purchaser Agent if an Unmatured Event of Termination or Event of Termination has occurred and is continuing) and during regular business hours, permit the Administrative Agent, the Collateral Agent, and the Purchaser Agents, or any of their respective representatives to visit and inspect its properties, to examine and make extracts from its Records, and to discuss its affairs, finances, and condition with its officers and independent accountants with respect to the Pool Receivables and the Related Assets and the performance of its obligations (as Servicer or otherwise) under the Transaction Documents as often as reasonably requested; provided that, unless an Event of Termination, or an Unmatured Event of Termination has occurred and is continuing at the time of any such inspection, the Servicer shall only be required to reimburse the reasonable documented out-of-pocket costs and expenses related to one such inspection during any 12-month period, which inspection shall be requested and scheduled by the Administrative Agent; provided, further, that the Collateral Agent, the Administrative Agent and the Purchaser Agents shall use reasonable efforts to coordinate the timing of any inspections made of ADT pursuant to this Section 7.4(c) and of the Seller pursuant to Section 7.1(c).

(d) **Keeping of Records and Books of Account; Delivery; Location of Records.** Maintain and implement, or cause to be maintained and implemented, administrative and operating procedures (including an ability to recreate records evidencing the Pool Receivables, the Related Assets and the Service Charge Receivables in the event of the destruction of the originals thereof, backing up on at least a daily basis on a separate backup computer from which electronic file copies can be readily produced and distributed to third parties being agreed to suffice for this purpose), and keep and maintain, or cause to be kept and maintained, all documents, books, records, and other information necessary or advisable for the collection of all Pool Receivables, and Related Assets (including records adequate to permit the daily identification of (i) each new Pool Receivable and all Collections relating to the Receivable Pool of and adjustments to each existing Pool Receivable received, made, or otherwise processed on that day, and (ii) the portion of the Collections received from each Obligor that represents Collections of Pool Receivables from such Obligor and collections of Service Charge Receivables from such Obligor in order to effect the priority of payments set forth in the related Contracts. In addition, it shall keep its physical Records (to the extent not electronically available) and tangible chattel paper or other physical collateral (and any original documents relating thereto), if any, at the address(es) referred to in Annex 2 of the Sale Agreement or at such other address(es) as set forth in the Sale Agreement or, upon thirty (30) days’ prior written notice to the Collateral Agent and the
Administrative Agent, at such other locations in jurisdictions where all action required by Section 8.5 hereof shall have been taken and completed.

(e) Performance and Compliance with Receivables and Contracts. At its expense, timely and fully perform and comply with all provisions, covenants, and other promises required to be observed by it under the Contracts and the Pool Receivables relating to the Receivable Pool, except where the failure to so perform or comply, individually or in the aggregate, could not reasonably be expected to adversely affect any Pool Receivable or Related Assets or otherwise result in a Material Adverse Effect.

(f) Credit and Collection Policy. Comply with the Credit and Collection Policy in regard to each Pool Receivable, the Related Assets, each Service Charge Receivable, the related Contract and the servicing and collection thereof.

(g) Collections. Promptly withdraw from the bank accounts and/or charge the credit or debit cards of the Direct Deposit Obligors all amounts necessary to effect the timely payment when due of the Unpaid Balance of the Pool Receivables relating to such Direct Deposit Obligors and immediately remit such amounts, within one (1) Business Day of the date of withdrawal, debit or credit directly to a Collection Account, without any commingling of such amounts with any other funds other than Other Permitted Collections. Instruct each Obligor that to the extent any payment in respect of the related Pool Receivable is not to be made through the Servicer’s withdrawal from the bank account of each such Obligor and/or through the charge of the credit or debit card of each such Obligor, all Collections in respect of the Pool Receivables of each such Obligor shall be made to a Lock-box and remitted directly to a Lock-box that remits such amounts directly to a Lock-box Account covered by a Payment Direction or Control Agreement. As promptly as practicable and in any event within one (1) Business Day of receipt in any Lock-box or Lock-box Account of any Collections, remit, or cause to be remitted, such amounts directly to the Omnibus Account, without any commingling of such amounts with any other funds other than Other Permitted Amounts. As promptly as practicable and in any event within one (1) Business Day of receipt of any Collections in respect of any Pool Receivables in any Collection Account, remit or cause to be remitted such amounts directly to the Omnibus Account, without any commingling, all amounts which constitute Collections on the Pool Receivables. As promptly as practicable and in any event within two (2) Business Days of receipt of any Collections in the Omnibus Account, segregate Collections on the Pool Receivables from any Other Permitted Amounts and remit or cause to be remitted directly to the Collateral Agent’s Account, without any intervening commingling, all amounts which constitute Collections on the Pool Receivables and ensure that no amounts other than Collections on Pool Receivables are remitted to or are on deposit in the Collateral Agent’s Account.

(h) Filing of Financing Statements. At its expense, take all actions necessary (including all filings) to vest in, and maintain in the Collateral Agent (on behalf of the Purchasers) a valid, first priority perfected security interest or perfected ownership interest in the Pool Receivables and Related Assets free and clear of any Adverse Claims.
Without limiting the foregoing, cause the financing statements described in Sections 5.1(f), that have not previously been filed, to be duly filed in the appropriate jurisdictions at its expense, as promptly as practicable (and in any event, within five (5) Business Days) following such request and to execute, authorize, and deliver all instruments and documents and take all action, necessary or reasonably requested by the Collateral Agent, the Administrative Agent, or any Purchaser Agent (including the filing of financing or continuation statements, amendments thereto, or assignments thereof) to enable the Collateral Agent to exercise and enforce all of its rights hereunder and to vest and maintain vested in the Collateral Agent a valid, first priority perfected security interest or perfected ownership interest in the Pool Receivables, the Related Assets with respect thereto, the Sale Agreement, the Collections with respect thereto, and the other Collateral free and clear of any Adverse Claim. The Servicer hereby authorizes the Collateral Agent and the Administrative Agent to file any continuation statements, amendments thereto, and assignments thereof as the Collateral Agent, the Administrative Agent, or any Purchaser Agent may from time to time determine to be necessary or desirable to perfect or maintain the perfection or priority of its security interest in the Pool Receivables, the Collections with respect thereto, the Related Assets with respect thereto, the Sale Agreement, and the other Collateral free and clear of any Adverse Claims.

(i) **Transaction Documents.** Without limiting its covenants or agreements set forth herein or in any other Transaction Document, (i) comply with each and every of its covenants and agreements under the Sale Agreement and its Constituent Documents, and (ii) take all actions reasonably necessary to ensure that each Transaction Document remains enforceable and in effect.

(j) **Tax Matters.** Pay all applicable taxes required to be paid by it when due and payable in connection with the transfer of the Receivables to the Seller under the Sale Agreement; ADT acknowledges that none of the Collateral Agent, the Administrative Agent, any Purchaser Agent, or any Purchaser shall have any responsibility with respect thereto. Pay and discharge, or cause the payment and discharge of, all federal income taxes (and all other material taxes) when due and payable, except such as may be contested in good faith by appropriate proceeding and for which an adequate reserve has been established and is maintained in accordance with GAAP.

(k) **Credit Risk Retention.** After the EU Retention Effective Date, include in each Information Package delivered hereunder, a confirmation as to ADT’s continued compliance with clauses (i), (ii), and (iii) of Section 5.2(m) of the Sale Agreement. After the EU Retention Effective Date, cooperate with each Purchaser (including, to the extent not prohibited by Law, by providing such information and entering into or delivering such additional agreements or documents reasonably requested by such Purchaser or its Purchaser Agent) to the extent reasonably necessary to assure such Purchaser that ADT retains credit risk in the amount and manner required by the EU Securitization Rules and the CRR and to permit such Purchaser to perform its due diligence and monitoring obligations (if any) under the EU Securitization Rules and the CRR; provided however, that no ADT Entity
shall be required to take actions that could cause a change in the accounting or tax treatment of the transactions contemplated by this Agreement.

(i) Until the later to occur of (x) the Purchase Termination Date, or (y) the date on which the Purchasers’ Pool Investment is equal to zero:

(A) as an “originator” for the purposes of the Securitization Regulation, hold and maintain the Retained Interest on an ongoing basis;

(B) not short, hedge, otherwise mitigate its credit risk or sell, transfer or otherwise surrender all or part of the rights, benefits or obligations arising from or associated with the Retained Interest, except to the extent permitted by the EU Securitization Rules;

(C) From and after the EU Retention Effective Date, confirm to each Purchaser (which may be in electronic form) that it continues to comply with paragraphs (A) and (B) above in each Information Package;

(D) After the EU Retention Effective Date, provide notice promptly to each Purchaser in the event of any breach of paragraphs (A) or (B) above;

(E) After the EU Retention Effective Date, promptly notify each Purchaser of any change to the form of retention of the Retained Interest;

(F) After the EU Retention Effective Date, to the extent necessary in order for any Purchaser to comply with its obligations under, or in relation to, the EU Securitization Rules, to the extent reasonably requested by such Purchaser, provide all information, documents, and reports regarding the Receivables and the transaction contemplated by this Agreement which are in ADT’s possession or control, unless subject to confidentiality restrictions or restricted by Law (provided that ADT shall undertake reasonable efforts to obtain consent for the disclosure of such information, documents and reports; provided further that such efforts shall not include payment of any amounts to any Person or any violation of Law);

(G) Originate the Receivables pursuant to a sound and well-defined credit granting criteria, and maintain clearly established criteria and processes for approving, amending, renewing and financing the Receivables (“Originations and Revisions”) and have effective systems in place to apply those criteria and processes to ensure that any such Originations and Revisions are granted and approved based on a thorough assessment of each Obligor’s creditworthiness; and
(H) own 100% of the equity interests of the Seller.

(I) Certain Governmental Fees, Surcharges, and Taxes. With respect to any portion of a Receivable attributable to governmental fees, surcharges, or taxes, pay (or cause to be paid) such governmental fees, surcharges, or taxes to the applicable Governmental Authority when due in accordance with applicable Law (except for any such governmental fees, surcharges, or taxes that are being appropriately contested in good faith by appropriate proceedings and with respect to which adequate reserves in conformity with GAAP have been provided, and none of the Collateral Agent, the Administrative Agent, any Purchaser Agent, or any Purchaser shall have any obligation to make any such payment or shall have any other responsibility with respect thereto. Pay all sales taxes to be paid in connection with the Equipment and installation related to each Pool Receivable by the due date thereof (except for any such sales taxes that are being appropriately contested in good faith by appropriate proceedings and with respect to which adequate reserves in conformity with GAAP have been provided).

(m) Anti-Corruption Laws, Anti-Terrorism Laws, and Sanctions. Maintain in effect and enforce policies and procedures reasonably designed to ensure compliance in all material respects, by ADT, its Subsidiaries and their respective directors, officers, employees, and agents with Anti-Corruption Laws and applicable Sanctions Laws in connection with ADT’s or its Subsidiaries’ business operations, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(n) Application of Obligor Payments. Apply payments made by an Obligor under a Contract relating to a Pool Receivable to amounts billed on such Obligor’s invoice in the following order: (i) first, to amounts due in respect of the related Pool Receivables; (ii) second, to amounts due in respect of the related Service Charge Receivables; and (iii) third, other amounts owing by such Obligor. For the avoidance of doubt, any amounts paid by any Obligor in respect of Service Charge Receivables that must be applied pursuant to clause (i) above, shall be deemed to be Collections and remitted to the Collateral Agent’s Account pursuant to the terms of this Agreement and the other Transaction Documents as such.

(o) Servicing Programs. If a license or approval is required for the Collateral Agent’s, the Administrative Agent’s, or such successor Servicer’s use of any software or other computer program used by ADT in the servicing of the Receivables, then, following delivery of a Successor Notice, at its own expense make commercially reasonable efforts to arrange for the Collateral Agent, the Administrative Agent, or such successor Servicer to receive any such required license or approval.

(p) Corporate Separateness; Related Matters and Covenants. ADT agrees to cause the Seller to fully comply with its covenants in Section 7.8, it being understood that the foregoing shall in no event be deemed to obligate ADT to make any capital or other contributions to the Seller.
SECTION 7.5 Reporting Requirements of ADT. From the date hereof until the Final Payout Date, ADT shall furnish to the Collateral Agent and the Administrative Agent (who shall promptly send the same to the Purchaser Agents):

(a) (i) Quarterly Financial Statements. Within forty-five (45) days after the close of each of the first three fiscal quarters of each fiscal year of ADT and the Parent, the Parent’s Form 10-Q as filed with the SEC (which shall be deemed delivered upon the filing of such Form 10-Q on the SEC’s website).

(i) Annual Financial Statements. Within ninety (90) days after the end of each fiscal year of ADT and the Parent, the audited consolidated statements of operations, changes in stockholders’ equity and cash flows of each of ADT and the Parent and their respective Subsidiaries for such fiscal year, and the related audited consolidated balance sheet for ADT and the Parent and their respective Subsidiaries as of the end of such fiscal year, setting forth in each case in comparative form the corresponding figures for the previous fiscal year, all reported on by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit that are inconsistent with the standards of the Public Company Accounting Oversight Board), to the effect that such audited consolidated financial statements present fairly in all material respects the financial condition and results of operations of ADT and the Parent and their respective Subsidiaries on a consolidated basis in accordance with GAAP consistently applied (which shall be deemed delivered upon the filing of the Parent’s Form 10-K on the SEC’s website).

(ii) Compliance Certificate. Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit C signed by an authorized officer of ADT and the Parent, respectively and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(b) Financial Statements and Other Information. The following:

(i) promptly after the same become publicly available, copies of all proxy statements, financial statements and regular or special reports which ADT or the Parent files with the SEC (which shall be deemed delivered upon the filing thereof on the SEC’s website);

(ii) promptly following a request therefor, any documentation or other information (including with respect to the Seller and the Parent) that the Collateral Agent, the Administrative Agent, any Purchaser Agent or any Purchaser reasonably requests in order to comply with its ongoing obligations under the applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act including the provision of information regarding beneficial ownership required by 31 C.F.R. §1010.230; and
(iii) from time to time such further information regarding the business, affairs and financial condition of the Seller, ADT, the Parent and their Affiliates as the Collateral Agent, the Administrative Agent or the Required Purchasers shall reasonably request.

(c) Written notice of any ERISA Event.

(d) **Events of Termination, Etc.** Notice of the occurrence of any Event of Termination or Unmatured Event of Termination, accompanied by a written statement of an appropriate officer of the Servicer setting forth details of such event and the action that it proposes to take with respect thereto, such notice to be provided promptly (but not later than two (2) Business Days) after a Responsible Officer of the Servicer obtains actual knowledge thereof.

(e) **Litigation.** As soon as possible, and in any event within two (2) Business Days of knowledge of any Responsible Officer thereof, notice of any litigation, investigation, or proceeding initiated against the Seller or, to the extent it could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, against ADT, the Servicer, and/or the Parent.

(f) **Agreed Upon Procedures Report.** Not later than three (3) months after the end of each fiscal year of the Servicer (at the sole cost and expense of the Servicer), a copy of an agreed upon procedures report of an accounting firm or consulting firm reasonably acceptable to the Collateral Agent and the Administrative Agent (who shall promptly send the same to the Purchaser Agents), addressed to the Collateral Agent, the Administrative Agent, and each Purchaser Agent and setting forth the results of such firm’s performance of agreed upon procedures with respect to the performance of the Servicer for the prior fiscal year or twelve (12) month period, as reasonably requested by the Collateral Agent, the Administrative Agent or any Purchaser Agent. The scope of the above agreed upon procedures report shall be as reasonably requested by the Collateral Agent, the Administrative Agent and the Required Purchasers.

(g) **Change in Credit and Collection Policy or Business.** Prior to (i) the effectiveness of any change in or amendment to the Credit and Collection Policy, a description or, if available, a copy of the Credit and Collection Policy then in effect and a written notice (A) indicating such change or amendment, and (B) if such proposed change or amendment could reasonably be expected to adversely affect the value, validity, collectability, or enforceability of the Pool Receivables or decrease the credit quality of any Pool Receivables or otherwise give rise to a Material Adverse Effect, requesting the Collateral Agent’s, the Administrative Agent’s and each Purchaser Agent’s consent thereto.

(h) **Other Information.** Promptly, from time to time, such Records or other information, documents, records, or reports respecting the condition or operations, financial or otherwise, of ADT, the Parent and their Affiliates, ADT’s and the Seller’s performance under the Transaction Documents and the Pool Receivables, the Related Assets, and the Service Charge Receivables as the Collateral Agent, the Administrative Agent, or...
any Purchaser Agent may from time to time reasonably request and ADT can deliver without violating applicable Law.

SECTION 7.6 Negative Covenants of ADT. From the date hereof until the Final Payout Date, ADT shall not:

(a) Extension or Amendment of Receivables. Except as provided in Section 8.2(b) and to the extent resulting from the Conditional Service Guaranty, extend, amend or otherwise modify the terms of any Pool Receivable, or amend, modify or waive any term or condition of any Contract (in each case, including, without limitation, by means of any promotional activity, advertising or other statement or warranty (including on any ADT Entity’s website)) related thereto.

(b) Change in Credit and Collection Policy or Business. (i) Make or consent to any change or amendment to the Credit and Collection Policy if such proposed change or amendment could reasonably be expected to adversely affect the value, validity, collectability, or enforceability of any Pool Receivable or the Related Assets or decrease the credit quality of any Pool Receivables or the Related Assets, or otherwise give rise to a Material Adverse Effect, without (x) the prior written consent of the Collateral Agent, the Administrative Agent and each Purchaser Agent or (y) in the case of any such change or amendment required by Law, upon delivery to the Collateral Agent and the Administrative Agent of a certificate of a Responsible Officer of ADT which certifies, that based upon advice of reputable counsel, such change or amendment is required to be made as a result of a change in Law, or (ii) make a change in the character of its business that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, without the prior written consent of the Collateral Agent, the Administrative Agent, and the Required Purchasers.

(c) Change in Lock-box Banks. (i) Add any bank, lock-box or lock-box account not listed on Schedule V as a Lock-box Bank, Lock-box or Lock-box Account unless the Collateral Agent and the Administrative Agent shall have previously approved and received duly executed copies of Payment Directions in the form of Exhibit G-1 or a Control Agreement, duly executed by the parties thereto, (ii) terminate any Lock-box Bank, or related Lock-box, or Lock-box Account without the prior written consent of the Collateral Agent, the Administrative Agent and, in each case, only if all of the payments from Obligors that were being sent to such Lock-box Bank will, upon termination of such Lock-box Bank and at all times thereafter, be deposited in a Lock-box Account with another Lock-box Bank covered by a Payment Direction in the form of Exhibit G-1 or a Control Agreement, or (iii) amend, supplement, or otherwise modify any Lock-box agreement.

(d) Deposits to Accounts. Deposit or otherwise credit, or cause or permit to be so deposited or credited, or direct any Obligor to deposit or remit, any Collections on Pool Receivables to any account not covered by the proper Payment Direction or a Control Agreement. Except for the Collateral Agent’s Account, permit any Collections in respect of Pool Receivables to be deposited, or credited in any account which is not subject to a Payment Direction or a Control Agreement which is in full force and effect.

56
(e) **Mergers, Acquisitions, Sales, Etc.** Consolidate or merge with or into any other Person or sell, lease or transfer all or substantially all of its property and assets, or agree to do any of the foregoing, unless (i) no Event of Termination or Unmatured Event of Termination has occurred and is continuing or would result immediately after giving effect thereto, (ii) if ADT is not the surviving entity or if ADT sells or transfers all or substantially all of its property and assets, the surviving entity or the Person purchasing the assets is an Affiliate of ADT and agrees to be bound by the terms and provisions applicable to ADT hereunder, (iii) no Change of Control shall result, (iv) the Parent has reaffirmed in a writing, in form and substance reasonably satisfactory to the Collateral Agent, the Administrative Agent and the Required Purchasers, that its obligations under the Performance Support Agreement shall apply to the surviving entity and are in full force and effect, (v) no Material Adverse Effect could reasonably be expected to result therefrom, and (vi) the Collateral Agent, the Administrative Agent and each Purchaser Agent receive such additional certifications and opinions of counsel as the Collateral Agent, the Administrative Agent or the Required Purchasers shall reasonably request.

(f) **Sales, Adverse Claims, Liens, Etc.** Except as otherwise provided herein or in the Sale Agreement, sell, assign (by operation of Law or otherwise), or otherwise dispose of, or create or suffer to exist any Adverse Claim (other than its or the Seller's ownership interest or contingent claim to ownership) upon or with respect to, any Pool Receivable or other Receivable or any Contract or Related Assets, the related Equipment, any Service Charge Receivable, or any proceeds of any of the foregoing or any interest therein, or any Collection Account, the Omnibus Account or any Lock-box Account or any other account to which any Collections of any Pool Receivable are sent, or any right to receive income or proceeds from or in respect of any of the foregoing or purport to do any of the foregoing.

(g) **Chattel Paper.** Permit any Chattel Paper relating to any Pool Receivable to be in the possession of (or, in the case of electronic Chattel Paper, under the control of) any Person other than the Servicer (for the benefit of the Collateral Agent and the Seller), the Collateral Agent, or the Collateral Agent’s designee.

(h) **Corporate Separateness; Related Matters and Covenants.** ADT agrees that it shall not take any action, on its part, to cause the Seller to violate its covenants in Section 7.8, it being understood that the foregoing shall in no event be deemed to obligate ADT to make any capital or other contributions to the Seller.

**SECTION 7.7 Nature of Obligations.** Notwithstanding anything to the contrary contained herein or in any other Transaction Document, the Seller’s obligations hereunder to remit (or repay, to the extent the transactions hereunder is treated as a financing) in full the Purchasers’ Pool Investment and to remit (or pay, to the extent the transactions hereunder are treated as a financing) all Yield, Fees, the Purchasers and all other Seller Obligations are full recourse general obligations of the Seller, and all obligations of ADT (as Servicer or otherwise) so specified hereunder shall be full recourse general obligations of ADT.
SECTION 7.8 Corporate Separateness; Related Matters and Covenants. The Seller covenants and agrees to take such actions as shall be necessary in order that:

(a) Special Purpose Entity. The Seller will be a special purpose limited liability company whose activities are restricted in its Constituent Documents to: (i) negotiating, authorizing, executing, delivering, entering into and performing its obligations under the Transaction Documents to which it is a party and undertaking any other activities related thereto, including (A) purchasing or otherwise acquiring Pool Receivables, Related Assets and other assets from ADT, and owning, holding, transferring, assigning, selling, contributing to capital, pledging and otherwise dealing with such assets, (B) entering into and performing its obligations under agreements for the selling, servicing and financing of the Receivable Pool, (C) opening, maintaining and/or terminating any accounts in connection therewith, (D) making all payments of Yield, Fees and other amounts owed by it under or in connection with this Agreement and the other Transaction Documents, and (E) receiving cash payments of the RPA Deferred Purchase Price, and making cash payments from such amounts to ADT as purchase price in accordance with the Sale Agreement or paying dividends and distributions to ADT; and (ii) engaging in any lawful act or activity and exercising any powers not prohibited under the Transaction Documents and permitted to limited liability companies organized under the laws of the State of Delaware that are related or incidental to, and necessary, convenient or advisable for the accomplishment of the above-mentioned purposes.

(b) Commingling. Except as otherwise expressly permitted by this Agreement, the Seller shall not commingle any of its assets or funds with those of any of its Affiliates.

(c) Independent Manager. At least one member of the Seller’s board of directors shall be an Independent Manager and the limited liability company agreement of the Seller shall provide: (i) for substantially the same definition of “Independent Manager” as used herein, (ii) that prior to the Final Payout Date, no Person shall be authorized or empowered to, and the Seller shall not, without the prior unanimous written consent of the Seller’s board of managers and the Independent Manager, file a voluntary bankruptcy petition or file or consent to the filing of any bankruptcy, insolvency or reorganization petition under any applicable federal or state law relating to bankruptcy naming the Seller as debtor or otherwise institute bankruptcy or insolvency proceedings by or against the Seller or otherwise seek with respect to such entity relief under any laws relating to the relief from debts or the protection of debtors generally, and (iii) that the provisions required by clauses (i) and (ii) of this sentence cannot be amended prior to the Final Payout Date without the prior written consent of the Administrative Agent and the Collateral Agent, and the prior unanimous written consent of the Seller’s board of managers and the Independent Manager.

(d) Corporate Formalities. The Seller will strictly observe corporate formalities in its dealings with the Servicer, ADT, and any Affiliates thereof. Except as expressly contemplated by this Agreement, the Seller shall not maintain joint bank accounts or other depository accounts to which the Servicer, ADT, and any Affiliates (other than the
Seller) thereof has independent access. The Seller shall maintain its Constituent Documents in conformity with this Agreement.

(e) **Conduct of Business.** The Seller shall conduct its affairs strictly in accordance with its organizational documents and observe all necessary, appropriate, and customary company formalities, including, but not limited to, holding all regular and special members’ and board of directors’ (or managers’) meetings appropriate to authorize all corporate action, keeping separate and accurate minutes of its meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, payroll and intercompany transaction accounts (to the extent applicable).

(f) **No Other Business or Debt.** The Seller shall not engage in any business or activity except as set forth in the Transaction Documents nor, incur any Debt other than pursuant to this Agreement and the other Transaction Documents and Debt which is incidental thereto, incurred in the ordinary course of business.

(g) **Books and Records.** The Seller shall maintain (or cause to be maintained) company records, books of account and financial statements separate from those of any of its Affiliates, in a manner such that it will not be difficult or costly to segregate, ascertain, or otherwise identify the assets and liabilities of the Seller from the assets and liabilities of its Affiliates, including ADT and the Parent.

(h) **Operating Expenses.** Except as expressly contemplated by the Transaction Documents, and except from capital contributions from its members, the Seller’s operating expenses will not be borne by any of its Affiliates, including ADT and the Parent.

(i) **Disclosure of Transactions.** All financial statements of the Parent, ADT and any other Affiliates of the Seller that are consolidated to include the Seller will include notes or other disclosure that will clearly reflect that the assets of the Seller are owned by the Seller, and not available to pay creditors of Parent, ADT or the Seller’s other Affiliates.

(j) **Arm’s-Length Relationships.** The Seller shall maintain an arm’s-length relationship with the Parent, ADT, and its other Affiliates. Neither the Seller on the one hand, or ADT, or any of its other Affiliates on the other hand will be or will hold itself out to be liable for the debts of the other. The Seller, ADT, and its other Affiliates will immediately correct any known misrepresentation with respect to the foregoing, and they will not operate or purport to operate as an integrated single economic unit with respect to each other or in their dealing with any other entity.

(k) **Allocation of Overhead.** To the extent that the Seller, on the one hand, and ADT or any Affiliate of ADT (other than the Seller), on the other hand, have offices in the same location, there shall be a fair and appropriate allocation of overhead costs between them, and the Seller shall bear its fair share of such expenses, which may be paid through the Servicing Fee or otherwise.
(l) **Identification.** The Seller shall at all times hold itself out to the public under its own name as a legal entity separate and distinct from its equity holders, members, managers, ADT, the Parent or any of its other Affiliates.

(m) **Capital.** The Seller shall maintain adequate capital in light of its contemplated business operations.

(n) In respect of the Seller:

(i) the Seller shall not issue any security of any kind except membership interests issued to ADT in accordance with the Seller’s Constituent Documents, or incur, assume, guarantee, or otherwise become directly or indirectly liable for or in respect of any Debt or other obligation other than (i) in connection with the Transaction Documents, and (ii) ordinary course operating expenses;

(ii) the Seller shall not sell, pledge, or dispose of any of its assets, except as permitted by, or as provided in, the Transaction Documents;

(iii) the Seller shall not purchase any asset (or make any investment, by share purchase, loan, or otherwise) except as permitted by, or as provided in, the Transaction Documents;

(iv) the Seller shall not make any payment, directly or indirectly, to, or for the account or benefit of, any owner of any Voting Securities, security interest, or equity interest in the Seller or any Affiliate of any such owner (except, in each case, as expressly permitted by the Transaction Documents);

(v) the Seller shall not make, declare, or otherwise commence or become obligated in respect of, any dividend, stock, or other security redemption or purchase, distribution, or other payment to, or for the account or benefit of, any owner of any Voting Securities or other equity interest in the Seller to any such owner or any Affiliate of any such owner other than from funds received by it in respect of the RPA Deferred Purchase Price or under Article III, or the issuance of additional equity interests to ADT in connection with contributions of cash or other assets, and so long as, in any case, the result would not directly or indirectly cause the Seller to be considered insolvent;

(vi) The Seller shall not have any employees or subsidiaries; and

(vii) The Seller will provide for not less than ten (10) Business Days’ prior written notice to the Collateral Agent and the Administrative Agent of any removal, replacement, or appointment of any manager that is currently serving or is proposed to be appointed as an Independent Manager of the Seller, such notice to include the identity of the proposed replacement Independent Manager, together with a certification that such replacement satisfies the requirements for an
ARTICLE VIII
ADMINISTRATION AND COLLECTION

SECTION 8.1 Designation of the Servicer.

(a) ADT as the Servicer. The servicing, administering, and collection of the Pool Receivables on behalf of the Seller, the Administrative Agent, Purchaser Agents, the Collateral Agent, and Purchasers shall be conducted in accordance with this Agreement by the Person designated as the Servicer hereunder (the “Servicer”) from time to time in accordance with this Section 8.1. Until the Collateral Agent (with the consent, or acting at the direction of, the Required Purchasers) delivers to ADT and the Seller a Successor Notice in accordance with Section 8.1(b), ADT is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms hereof. The Servicer shall receive a daily Servicing Fee in respect of the Receivable Pool, payable monthly in arrears for each Settlement Period on each subsequent Settlement Date, subject to the priorities of payments in Section 3.1(d), for the performance of its duties hereunder. The Seller, the Administrative Agent, the Collateral Agent, Purchasers, and Purchaser Agents hereby acknowledge and agree to this appointment of the Servicer.

(b) Successor Notice. In the event that an Event of Termination has occurred and is continuing, upon the written direction of the Required Purchasers or the Administrative Agent, the Collateral Agent shall, by notice to ADT and the Seller, immediately designate a successor Servicer pursuant to the terms hereof (a “Successor Notice”) which successor shall be selected by the Administrative Agent with the written consent of the Required Purchasers (which consent shall not be unreasonably withheld, conditioned or delayed); it being understood and agreed that, in any event, the Administrative Agent, with the written consent of the Required Purchasers (which consent shall not be unreasonably withheld, conditioned or delayed), may (but shall not be obligated to) serve as successor Servicer. Upon receipt of a Successor Notice, ADT agrees that it shall terminate its activities as the Servicer hereunder in a manner that the Administrative Agent determines will facilitate the transition of the performance of such activities to the successor Servicer, and successor Servicer shall assume each and all of ADT’s rights and obligations to service and administer the Pool Receivables, on the terms and subject to the conditions herein set forth, and ADT shall do all things necessary or appropriate to assist such successor Servicer in assuming such obligations. The Collateral Agent shall not give, and the Administrative Agent and the Purchasers shall not instruct the Collateral Agent to give, ADT a Successor Notice except after the occurrence of any Event of Termination that remains continuing.

(c) Subservicers; Subcontracts. The Servicer may not subcontract with any Person or otherwise delegate any of its duties or obligations hereunder except (at its own expense) (i) to Collection Agents to collect amounts owed from the Obligors in respect of Defaulted Receivables, or (ii) with the prior written consent of the Collateral Agent, the
Administrative Agent and the Required Purchasers (such consents not to be unreasonably withheld, conditioned, or delayed); provided, that, notwithstanding any such designation, delegation, or subcontract or any replacement or substitution of Servicer pursuant to clause (a) or (b) above, the Servicer shall remain primarily and directly liable for the performance of all the duties and obligations of the Servicer pursuant to the terms hereof.

SECTION 8.2 Duties of the Servicer. The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect, administer, and service each Pool Receivable from time to time with reasonable care and diligence and, in any event, with no less care and diligence than it uses in the collection, administration and servicing of its own assets, and in accordance with (i) applicable Laws, (ii) the Credit and Collection Policy, and (iii) this Agreement. During the continuance of an Event of Termination, the Collateral Agent shall have the sole right to direct the Servicer to commence or settle any legal actions to enforce collection of any Pool Receivables; provided, that the Servicer shall have no obligation to commence any legal actions or enforce collection of any Pool Receivable in a commercially unreasonable manner, taking into account the costs and recoveries expected in connection with such legal action or enforcement.

(a) Allocation of Collections; Segregation. The Servicer shall apply and remit Collections in accordance with the terms of this Agreement, including without limitation, Section 7.4(g).

(b) Extension and Modification of Receivables. So long as no Event of Termination or Unmatured Event of Termination is continuing or would result therefrom, the Servicer, may solely, in accordance with the Credit and Collection Policy extend, waive, amend, or otherwise modify the terms of any Pool Receivables as the Servicer may reasonably determine to be appropriate to maximize Collections thereof, in a manner that does not adversely affect any Pool Receivable, including the validity, enforceability or collectability of any Pool Receivable or result in such Pool Receivable not constituting an Eligible Receivable, or otherwise give rise to a Material Adverse Effect; provided, that, (A) after giving effect to such extension, amendment, waiver, or other modification, the sum of Purchasers’ Pool Investment and the Required Reserves in respect of such Receivable Pool at such time shall not exceed the Net Portfolio Balance at such time, (B) no such extension, amendment, waiver, or other modification shall make or be deemed to make any such Pool Receivable current or otherwise modify the aging thereof, or limit or reduce the rights of the Seller or any Secured Party under this Agreement, and (C) following the occurrence of the Purchase Termination Date, during the continuance of an Unmatured Event of Default or Event of Default, the Servicer may only extend, waive, amend or otherwise modify the terms of the any Pool Receivables with the prior written consent of the Administrative Agent.

(c) Documents and Records. The Seller and ADT shall deliver to the Servicer, and the Servicer shall hold in trust for the Seller, the Administrative Agent, the Collateral Agent, each Purchaser Agent, and each Purchaser, all Records (and any original documents relating thereto) (and after the occurrence of an Event of Termination or Unmatured Event of Termination that remains continuing, shall deliver the same to the
Collateral Agent or its designees promptly upon the Collateral Agent’s written request). Upon the reasonable written request of the Collateral Agent, the Administrative Agent or any Purchaser Agent, the Servicer shall provide the Collateral Agent, the Administrative Agent and each Purchaser Agent with the location(s) of all physical Records (to the extent not electronically available) and tangible chattel paper or other physical collateral (and any original documents relating thereto), if any.

(d) **Termination.** ADT’s authorization as Servicer under this Agreement shall terminate upon the earlier to occur of (i) the Final Payout Date, and (ii) the effective date of the replacement of the Servicer with a successor servicer in accordance with Section 8.1(b).

(e) **Power of Attorney.** The Seller hereby grants to the Servicer, an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of the Seller any and all steps which are necessary or advisable to endorse, negotiate, or otherwise realize on any writing or other right of any kind held or transmitted by the Seller or transmitted or received by the Seller in connection with any Pool Receivable or under the related Records. Each of the Seller and the Servicer hereby grants during the continuance of an Event of Termination to the Administrative Agent and the Collateral Agent, an irrevocable power of attorney, with full power of substitution, coupled with an interest, to take in the name of the Seller and the Servicer any and all steps which are necessary or advisable to endorse, negotiate, or otherwise realize on any writing or other right of any kind held or transmitted by the Seller or the Servicer or transmitted or received by the Seller or the Servicer in connection with any Pool Receivable or under the related Records, including such actions as may be necessary or desirable, in the reasonable determination of the Administrative Agent and the Collateral Agent, as the case may be, to collect any and all amounts or portions thereof due under the Pool Receivables, Related Assets and all other Collateral, including indorsing the name of the Seller on checks and other instruments representing Collections and enforcing all of the rights and remedies of the Collateral Agent and the Administrative Agent under and in connection with this Agreement and the other Transaction Documents.

(f) **Resignation of ADT as the Servicer.** ADT shall not resign in its capacity as the Servicer hereunder without the prior written consent of the Collateral Agent, the Administrative Agent and each Purchaser Agent, which consent shall be given or withheld in the sole and absolute discretion of the Collateral Agent, the Administrative Agent, and each Purchaser Agent, except following the receipt of a Successor Notice and in accordance with Section 8.1(b).

(g) **Servicing Expenses.** For the avoidance of doubt, in consideration of the Servicing Fee payable hereunder, the Servicer shall pay all of the costs and expenses it incurs in connection with the servicing and administration of the Receivable Pool and Related Assets and the performance of its obligations under the Transaction Documents, including, without limitation, all costs and expenses of enforcement of the Receivables against the Obligors and all Collection Agent Fees.

63
SECTION 8.3 Rights of the Collateral Agent. In addition to all of its other rights herein including under Articles IX and X, under the other Transaction Documents or at Law or in equity, the Administrative Agent and Collateral Agent shall have the other following rights set forth in this Section 8.3:

(a) Notice to Obligors. At any time during the continuance of any Event of Termination upon the written direction of the Required Purchasers or the Administrative Agent, (A) the Collateral Agent may notify the Obligors of Pool Receivables, or any of them, of its interests in the Receivable Pool or Related Assets and instruct them to make payments on the Pool Receivables as instructed by, the Collateral Agent, and may debit and/or charge Obligors accounts and credit cards directly or through automated clearing house or ACH, and (B) the Servicer shall (on behalf of the Seller), at the Servicer’s expense, give notice of the Collateral Agent’s interest in the Pool Receivables to each said Obligor and instruct them to make payments on the Pool Receivables as instructed in writing by, the Collateral Agent or the Administrative Agent.

(b) Other Rights. At any time during the continuance of any Event of Termination, the Servicer shall, (A) at the Collateral Agent’s request and at the Servicer’s expense, assemble all of the Records and deliver such Records to the Collateral Agent or its designee, and (B) at the request of the Collateral Agent or its designee, exercise or enforce any of their respective rights hereunder, under any other Transaction Document, Pool Receivable, or under any Related Asset (to the extent permitted hereunder or thereunder). Without limiting the generality of the foregoing, at any time, each of the Servicer and the Seller shall upon the request of the Administrative Agent, the Collateral Agent, any of their respective designee or the Required Purchasers and at the Servicer’s expense:

(I) authorize, execute (if required) and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate; and

(II) mark its master data processing records evidencing that the Pool Receivables have been sold in accordance with this Agreement.

(c) Additional Financing Statements; Performance by the Administrative Agent. The Seller hereby authorizes the Collateral Agent and the Administrative Agent or their respective designees to file one or more financing or continuation statements, and amendments thereto and assignments thereof, or any similar instruments in any relevant jurisdiction relative to all or any of the Pool Receivables, and Related Assets now existing or hereafter arising in the name of the Seller. The Seller agrees that a similar filing against it may also be filed for the purposes hereof and to perfect the security interest and transfers created hereby. If the Seller or the Servicer fails to perform any of its agreements or obligations under this Agreement or any other Transaction Document, the Collateral Agent, the Administrative Agent, or any of their respective designees may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Collateral Agent or the Administrative Agent or its designee incurred in connection therewith shall be payable by the Seller as provided in Section 13.6.
(d) **Investment of Funds on Deposit in the Collateral Agent’s Account.** The Collateral Agent may invest and reinvest, in its own name or in the name of its nominee, amounts on deposit in the Collateral Agent’s Account, in Cash Equivalents, having maturities not exceeding the next succeeding Settlement Date. All such Cash Equivalents and interest and income thereon and the net proceeds realized on the sale or redemption thereof shall for all purposes of this Agreement be deemed to be Collections credited to the Collateral Agent’s Account. The Collateral Agent may liquidate Cash Equivalents from time to time to the extent necessary or appropriate, in the sole discretion of the Collateral Agent, to effect the applications of Collections to be made on each Settlement Date pursuant to Section 3.1(d).

The Collateral Agent shall have no liability for (i) the investment performance of any amounts invested by the Collateral Agent pursuant to this Section 8.3(d), (ii) failing to invest any amount on deposit in the Collateral Agent’s Account, or (iii) any loss resulting from the sale or liquidation of any such investment prior to its stated maturity date.

**SECTION 8.4 Responsibilities of the Servicer.** Anything herein to the contrary notwithstanding:

(a) **Contracts.** The Servicer shall perform all of its obligations under the Records to the same extent as if the Receivable Pool and Related Assets had not been sold hereunder and the exercise by the Collateral Agent or its designee of its rights hereunder shall not relieve the Servicer from such obligations.

(b) **Limitation of Liability.** None of the Collateral Agent, the Administrative Agent, any Purchaser, or any Purchaser Agent shall have any obligation or liability with respect to any Pool Receivables, Related Assets or Contracts related thereto, nor shall any of them be obligated to perform any of the obligations of the Servicer, ADT, or the Seller thereunder.

**SECTION 8.5 Further Action Evidencing Purchases.** ADT agrees that from time to time, at its expense, it shall (or cause the Servicer to) promptly execute and deliver all further instruments and documents, and take all further actions, that the Collateral Agent, the Administrative Agent, any of their respective designees or the Required Purchasers may reasonably request or that are necessary in order to perfect, protect or more fully evidence the transactions contemplated by the other Transaction Documents.

**SECTION 8.6 Application of Collections.** Subject to Section 7.4(n), unless the Collateral Agent instructs otherwise, any payment by an Obligor in respect of any Pool Receivable shall, except as otherwise specified in writing or otherwise by such Obligor, required by Law or by the underlying Contract, be applied using the same systems, practices, and procedures as the Servicer uses for the application of payments on all of the receivables serviced by it for itself and its Affiliates whether or not such payments are being made with respect to Pool Receivables.
ARTICLE IX
SECURITY INTEREST

SECTION 9.1  Grant of Security Interest. Without limiting Section 1.2(c) or (d), to secure all Seller Obligations of the Seller and all other amounts owing by the Seller to any Affected Party under or in connection with this Agreement and the other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, all Indemnified Amounts payable pursuant to Section 12.1, payments on account of Collections received or deemed to be received and fees and expenses, the Seller hereby assigns and pledges to the Collateral Agent, for the benefit of the Affected Parties (and each of the Affected Parties is hereby deemed to appoint the Collateral Agent as its agent and representative for purposes of this Section 9.1), and hereby grants to the Collateral Agent, for the benefit of the Affected Parties, a security interest in all of the following: all of the Seller’s rights, title, and interest now or hereafter existing in, to and under the following of the Seller’s assets, whether now owned or existing or hereafter acquired, and wherever located (whether or not in the possession or control of the Seller), and all proceeds of the foregoing (collectively, and together with the Receivable Pool and Related Assets, the “Collateral”): (I) all Receivables comprising the Receivable Pool; (II) the Related Assets in respect of the Receivable Pool; (III) the Collections in respect of the Receivable Pool; (IV) all Transaction Documents; (V) all Chattel Paper in respect of the Receivable Pool; (VI) all Contracts related to the Receivable Pool; (VII) all Deposit Accounts; (VIII) all Documents in respect of the Receivable Pool; (IX) all Payment Intangibles in respect of the Receivable Pool; (X) all General Intangibles in respect of the Receivable Pool; (XI) all Instruments in respect of the Receivable Pool; (XII) all Inventory in respect of the Receivable Pool; (XIII) all Investment Property in respect of the Receivable Pool; (XIV) all letter of credit rights and supporting obligations in respect of the Receivable Pool; (XV) the Sale Agreement and all rights and remedies of the Seller thereunder; (XVI) all other assets in the Receivable Pool and Related Assets; (XVII) all rights, interests, remedies, and privileges of the Seller relating to any of the foregoing including the right to sue for past, present, or future infringement of any or all of the foregoing; and (XVIII) to the extent not otherwise included, all products and Proceeds (the capitalized term in clauses (I) through (XVIII) not otherwise defined in this Agreement, as defined in the UCC) of the of the foregoing clauses (I) through (XVIII) and all accessions to, substitutions and replacements for, and rents, profits, and products of the of the foregoing (including insurance proceeds), and all distributions (whether in money, securities, or other property) and collections from or with respect to any of the foregoing, and all accession to, substitutions and replacements for, and rents, profits, and products of the of the foregoing (including insurance proceeds), and all distributions (whether in money, securities, or other property) and collections from or with respect to any of the foregoing.

The Seller and the Servicer hereby authorize the filing of financing statements, including those filed under Section 8.3(c), describing the collateral covered thereby, and in respect of the Seller, as “all of debtor’s personal property and assets” or words to that effect, notwithstanding that such wording may be broader in scope than the collateral described in this Section 9.1. This Agreement shall constitute a security agreement under applicable Law.
SECTION 9.2 Waiver. To the fullest extent it may lawfully so agree, the Seller and the Servicer agree that it will not at any time insist upon, claim, plead, or take any benefit or advantage of any appraisal, valuation, stay, extension, moratorium, redemption, or similar Law now or hereafter in force in order to prevent, delay, or hinder the enforcement hereof or the absolute sale of any part of the Collateral; the Seller and the Servicer, each for itself and all who claim through it, so far as it or they now or hereafter lawfully may do so, hereby waive the benefit of all such Laws and all right to have the Collateral marshaled upon any foreclosure hereof, and agrees that any court having jurisdiction to foreclose this Agreement may order the sale of the Collateral in its entirety. Without limiting the generality of the foregoing, the Seller and the Servicer hereby waive and release any and all right to require the Collateral Agent or the Administrative Agent to collect any of such obligations from any specific item or items of the Collateral or from any other party liable as guarantor or in any other manner in respect of any of such obligations or from any collateral for any of such obligations.

ARTICLE X

EVENTS OF TERMINATION

SECTION 10.1 Events of Termination. The following events shall be “Events of Termination” hereunder:

(a) Any of the following events:

(i) the Servicer, or any ADT Entity shall fail to perform or observe any covenant or agreement as and when required hereunder or under any other Transaction Document (other than any covenant or agreement referred to in clause (a)(ii) below) and such failure remains unremedied for twenty (20) days after the earlier of the date (A) such Person receives notice of such failure from the Collateral Agent, the Administrative Agent or the Required Purchasers, or (B) a Responsible Officer obtains knowledge of such failure;

(ii) any of the following shall occur: (A) any ADT Entity or the Servicer shall fail to make any payment or deposit or transfer of monies required to be made by it hereunder or under any other Transaction Document (including, without limitation, any ADT Obligation) as and when due and such failure is not remedied within two (2) Business Days, or (B) the conditions subsequent set forth in Section 5.3 is not satisfied on or prior to the date that is the twelve (12) month anniversary of the Closing Date.;

(iii) the Servicer shall fail to deliver any Information Package when due pursuant to Section 3.1(a) and such failure is not remedied within three (3) Business Days; or

(b) any representation or warranty made or deemed to be made by any Servicer, ADT Entity (or any of their officers) under or in connection with any Transaction Document or any certificate, Purchase Request, Paydown Notice, Information Package, or
any other report, financial statement or other written information delivered in connection therewith shall prove to have been false or incorrect in any material respect when made or deemed to be made (without duplication as to any materiality modifiers, qualifications, or limitations applicable thereto) and solely to the extent capable of cure, shall continue unremedied for twenty (20) days after the earlier of the date (A) such Person receives notice of such breach from the Collateral Agent, the Administrative Agent or the Required Purchasers, or (B) a Responsible Officer obtains knowledge of such breach; or

(c) an Event of Bankruptcy shall have occurred with respect to any ADT Entity; or

(d) a Change of Control shall occur; or

(e) the Collateral Agent, for the benefit of the Affected Parties, fails at any time to have a valid perfected ownership interest or first priority perfected security interest in the Pool Receivables and the Related Assets (or any portion thereof) and all proceeds of any of the foregoing, in each case, free and clear of any Adverse Claim; or

(f) the occurrence of any ERISA Event that, individually or together with all other ERISA Events that have occurred, could reasonably be expected to have a Material Adverse Effect; or

(g) any ADT Entity shall be required to register as an “investment company” under (and as defined in) the Investment Company Act; or

(h) any material provision of this Agreement or any other Transaction Documents shall cease to be the valid and binding obligation enforceable against any ADT Entity, as applicable; or

(i) the Seller shall fail to pay in full all of its Seller Obligations to the Collateral Agent, the Administrative Agent, or any Purchaser hereunder by the Legal Final or any ADT Entity shall fail to pay in full all of its ADT Obligations to the applicable person or the Administrative Agent on their behalf in accordance with the terms of this Agreement by the Legal Final; or

(j) one or more final judgments for the payment of money in an aggregate amount in excess of $84,000,000 in the case of ADT, the Parent or any other Material Subsidiary of the Parent or $1,000,000 in the case of the Seller and the same shall not be vacated, discharged or stayed or bonded pending appeal for a period of sixty (60) consecutive days, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of ADT, the Parent or any Material Subsidiary of the Parent to enforce any such judgment; or

(k) the Seller, ADT, the Parent or any of their respective Material Subsidiaries shall fail to pay any principal of or premium or interest on any of its Debt which is outstanding in a principal amount of at least, in respect of the Seller, $1,000,000, or in
respect of the Seller, ADT, the Parent or any of their respective Material Subsidiaries $84,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(l) the breach of any of the financial covenants set forth in the ADT Credit Agreement, any ADT Indenture or any ADT Collateral Agreements as in effect on the Closing Date or an event of default (or similar event) shall have occurred thereunder, in each case without regard to any waivers of such breaches or defaults; or

(m) from and after the Ratio Effective Date, the average of the Delinquency Ratios for the three preceding Settlement Periods, as determined on any Reporting Date, shall exceed 3%; or

(n) from and after the Ratio Effective Date, the average of the Loss Ratios for the three preceding Settlement Periods, as determined on any Reporting Date, shall exceed 2.5%; or

(o) (x) on any Reporting Date, the sum of the aggregate Purchasers’ Pool Investment and the Required Reserves exceeds the Net Portfolio Balance, as calculated on a pro forma basis after taking into account the application of Monthly Collections pursuant to Section 3.1(d) on the immediately following Settlement Date, and solely to the extent a Purchase Request has been delivered by the Seller on or prior to such Reporting Date in accordance with Section 1.2(a) in respect of the Settlement Date immediately succeeding such Reporting Date, which would, on a pro forma basis, after giving effect to the related Purchase (as set forth in the definition of Net Portfolio Balance) and the application of Monthly Collections in accordance with Section 3.1(d), cure such circumstance, has not been so cured on such immediately succeeding Settlement Date, or (y) on any Settlement Date, after giving effect to the related Purchase (as set forth in the definition of Net Portfolio Balance) and the application of Collections in accordance with Section 3.1(d), the sum of the aggregate Purchasers’ Pool Investment and the Required Reserves exceeds the Net Portfolio Balance; or

(p) the Performance Support Agreement is canceled, rescinded, amended, or modified without the prior written consent of the Collateral Agent, the Administrative Agent and each Purchaser Agent; or
(q) the Servicer or any ADT entity shall take any action that materially and adversely affects the collectability of all or any significant portion of the Pool Receivables or the ability of the Seller, or ADT (as Servicer or otherwise) or the Parent to perform its respective obligations under this Agreement or any other Transaction Document; or

(r) ADT ceases to provide Monitoring Services generally; or

(s) any Lock-box Account, any Collection Account or the Omnibus Account to which Collections are remitted shall cease to be subject to the proper Payment Direction or a Control Agreement, or any such Payment Direction or Control Agreement shall cease to be in full force and effect, in each case, without being simultaneously replaced with a proper Payment Direction or Control Agreement or with the consent of the Administrative Agent, the Collateral Agent and each Purchaser Agent; or

(t) the average ADT Managed Pool Delinquency Ratios for the three preceding Settlement Periods shall at any time exceed 0.70%.

An Event of Termination shall be deemed to be continuing until waived in writing by the Administrative Agent, the Collateral Agent and the Required Purchasers.

SECTION 10.2 Remedies. Upon, or any time after, the occurrence of an Event of Termination (other than an Event of Termination described in Section 10.1(c)) that remains continuing, the Collateral Agent or the Administrative Agent shall, at the request, or may with the consent, of the Required Purchasers, by notice to the Servicer (on the Seller’s behalf) declare the Acceleration Date to have occurred and shall have all of the remedies herein, including without limitation Section 8.1(b) and this Section 10.2. In addition, upon the occurrence of an Event of Termination, the Administrative Agent may (i) designate another person to succeed ADT as Servicer, which successor may be the Administrative Agent in accordance with Section 8.1(b), and (ii) direct the Obligors in respect of each Pool Receivables to, or direct ADT to instruct such Obligors to, pay all amounts payable under the Contracts related to the Pool Receivables directly to such account as the Administrative Agent shall designate. Upon the occurrence of an Event of Termination described in Section 10.1(c), the Acceleration Date shall occur automatically. Upon, or at any time after, the occurrence of the Acceleration Date, no Purchases thereafter will be made. Upon the declaration or automatic occurrence of the Acceleration Date pursuant to this Section 10.2, the Collateral Agent, on behalf of the Purchasers and the other Affected Parties, shall have, in addition to all other rights and remedies under this Agreement, any other Transaction Document, or under applicable Law, all other rights and remedies provided under the UCC of each applicable jurisdiction and other applicable Laws (including all the rights and remedies of a secured party upon default under the UCC (including the right to sell any or all of the Collateral subject hereto)), all of which rights shall be cumulative. Subject to Section 11.1, upon, or at any time after, the Acceleration Date, the Administrative Agent and the Collateral Agent shall in respect of the exercise of the rights and remedies under this Section 10.2 act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Purchasers.
ARTICLE XI

PURCHASER AGENTS; COLLATERAL AGENT;
ADMINISTRATIVE AGENT;
CERTAIN RELATED MATTERS

SECTION 11.1 Limited Liability of Purchasers, Purchaser Agents, Collateral Agent, and the Administrative Agent. The obligations of the Collateral Agent, the Administrative Agent, each Purchaser and each Purchaser Agent under the Transaction Documents are solely the corporate obligations of such Person. Except with respect to any claim arising out of the willful misconduct or gross negligence of such Person, no claim may be made by the Seller, the Servicer or ADT, against the Collateral Agent, the Administrative Agent, any Purchaser, or any Purchaser Agent, or their respective Affiliates, directors, members, managers, officers, employees, attorneys, or agents for any special, indirect, consequential, or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Transaction Document, or any act, omission, or event occurring in connection therewith; and the Seller and ADT hereby waives, releases, and agrees not to sue upon any claim for any such damages not expressly permitted by this Section 11.1, whether or not accrued and whether or not known or suspected to exist in its favor. Notwithstanding any provision of this Agreement or any other Transaction Document to the contrary: (i) in no event shall the Collateral Agent, the Administrative Agent, or any Purchaser Agent ever be required to take any action which exposes it to personal liability or which is contrary to the provision of any Transaction Document or applicable Law, and (ii) neither the Collateral Agent, the Administrative Agent, nor any Purchaser Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any party hereto or any other Person, and no implied covenants, functions, responsibilities, duties, obligations, or liabilities on the part of the Collateral Agent, the Administrative Agent, or any Purchaser Agent shall be read into this Agreement or the other Transaction Documents or otherwise exist against the Collateral Agent, the Administrative Agent, or any Purchaser Agent. Neither the Administrative Agent nor the Collateral Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Purchasers. Nothing herein or in any other Transaction Document or related documents shall obligate the Administrative Agent or the Collateral Agent to advance, expend or risk its own funds, or to take any action which in its reasonable judgment may cause it to incur any expense or financial or other liability for which it does not reasonably expect to be indemnified to its satisfaction. Neither the Administrative Agent nor the Collateral Agent shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any of the other Program Documents, except for its or their own gross negligence or willful misconduct. In performing its functions and duties hereunder, the Collateral Agent and the Administrative Agent shall act solely as the agent of the Purchasers and the Purchaser Agents, as applicable, and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for any ADT Entity or any other Person.

SECTION 11.2 Authorization and Action of each Purchaser Agent. By its execution hereof, in the case of each Purchaser, and by accepting the benefits hereof, each Enhancement Provider and Liquidity Provider, each such party hereby designates and appoints its related Purchaser
Agent to take such action as agent on its behalf and to exercise such powers as are delegated to such Purchaser Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Each Purchaser Agent reserves the right, in its sole discretion, to take any actions and exercise any rights or remedies, in each case, authorized or provided for under this Agreement or any other Transaction Document and any related agreements and documents.

SECTION 11.3 Authorization and Action of the Administrative Agent and Collateral Agent. By its execution hereof, in the case of each Purchaser and Purchaser Agent, each such party hereby designates and appoints Mizuho as the Administrative Agent and Mizuho as the Collateral Agent to take such action as agent on its behalf and to exercise such powers as are delegated to such party by the terms hereof, together with such powers as are reasonably incidental thereto. Subject to Section 10.2, The Administrative Agent and the Collateral Agent reserve the right, in its sole discretion, to take any actions and exercise any rights or remedies, in each case, authorized or provided for under this Agreement or any other Transaction Document and any related agreements and documents. If any provision of any Transaction Document permits the Collateral Agent or the Administrative Agent to take any action in its discretion, this paragraph shall not limit such discretionary right.

SECTION 11.4 Delegation of Duties of each Purchaser Agent. Each Purchaser Agent may execute any of its duties through agents or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Purchaser Agent shall be responsible to any Purchaser in its Purchaser Group for the negligence or misconduct of any agents or attorneys in fact selected by it with reasonable care.

SECTION 11.5 Delegation of Duties of the Administrative Agent and the Collateral Agent. The Collateral Agent and the Administrative Agent may execute any of its duties through agents or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Neither the Collateral Agent nor the Administrative Agent shall be responsible to any Purchaser, any Purchaser Agent, or any other Person for the negligence or misconduct of any agents or attorneys in fact selected by it with reasonable care.

SECTION 11.6 Successor Administrative Agent and Collateral Agent; Termination. (a) The Administrative Agent may, upon at least thirty (30) days’ notice to the Servicer, the Seller and each Purchaser Agent, resign as an Administrative Agent. Such resignation shall not become effective until a successor agent (i) is appointed by the Required Purchasers and so long as no Event of Termination has occurred and is continuing, and such assignment is not to an Affiliate of Mizuho, is consented to by the Servicer and the Seller (each such consent not to be unreasonably withheld, conditioned, or delayed), and (ii) has accepted such appointment. Upon such acceptance of its appointment as the Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall succeed to and become vested with all the rights and duties of the Administrative Agent, and such retiring Administrative Agent shall be discharged from its duties and obligations under the Transaction Documents.

(a) The Collateral Agent may, upon at least thirty (30) days’ notice to the Servicer (on the Seller’s behalf), the Administrative Agent, and each Purchaser Agent, resign as Collateral Agent. Such resignation shall not become effective until (1) a successor
Collateral Agent (i) is appointed by the Required Purchasers and so long as no Event of Termination has occurred and is continuing, and such assignment is not to an Affiliate of Mizuho, is consented to by the Servicer and the Seller (each such consent not to be unreasonably withheld, conditioned, or delayed), and (ii) has accepted such appointment, and (2) such successor Collateral Agent has established a new Collateral Agent’s Account with a depository institution that is an Eligible Bank and the resigning Collateral Agent has transferred all amounts held in its Collateral Agent’s Account to such new Collateral Agent’s Account. Upon such acceptance of its appointment as the Collateral Agent hereunder by a successor Collateral Agent, such successor Collateral Agent shall succeed to and become vested with all the rights and duties of such retiring Collateral Agent, and such retiring Collateral Agent shall be discharged from its duties and obligations under the Transaction Documents.

(b) If the Collateral Agent (i) is no longer an Eligible Collateral Agent, or (ii) if the Collateral Agent breaches in any material respect any of its obligations under this Agreement and such breach is not cured (if capable of being cured) within thirty (30) days after the Collateral Agent receives notice of such breach from any Purchaser Agent, the Required Purchasers may, upon at least ten (10) Business Days’ notice to the Servicer, the Seller, the Collateral Agent, the Administrative Agent, and each Purchaser Agent, terminate the Collateral Agent and appoint a successor to the Collateral Agent. Such termination shall not become effective until a successor Collateral Agent (i) is appointed by the Required Purchasers and so long as no Event of Termination has occurred and is continuing, consented to by the Servicer and the Seller (each such consent not to be unreasonably withheld, conditioned, or delayed), and (ii) has accepted such appointment and is made a party to this Agreement and each other Transaction Document to which the Collateral Agent is a party. Upon such acceptance of its appointment as the Collateral Agent hereunder by a successor Collateral Agent, such successor Collateral Agent shall succeed to and become vested with all the rights and duties of such retiring Collateral Agent, and such retiring Collateral Agent shall be discharged from its duties and obligations under the Transaction Documents.

(c) The appointment and authorization of any Collateral Agent and the Administrative Agent under this Agreement shall terminate upon the earlier to occur of (i) the Final Payout Date, and (ii) the effective date of the replacement of such Collateral Agent or Administrative Agent, as applicable, with a successor in accordance with this Section 11.6.

SECTION 11.7 Indemnification. Each Purchaser (or in the case of a Conduit Purchaser, the related Purchaser Agent) shall indemnify and hold harmless the Collateral Agent and the Administrative Agent and their respective officers, directors, employees, representatives, and agents (to the extent not reimbursed by the Seller or the Servicer and without limiting the obligation of the Seller or the Servicer to do so), ratably in accordance with its aggregate Pool Limits from and against any and all liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses, and disbursements of any kind whatsoever (including in connection with any investigative or threatened proceeding, whether or not such Person is designated a party thereto)
that may at any time be imposed on, incurred by or asserted against the Collateral Agent or the Administrative Agent for such Person as a result of, or related to, any of the transactions contemplated by the Transaction Documents or the execution, delivery, or performance of the Transaction Documents or any other document furnished in connection therewith.

SECTION 11.8 Reliance, etc. Without limiting the generality of Section 11.1, the Collateral Agent, the Administrative Agent, and each Purchaser Agent: (a) may consult with legal counsel, independent certified public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (b) makes no warranty or representation to any Purchaser or any other holder of any interest in Pool Receivables and shall not be responsible to any Purchaser or any such other holder for any statements, warranties, or representations made by other Persons in or in connection with any Transaction Document; (c) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of any Transaction Document on the part of the Seller or to inspect the property (including the books and records) of the Seller; (d) shall not be responsible to any Purchaser or any other holder of any interest in Pool Receivables for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of any Transaction Document; and (e) shall incur no liability under or in respect of this Agreement or any other Transaction Document by acting upon any notice (including notice by telephone), consent, certificate, or other instrument or writing (which may be by facsimile or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 11.9 Purchasers and Affiliates. Each of the Purchasers, the Purchaser Agents, the Collateral Agent, the Administrative Agent, and any of their respective Affiliates may engage in any kind of business with any ADT Entity or any Obligor, any of their respective Affiliates, and any Person who may do business with or own securities of any ADT Entity, any Obligor or any of their respective Affiliates.

SECTION 11.10 Sharing of Recoveries. Each Purchaser agrees that if it receives any recovery, through set-off, judicial action or otherwise (including pursuant to Section 13.4), on any amount payable or recoverable hereunder in a greater proportion than should have been received hereunder or otherwise inconsistent with the provisions hereof, then the recipient of such recovery shall purchase for cash an interest in amounts owing to the other Purchasers (as return of Investment or otherwise), without representation or warranty except for the representation and warranty that such interest is being sold by each such other Purchaser free and clear of any Lien created or granted by such other Purchaser, in the amount necessary to create proportional participation (based on proportional Investments before giving effect to such recovery) by the Purchaser in such recovery. If all or any portion of such amount is thereafter recovered from the recipient, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

SECTION 11.11 Non-Reliance. Each Purchaser expressly acknowledges that none of the Collateral Agent, the Administrative Agent, the Purchaser Agents nor any of their respective officers, directors, members, partners, certificateholders, employees, agents, attorneys-in-fact, or Affiliates has made any representations or warranties to it and that no act by the Collateral Agent, the Administrative Agent, or any Purchaser Agent hereafter taken, including any review of the affairs
of any ADT Entity, shall be deemed to constitute any representation or warranty by the Collateral Agent, the Administrative Agent, or any Purchaser Agent. Each Purchaser represents and warrants to the Collateral Agent, the Administrative Agent, and each Purchaser Agent that, independently and without reliance upon the Collateral Agent, the Administrative Agent, any Purchaser Agent, or any other Purchaser and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial, and other conditions and creditworthiness of any ADT Entity and the Receivables and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. Without limiting the foregoing, the Purchasers and the Purchasers Agents acknowledge and agree that (i) the Administrative Agent has made certain of its own analytics, credit evaluations, models and/or projections regarding the performance and expected performance of the Receivable Pool available to certain Purchasers and/or Purchaser Agents, (ii) such information was made available to it solely as an accommodation by the Administrative Agent and that it has made its own independent credit analysis and investigation regarding the performance and expected performance of the Receivable Pool, and (iii) the Administrative Agent shall have no responsibility or liability for the accuracy or completeness of any such information. Except for items specifically required to be delivered hereunder, neither the Collateral Agent nor the Administrative Agent shall have any duty or responsibility to provide any Purchaser Agent or Purchaser with any information concerning any ADT Entity, or any of their Affiliates that comes into its possession or any of its officers, directors, members, partners, certificateholders, employees, agents, attorneys-in-fact, or Affiliates.

ARTICLE XII

INDEMNIFICATION

SECTION 12.1 Indemnities by the Seller.

(a) General Indemnity. Without limiting any other rights which any such Person may have hereunder or under applicable Law, the Seller agree to indemnify and hold harmless the Collateral Agent, the Administrative Agent, each Purchaser, each Purchaser Agent, each other Affected Party, each of their respective Affiliates, and all members, managers, directors, shareholders, officers, employees, and attorneys, or agents of any of the foregoing (each an “Indemnified Party”), forthwith on demand, from and against any and all damages, losses, claims, liabilities, and related costs and expenses, including reasonable and documented attorneys’ fees and disbursements (subject to the limitations in respect of attorneys’ fees and disbursements set forth in the proviso to Section 13.6) but excluding Taxes (indemnification for which shall be governed by Section 3.3(e)) (all of the foregoing being collectively referred to as “Indemnified Amounts”) awarded against or incurred by any of them arising out of, relating to or in connection with this Agreement or the other Transaction Documents, any of the transactions contemplated hereby or thereby, or the ownership, maintenance or funding, directly or indirectly, of the Pool Receivables or Related Assets (or any portion thereof) or otherwise arising out of or relating to or resulting from the actions or inactions of any ADT Entity, the Servicer or any of their respective Affiliates, provided, however, notwithstanding anything to the contrary in this Article XII,
excluding Indemnified Amounts solely to the extent resulting from the fraud, bad faith, gross negligence or willful misconduct on the part of such Indemnified Party as determined by a final non-appealable judgment by a court of competent jurisdiction. Without limiting the generality of the foregoing but subject to the express limitations set forth in this Section 12.1, the Seller shall indemnify and hold harmless each Indemnified Party for any and all Indemnified Amounts arising out of, relating to, or resulting from:

(i) the transfer by the Seller of any interest in any Pool Receivable or Related Asset;

(ii) any representation or warranty made by the Seller under or in connection with any Transaction Document, any Purchase Request, any Information Package, or any other information or report delivered by or on behalf of the Seller pursuant hereto, which shall have been untrue, false, or incorrect when made or deemed made;

(iii) the failure of the Seller to comply with the terms of any Transaction Document, any applicable Law any Contract, any Pool Receivable, or Related Assets or the nonconformity of any Contract, Pool Receivable, or Related Assets with any such Law;

(iv) the failure to vest in favor of the Collateral Agent of an enforceable perfected ownership interest, or a first priority perfected security interest, in any Pool Receivables and all Related Assets against all Persons including any bankruptcy trustee or similar Person;

(v) the failure to file, or any delay in filing of, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or under any other applicable Laws with respect to any Pool Receivable whether at the time of any Purchase or at any time thereafter;

(vi) any suit or claim related to the Pool Receivables or any Transaction Document (including any products liability or environmental liability claim arising out of or in connection with merchandise or services that are the subject of any Pool Receivable);

(vii) failure by the Seller to comply with the “bulk sales” or analogous Laws of any jurisdiction;

(viii) any loss arising, directly or indirectly, as a result of the imposition of sales or similar transfer type taxes or the failure by the Seller to timely collect and remit to the appropriate authority any such taxes;

(ix) any commingling of any Collections of Pool Receivables with any other funds;
(x) the failure or delay to provide any Obligor with an invoice or other evidence of indebtedness;

(xi) any failure of the Seller, or ADT to assign any Pool Receivable or Related Asset as contemplated under the Transaction Documents; or the violation or breach by any ADT Entity of any confidentiality provision, or of any similar covenant of non-disclosure, with respect to any Contract, or any other Indemnified Amount payable hereunder with respect to or resulting from any such violation or breach;

(xii) the existence or assertion of any Adverse Claim in favor of any Governmental Authority or any other Person against any Omnibus Account, Collection Account, Lock-box, Lock-box Account, Collections, Receivable, Service Charge Receivable, or any related Contract or any portion or proceeds thereof, including, without limitation, as a result of any portion of any such Omnibus Account, Collection Account, Lock-box, Lock-box Account, Collections, Receivable, Service Charge Receivable, or any related Contract being attributable to governmental fees, surcharges, or taxes;

(xiii) any Pool Receivable failing to constitute an Eligible Receivable;

(xiv) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Pool Receivable in, or purporting to be in, the Receivables Pool (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services related to such Receivable or the furnishing or failure to furnish such merchandise or services or relating to collection activities with respect to such Pool Receivable;

(xv) any investigation, litigation or proceeding related to any Transaction Document or the use of proceeds, of Purchases or the ownership of Pool Receivables or the Related Assets;

(xvi) any claim brought by any Person other than an Indemnified Party arising from any activity by the Seller or any Affiliate of the Seller in servicing, administering or collecting any Receivable;

(xvii) the facts or circumstances giving rise to any Event of Termination or Unmatured Event of Termination; or

(xviii) any inability to litigate any claim against any Obligor in respect of any Pool Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding.
(b) **Contribution.** If for any reason the indemnification provided above in this Section 12.1 is unavailable to an Indemnified Party or is insufficient to hold an Indemnified Party harmless, then the Seller shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, claim, damage, or liability in such proportion as is appropriate to reflect not only the relative benefits received by such Indemnified Party on the one hand and the Seller on the other hand but also the relative fault of such Indemnified Party as well as any other relevant equitable considerations.

(c) For the avoidance of doubt, there shall be no recourse to the Servicer for the Seller’s indemnification obligations under this Section 12.1 other than to the extent expressly provided for in this Agreement or in any other Transaction Document.

**SECTION 12.2 Indemnities by ADT and the Servicer.** Without limiting any other rights which any such Person may have hereunder or under applicable Law, each of ADT and the Servicer agree to indemnify and hold harmless each Indemnified Party from any and all Indemnified Amounts incurred by any of them and arising out of, relating to or resulting from: (i) any breach by it (in any capacity) of any of its obligations or duties under this Agreement or any other Transaction Document; (ii) the untruth or inaccuracy of any representation or warranty made by it (in any capacity) hereunder or under any other Transaction Document; (iii) the failure of any information contained in any Purchase Request or Information Package to be true and correct, or the failure of any other information provided to any such Indemnified Party by, or on behalf of, the Servicer (in any capacity) to be true and correct; (iv) any negligence or willful misconduct on its part (in any capacity) arising out of, relating to, in connection with, or affecting any transaction contemplated by the Transaction Documents, any Contract, any Pool Receivable or any Related Asset; (v) the failure by it (in any capacity) to comply with any applicable Law, rule, or regulation with respect to any Pool Receivable or the related Contract or its servicing thereof; (vi) any commingling of any funds by it (in any capacity) relating to any Pool Receivables or Related Assets with any of its funds or the funds of any other Person; (vii) the failure or delay to provide any Obligor with an invoice or other evidence of indebtedness; (viii) any failure of the Seller or it to assign any Pool Receivable or Related Asset purported to be assigned as contemplated under the Transaction Documents, or the violation or breach by any ADT Entity of any confidentiality provision, or of any similar covenant of non-disclosure, with respect to any Contract, or any other Indemnified Amount payable hereunder with respect to or resulting from any such violation or breach; or (ix) the existence or assertion of any Adverse Claim in favor of any Governmental Authority or any other Person against any Omnibus Account, Collection Account, Lock-box, Lock-box Account, Collections, Receivable, Service Charge Receivable, or any related Contract, or any portion or proceeds thereof, including, without limitation, as a result of any portion of such Omnibus Account, Collection Account, Lock-box, Lock-box Account, Collections, Receivable, Service Charge Receivable, or any related Contract being attributable to governmental fees, surcharges, or taxes; provided, however, notwithstanding anything to the contrary in this Article XII, excluding Indemnified Amounts solely to the extent (w) resulting from the fraud, bad faith, gross negligence or willful misconduct on the part of such Indemnified Party as determined by a final non-appealable judgment by a court of competent jurisdiction, (x) resulting from the uncollectability of any such Pool Receivables not arising from any action or breach of any ADT entity, (y) they constitute recourse with respect to a Pool Receivable.
by reason of bankruptcy or insolvency, or the financial or credit condition or financial default, of the related Obligor, or (z) constitute special, indirect, consequential, or punitive damages.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1 Amendments, Etc.

(a) No amendment, modification, or waiver of any provision of this Agreement or consent to any departure by the Seller or ADT therefrom shall in any event be effective unless the same shall be in writing and signed by the Seller, ADT, the Collateral Agent, the Administrative Agent, and the Required Purchasers, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver, or modification shall (i) decrease the outstanding amount of, or extend the repayment of or any scheduled payment date for the payment of, any Yield in respect of the Purchasers’ Pool Investment or any Fees owed to any Purchaser, the Collateral Agent, any Purchaser Agent or the Administrative Agent without the prior written consent of such Person; (ii) forgive or waive or otherwise excuse any repayment of the Purchasers’ Pool Investment without the prior written consent of each Purchaser and the related Purchaser Agent affected thereby; (iii) increase the Purchase Group Limit in respect of any Purchaser Group without its prior written consent; (iv) amend or modify the provisions of this Section 13.1, or the definition of “Acceleration Date”, “Delinquent Receivable”, “Defaulted Receivable”, “Eligible Receivable”, “Event of Termination”, “Unmatured Event of Termination”, “Required Purchasers”, “Net Portfolio Balance”, “Purchase Termination Date” (other than pursuant to an extension thereof in accordance with Section 3.5), “Required Reserves”, “Yield Period” or “Settlement Period” (or any of the definitions used in any such preceding definition in a manner that would circumvent the intention of the restrictions set forth in this Section 13.1), in each case, without the prior written consent of each Purchaser and Purchaser Agent, or (v) release all or any material part of the Pool Receivables or Related Assets from the security interest granted by the Seller to the Collateral Agent hereunder without the prior written consent of each Purchaser and Purchaser Agent; provided, further, that the consent of ADT and the Seller shall not be required for the effectiveness of any amendment which modifies on a prospective basis, the representations, warranties, covenants, or responsibilities of the Servicer at any time when the Servicer is not an Affiliate of ADT or the fees and expenses payable to any such Servicer. Notwithstanding anything in any Transaction Document to the contrary, none of the Seller or ADT shall amend, waive, or otherwise modify any other Transaction Document, or consent to any such amendment or modification, without the prior written consent of the Collateral Agent, the Administrative Agent, and the Required Purchasers.

(b) To the extent that the Seller and ADT consent to an Initial Syndication, and it or any other assignment is to a Conduit Purchaser, the parties hereto agree to negotiate in good faith to amend or amend and restate this Agreement to reflect prevailing terms in receivables financing transactions which include Conduit Purchasers; provided, that nothing
in this Section 13.1(b) shall require any party to this Agreement to consent to an amendment that adversely affects such party in any significant manner.

SECTION 13.2 Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including facsimile and email communication) and shall be personally delivered or sent by express mail or nationally recognized overnight courier or by certified mail, first class postage prepaid, or by facsimile or email, to the intended party at the address, facsimile number, or email address of such party set forth in Schedule I or at such other address, facsimile number, or email address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, (a) if personally delivered or sent by express mail or courier or if sent by certified mail, when received, and (b) if transmitted by facsimile or email, when receipt is confirmed by telephonic or electronic means.

SECTION 13.3 Successors and Assigns; Participations; Assignments.

(a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Except as otherwise provided herein, the Seller and ADT may not assign or transfer any of their rights or delegate any of their duties hereunder or under any Transaction Document without the prior consent of the Collateral Agent, the Administrative Agent and each Purchaser Agent.

(b) Participations. Any Purchaser may sell to one or more Persons (each a “Participant”) participating interests in the interests of such Purchaser hereunder; provided, however, that no Purchaser shall grant any participation under which the Participant shall have rights to approve any amendment, waiver or other modification of this Agreement or any other Transaction Document. Such Purchaser shall remain solely responsible for performing its obligations hereunder, and the Seller, ADT, the Servicer, the Collateral Agent, each Purchaser Agent, each other Purchaser and the Administrative Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser’s rights and obligations hereunder. Each Participant shall be subject to the requirements under Section 3.3(e)(v) as if such Participant were a Purchaser, it being understood that the documentation required under such section shall be delivered to the participating Purchaser. A Purchaser shall not agree with a Participant to restrict such Purchaser’s right to agree to any amendment hereto, except amendments that require the consent of all Purchasers or all Purchaser Agents. Each Purchaser that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Seller, maintain a register on which it enters the name and address of each Participant and the Purchases (and Yield, fees, and other similar amounts under this Agreement) of each Participant’s interest in the interests of such Purchaser under the Transaction Documents (the “Participant Register”); provided that no Purchaser shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant’s interest in any Pool Receivables or Related Assets or other obligations under any Transaction Document) to any Person except to the extent that such disclosure is necessary to establish that such interest.
or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Purchaser shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, neither the Collateral Agent nor the Administrative Agent (in its capacity as Administrative Agent) shall have any responsibility for maintaining a Participant Register.

(c) Assignment by Conduit Purchasers. This Agreement and each Conduit Purchaser’s rights and obligations under this Agreement (including its interest in the Pool Receivables or Related Assets) or any other Transaction Document shall be freely assignable in whole or in part by such Conduit Purchaser and its successors and permitted assigns to any Eligible Assignee without the consent of ADT, the Servicer or the Seller except to the extent such consent may be required solely in accordance with clause (iv) of the definition of Eligible Assignee. Each assignor of all or a portion of its interest in the Pool Receivables or Related Assets shall notify the Collateral Agent, the Administrative Agent, each Purchaser Agent, and ADT (on its and the Seller’s behalf) of any such assignment. Each assignor of all or a portion of its interest in the Pool Receivables or Related Assets may, in connection with such assignment and subject to Section 13.8, disclose to the assignee any information relating to the Pool Receivables or Related Assets, furnished to such assignor by or on behalf of the Seller, the Servicer, the Collateral Agent, or the Administrative Agent. Furthermore, notwithstanding anything to the contrary set forth herein (other than Section 13.3(f)), each Conduit Purchaser may at any time pledge, grant a security interest in, or otherwise transfer all or any portion of its interest in the Pool Receivables or Related Assets or under this Agreement to a Collateral Trustee, in each case without notice to or the consent of any other party hereto, but such pledge, grant, or transfer shall not relieve any Person from its obligations hereunder.

(d) Assignment by Non-Conduit Purchasers. Each Purchaser which does not constitute a Conduit Purchaser may freely assign to any Eligible Assignee without the consent of the Seller, ADT or the Servicer except as required pursuant to clause (iv) of the definition of Eligible Assignee all or a portion of its rights and obligations under this Agreement or in any other Transaction Document (including all or a portion of its interest in the Pool Receivables or Related Assets) in each case, with prior written consent (such consent not to be unreasonably withheld) of the Collateral Agent, the Administrative Agent, the related Purchaser Agent and with prior written notice to Servicer (on its and the Sellers’ behalf); provided, however, the parties to each such assignment (other than an assignment described in clause (B) above) shall execute and deliver to the Collateral Agent, the Administrative Agent, each Purchaser Agent and the Servicer (on its and the Seller’s behalf), for its recording in the Register, a duly executed and enforceable joinder to this Agreement in substantially the form of Exhibit F hereto (“Joinder”).

From and after the effective date specified in such Joinder, (x) the assignee thereunder shall be a party to this Agreement and, to the extent that rights and obligations under this Agreement have been assigned to it pursuant to such Joinder, have the rights of
a Purchaser thereunder and (y) the assigning Purchaser shall, to the extent that rights and obligations have been assigned by it pursuant to such Joinder, relinquish such rights and be released from such obligations under this Agreement. In addition, any Purchaser that constitutes a banking institution may assign all or any portion of its rights (including its interest in the Pool Receivables or Related Assets) under this Agreement to any Federal Reserve Bank or any central bank having jurisdiction over such Purchaser without notice to or consent of the Seller, the Servicer, any other Purchaser, the Collateral Agent, or the Administrative Agent.

Notwithstanding anything to the contrary in this Section 13.3, but subject to Section 13.1(b), the Initial Syndication shall require the prior written consent of the Seller and ADT, which may be withheld in their sole respective discretions.

(c) Register.

(i) The Administrative Agent (on behalf of the Sellers) shall in respect of the Receivable Pool maintain a register for the recordation of the names and addresses of the Purchasers, and the Purchases (and Yield, fees, and other similar amounts under this Agreement) pursuant to the terms hereof from time to time (the “Register”). The entries in the Register shall be conclusive absent manifest error, and the Seller, the Servicer, the Administrative Agent, the Collateral Agent, and the Purchasers shall be entitled to conclusively rely on the information contained in the Register for all purposes hereunder (including with respect to the identities of the Purchasers and the amount of their Investment) and otherwise treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Purchaser for all purposes hereunder and under the other Transaction Documents. The Register shall be available for inspection by the Seller, the Servicer and any Purchaser, at any reasonable time and from time to time upon reasonable prior notice.

(ii) The Administrative Agent shall also maintain in the Register each assignee’s interest or obligations under the Transaction Documents with respect to each assignment pursuant to Section 13.3(c) or 13.3(d) and shall record such assignment upon notice from the applicable Purchaser. The entries in the Register shall be conclusive absent manifest error.

(f) Status of Receivables. Notwithstanding the foregoing, unless disposed of or assigned by the Servicer or the Collateral Agent in accordance with the terms of this Agreement (including pursuant to Section 10.2), each Purchaser’s interest in the Pool Receivables or Related Assets shall remain subject to the provisions of this Agreement, including the provisions relating to the re-conveyance of Receivables to the Seller or the Servicer, notwithstanding any sale or assignment of such interest by such Purchaser.

(g) Status of Conduit Purchasers. So long as any Conduit Purchaser holds any Investment, such Conduit Purchaser shall be a multi-seller asset-backed commercial paper conduit.
SECTION 13.4 No Waiver; Remedies; Set-Off. No failure on the part of the Collateral Agent, the Administrative Agent, any Liquidity Provider, any Enhancement Provider, any Affected Party, any Purchaser, any Purchaser Agent, or any Indemnified Party to exercise, and no delay in exercising, any right, power, or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power, or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by Law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given. Without limiting the foregoing, each Purchaser, each Purchaser Agent, the Administrative Agent, the Collateral Agent, each Enhancement Provider, each Liquidity Provider, each Affected Party, and any of their Affiliates (each a “Set-off Party”) are each hereby authorized at any time during the continuance of an Event of Termination, (in addition to any other rights it may have) to setoff, appropriate, and apply (without presentment, demand, protest, or (subject to the last sentence hereof) any other notice, each of which are hereby expressly waived) any deposits and any other indebtedness held or owing by such Set-off Party (including by any branches or agencies of such Set-off Party) to, or for the account of, any ADT Entity against amounts owing by any ADT Entity under this Agreement or the other Transaction Documents (even if contingent or unmatured). For the avoidance of doubt, the applicable Set-off Party shall not set off against any deposits of ADT with respect to any obligations of the Seller or against the Seller for any obligations of ADT. Each Set-off Party (or its related Purchaser Agent, if applicable) shall promptly notify the Administrative Agent, the Collateral Agent, each Purchaser Agent, the Seller and the Servicer of its exercise of set-off rights pursuant to this Section 13.4, which notice shall specify (i) the amount of the Obligations setoff, (ii) whether such Obligations constitute Seller Obligations or ADT Obligations, (iii) if the setoff was against amounts payable to any ADT Entity (other than the Seller), the type of ADT Obligation to which such setoff relates, and (iv) the effective date of such setoff.

Following the Administrative Agent’s receipt of any such notice from a Set-off Party (or its related Purchaser Agent, if applicable) in respect of an ADT Obligation which had been setoff, the Administrative Agent shall, if it had received a Demand Collection in respect of such ADT Obligation, make appropriate adjustments to the amounts distributable by it pursuant to Section 3.3(a) to reflect such setoff to the extent that such ADT Obligation Payments were not previously applied pursuant to Section 3.3(a).

Following the Collateral Agent’s receipt of any such notice from a Set-off Party (or its related Purchaser Agent, if applicable) in respect of a Seller Obligation which had been setoff, the Collateral Agent shall make appropriate adjustments to the amounts allocated and distributed pursuant to Section 3.1(d) to reflect such setoff of such Seller Obligation by such Set-off Party; provided that the Collateral Agent shall have no obligation to make any such adjustment in respect of a Settlement Date unless, it has received the applicable notice of setoff on or prior to the Reporting Date immediately preceding such Settlement Date. For purposes of the above adjustments by the Collateral Agent, all setoff, effected by a Set-off Party shall be deemed to have been applied to Seller Obligations in the reverse order of application of the Seller Obligations as set forth in Section 3.1(d).

SECTION 13.5 Binding Effect; Survival.
(a) This Agreement shall be binding upon and inure to the benefit of the Seller, ADT, the Servicer, the Collateral Agent, the Administrative Agent, each Purchaser, and the provisions of Section 4.2 and Article XII shall inure to the benefit of the Affected Parties and Indemnified Parties, respectively, and their respective successors and assigns.

(b) Each Liquidity Provider, each Enhancement Provider, and each other Affected Party are express third party beneficiaries hereof. Subject to clause (i) of Section B of Appendix A hereto, this Agreement shall not confer any rights or remedies upon any other Person, other than the third party beneficiaries specified in this Section 13.5(b).

(c) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Final Payout Date. The rights and remedies with respect to any breach of any representation and warranty made by the Seller pursuant to Article VI and the indemnification and payment provisions of Article XII and Sections 1.2(e), 3.2, 3.3, 4.1, 4.2, 4.3, 11.7, 13.4, 13.5, 13.6, 13.7, 13.8, 13.11, 13.12, 13.13, and 13.16 shall be continuing and shall survive any termination of this Agreement.

SECTION 13.6 Costs and Expenses. The Seller shall promptly pay, (x) on the Closing Date, with respect to all such costs and expenses incurred on or prior to the Closing Date and for which invoices have been provided reasonably prior to the Closing Date and (y) by remittance to the Collateral Agent’s Account within three (3) Business Days of demand, with respect to all other such costs and expenses, all reasonable and documented out-of-pocket costs and expenses incurred by or on behalf of the Collateral Agent, the Administrative Agent, each Purchaser and each Purchaser Agent in connection with:

(a) the negotiation, preparation, execution, and delivery of this Agreement and the other Transaction Documents and any amendment of or consent or waiver under any of the Transaction Documents (whether or not consummated), or the enforcement of, or any actual or claimed breach of, this Agreement or any of the other Transaction Documents including reasonable and documented accountants’, auditors’, consultants’, and attorneys’ fees and expenses to any of such Persons and the reasonable and documented fees and charges of any nationally recognized statistical rating agency or any independent accountants, auditors, consultants, or other agents incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under any of the Transaction Documents in connection with any of the foregoing; and

(b) subject only to the limitations in Sections 7.1(c) and 7.4(c), the administration (including periodic auditing and inspections as provided for herein) of this Agreement and the other Transaction Documents and the transactions contemplated thereby, including all reasonable and documented expenses and accountants’, consultants’, and attorneys’ fees incurred in connection with the administration and maintenance of this Agreement and the other Transaction Documents and the transactions contemplated thereby;

provided, that so long as no Unmatured Event of Termination or Event of Termination has occurred and remains continuing, the Seller’ obligation to pay the reasonable
and documented attorneys’ fees and expenses incurred by the Collateral Agent, the Administrative Agent, the Purchasers and the Purchaser Agents shall be limited to paying the reasonable and documented fees and expenses of two (one if the Collateral Agent and the Administrative Agent are Affiliates or the same Person) law firms, each one selected by the Collateral Agent and the Administrative Agent in its sole discretion; provided, however, that such limitation shall not be applicable in respect of any Person if such limitation on representation would be inappropriate due to an actual or potential conflict of interest between the Collateral Agent, the Administrative Agent, any Purchaser Agent or any Purchaser, including situations in which there are one or more legal defenses available to one such Person that are different from or additional to those available to any other such Person; provided, further, that, for the avoidance of doubt, no limitation on the reasonable and documented attorneys’ fees and expenses incurred by the Collateral Agent, the Administrative Agent, any Purchaser, or any Purchaser Agent during the continuance of an Unmatured Event of Termination or Event of Termination shall be applicable even if such event subsequently ceases to be continuing.

SECTION 13.7 No Proceedings; Limited Recourse.

(a) The Seller, ADT, the Servicer, the Collateral Agent, the Administrative Agent, each Purchaser, and each Purchaser Agent, each hereby agrees that it will not institute against any Conduit Purchaser, or join any other Person in instituting against any Conduit Purchaser, any proceeding of the type referred to in the definition of Event of Bankruptcy from the Closing Date until one year plus one day following the last day on which all Commercial Paper Notes and other publicly or privately placed indebtedness of such Conduit Purchaser shall have been indefeasibly paid in full. The foregoing shall not limit any such Person’s right to file any claim in or otherwise take any action with respect to any insolvency proceeding that was instituted by any Person other than such parties.

(b) The Servicer, ADT, the Collateral Agent, the Administrative Agent, each Purchaser, and each Purchaser Agent, each hereby agrees, and each Affected Party, Indemnified Party, Set-off Party and each other Person (other than the Seller) obtaining any benefits from this Agreement and the Transaction Documents, by its acceptance of such benefits, shall be deemed to have agreed, that it will not institute against the Seller, or join any other Person in instituting against the Seller, any proceeding of the type referred to in the definition of Event of Bankruptcy. The foregoing shall not limit the right of any such Person (each, a “Seller Creditor”) right to file any claim in or otherwise take any action with respect to any insolvency proceeding that was instituted by any Person other than such Seller Creditor, to the extent such Seller Creditor has not otherwise caused the institution of such proceeding. All claims against the Seller of any Seller Creditor that has instituted or has caused the institution of such a proceeding shall be subordinated to the claims of each Seller Creditor that has not instituted or caused the institution of such a proceeding, and the foregoing agreement shall constitute a “subordination agreement” within the meaning of Section 510 of the Bankruptcy Code. Notwithstanding anything to the contrary contained herein or in any other Transaction Document, the obligations of the Seller hereunder and
thereunder are solely the obligations of the Seller, payable solely from the Seller’s own assets.

(c) Notwithstanding anything to the contrary contained herein, the obligations of any Conduit Purchaser under this Agreement are solely the obligations of such Conduit Purchaser and shall be payable at such time as funds are received by or are available to such Conduit Purchaser in excess of funds necessary to pay in full all outstanding Commercial Paper Notes of such Conduit Purchaser and, if applicable, all obligations and liabilities of such Conduit Purchaser to any related Commercial Paper Note issuer, and, to the extent funds are not available to pay such obligations, the claims relating thereto shall not constitute a claim against such Conduit Purchaser but shall continue to accrue. Each party hereto agrees that the payment of any claim (as defined in Section 101 of Title 11, of the Bankruptcy Code) of any such party shall be subordinated to the payment in full of all Commercial Paper Notes; provided, however, that each party hereto agrees that for purposes of this Section 13.7(c), a Conduit Purchaser does not own a direct interest in the Pool Receivables, the Related Assets, Collections and the proceeds therefrom, but only a right to the amounts set forth as payable to it herein, and accordingly this Section 13.7(c) does not contemplate that amounts payable to the Seller or Servicers from the proceeds of Pool Receivables and Related Assets, including Collections, all as set forth herein, would be subordinated to the payment of a Conduit Purchaser’s Commercial Paper Notes.

(d) No recourse under any obligation, covenant or agreement of any Conduit Purchaser contained in this Agreement shall be had against any member, manager, officer, director, employee or agent of such Conduit Purchaser or any of their Affiliates (solely by virtue of such capacity) by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is solely an obligation of each Conduit Purchaser individually, and that no personal liability whatever shall attach to or be incurred by any incorporator, stockholder, officer, director, member, employee or agent of any Conduit Purchaser or any of their Affiliates (solely by virtue of such capacity) or any of them under or by reason of any of the obligations, covenants or agreements of such Conduit Purchaser contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by any Conduit Purchaser of any of such obligations, covenants or agreements, either at common law or at equity, or by statute, rule or regulation, of every such member, manager, officer, director, employee or agent is hereby expressly waived as a condition of and in consideration for the execution of this Agreement; provided that the foregoing shall not relieve any such Person from any liability it might otherwise have as a result of fraudulent actions taken or omissions made by them.

(e) Except as expressly provided in any Transaction Document, no recourse shall be had for the payment of any amount owing by the Seller in respect of this Agreement or the other Transaction Documents or for the payment of any fee hereunder or for any other obligation or claim arising out of or based upon this Agreement against the Servicer, any other ADT Entity or any Affiliate of any of the foregoing (other than the Seller), or any stockholder, employee, officer, director, incorporator or beneficial owner of any of
the foregoing; provided, however, that the foregoing shall not in any manner affect, limit or waive any of the obligations of
the Servicer, any other ADT Entity or any Affiliate of any of the foregoing that such Person may have under any Transaction
Document.

SECTION 13.8 Confidentiality.

(a) Each party hereto acknowledges that the Collateral Agent, the Administrative Agent, each Purchaser, and
each Purchaser Agent regards the terms of the transactions contemplated by this Agreement to be proprietary and
confidential, and each such party severally agrees that:

(i) it will not disclose without the prior consent of the Collateral Agent, the Administrative Agent
(other than to its Collateral Trustee (if any), and its and its Affiliates’ directors, officers, employees, agents,
accountants, auditors, and counsel or other advisors (collectively, “representatives”) of such party, each of whom
shall be informed by such party of the confidential nature of the Program Information (as defined below) and of the
terms of this Section 13.8), (1) any information regarding the pricing terms in, or copies of, this Agreement, any other
Transaction Document or any transaction contemplated hereby or thereby, (2) any information regarding the
organization, business, or operations of any Purchaser generally or the services performed by the Collateral Agent or
the Administrative Agent for any Purchaser, or (3) any information which is furnished by the Collateral Agent or the
Administrative Agent to such party and is designated by the Collateral Agent or the Administrative Agent to such
party in writing as confidential (the information referred to in clauses (1), (2), and (3) is collectively referred to as the
“Program Information”); provided that such party may disclose any such Program Information: (A) to any other party
to this Agreement (and any representatives so long as they are informed that such information is confidential and
agree to keep such information confidential) for the purposes contemplated hereby, (B) to the extent requested by any
regulatory authority or by applicable Laws, (C) as may be required by any Governmental Authority having
jurisdiction over such party, (x) in order to comply with any Law applicable to such party or (y) subject to subsection
(c), in the event such party is legally compelled (by interrogatories, requests for information or copies, subpoena, civil
investigative demand, or similar process) to disclose any such Program Information, (D) to any permitted assignee of
such party’s rights and obligations hereunder to the extent they agree to be bound by this Section 13.8, (E) in
connection with the exercise of any remedies hereunder or any suit, action, or proceeding relating to this Agreement
or the enforcement of rights hereunder, or (F) to any nationally recognized statistical rating organization as
contemplated by Section 17g-5 of the 1934 Act or in connection with obtaining or monitoring a rating on any
Commercial Paper Notes, or (G) in connection with filings (including exhibit filings) required under the 1934 Act, as
reasonably determined by the applicable filing party to be necessary or appropriate for the purposes of complying
with applicable Law;
(ii) it, and any Person to which it discloses such information, will use the Program Information solely for the purposes of evaluating, administering, performing and enforcing the transactions contemplated by this Agreement and making any necessary business judgments with respect thereto; and

(iii) it, and any Person to which it discloses such information, will, upon written demand from the Collateral Agent or the Administrative Agent, return (and cause each of its representatives to return) to the Collateral Agent or the Administrative Agent or destroy (whether to return or destroy being in the sole discretion of such party), all documents or other written material received from the Collateral Agent or the Administrative Agent, as the case may be, pursuant to clauses (2) or (3) of subsection (i) above and all copies thereof made by such party which contain all Program Information; provided however that it may retain one copy of such document or material and any Program Information incorporated into any of its credit review documentation, or as it otherwise deem necessary in order to comply with ordinary and customary retention requirements of financial institutions, sound banking practices and audit and examination requirements or as otherwise may be required by applicable Law. Any Person required to maintain the confidentiality of any information as provided in this Section 13.8(a) shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord to its own confidential information.

(b) Availability of Confidential Information. Section 13.8(a) shall be inoperative as to such portions of the Program Information which are or become generally available to the public or such party on a nonconfidential basis from a source other than the Collateral Agent or the Administrative Agent or were known to such party on a nonconfidential basis prior to its disclosure by the Collateral Agent or the Administrative Agent.

(c) Legal Compulsion to Disclose. In the event that any party or anyone to whom such party or its representatives transmits the Program Information is requested or becomes legally compelled (by interrogatories, requests for information or documents, subpoena, civil investigative demand, or similar process) to disclose any of the Program Information, to the extent permitted by applicable Law and if practical to do so under the circumstances, such party shall provide the Collateral Agent, the Administrative Agent, each Purchaser Agent, and ADT with prompt written notice so that the Collateral Agent or the Administrative Agent may at the expense of ADT seek a protective order or other appropriate remedy and/or if it so chooses, agree that such party may disclose such Program Information pursuant to such request or legal compulsion. In the event that such protective order or other remedy is not obtained, or the Collateral Agent and the Administrative Agent waive compliance with the provisions of this Section 13.8(c), such party will furnish only that portion of the Program Information which (in such party’s good faith judgment) is legally required to be furnished and will exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Program Information.
(d) **Disclosure of Tax Treatment and Structure.** Notwithstanding anything herein to the contrary, each party (and each employee, representative, or other agent of each party) hereto may disclose to any and all Persons, without limitation of any kind, any information with respect to the United States federal income “tax treatment” and “tax structure” (in each case, within the meaning of U.S. Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other Tax analyses) that are provided to such parties (or their representatives) relating to such tax treatment and tax structure; provided, that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the United States federal income tax treatment or tax structure of the transactions contemplated hereby.

(e) **Confidentiality of the Collateral Agent, the Administrative Agent, and Purchasers.** The Collateral Agent, the Administrative Agent, each Purchaser, each Purchaser Agent, each Affected Party, and their successors and assigns agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its Collateral Trustee (if any) and its Affiliates’ directors, officers, employees, and agents, including accountants, auditors, legal counsel, and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and be instructed and agree or be otherwise bound to keep such Information confidential on terms at least as restrictive as this Section 13.8(e)), (ii) to the extent requested by any regulatory authority or by applicable Laws, (iii) to the extent required by any subpoena or similar legal process, provided, however, to the extent permitted by applicable Law and if practical to do so under the circumstances, that the Person relying on this clause (iii) shall provide ADT and the Seller with prompt notice of any such required disclosure so that ADT or the Seller, as applicable, may seek a protective order or other appropriate remedy, and in the event that such protective order or other remedy is not obtained, such Person will furnish only that portion of the Information which is legally required, (iv) to any other Affected Party (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and be instructed and agree or be otherwise bound to keep such Information confidential on terms at least as restrictive as this Section 13.8(e)), (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) to any prospective participant or assignee provided such person agrees to be bound by this Section 13.8(e), (vii) with the consent of the Seller and ADT, (viii) to the extent such Information (1) becomes publicly available other than as a result of a breach of this Section 13.8(e) or any agreement contemplated by this Section 13.8(e) or (2) becomes available to such Person on a nonconfidential basis from a source other than ADT, or any of its Affiliates (and not in breach of this Section 13.8(e) or any agreement contemplated by this Section 13.8(e)) or (ix) to any nationally recognized statistical rating organization as contemplated by Section 17g-5 of the 1934 Act or in connection with obtaining or monitoring a rating on any Commercial Paper Notes. For the purposes of this Section, “Information” means all information received.
from ADT or any Affiliate of ADT, other than any such information that is available to such Person on a nonconfidential basis prior to disclosure by ADT or any Affiliate of ADT.

(f) Privacy Requirements. Notwithstanding anything to the contrary in this agreement, in no event shall any ADT Entity be required to provide the Administrative Agent, the Collateral Agent, any Purchaser, any Purchaser Agent or any other Person with any Borrower Information that may constitute nonpublic and/or personal information protected under the Privacy Requirements (collectively, “Non-Public Borrower Data”) unless the condition set forth in Section 5.1(n) is satisfied.

SECTION 13.9 Captions and Cross References. The various captions (including the table of contents) in this Agreement are provided solely for convenience of reference and shall not affect the meaning or interpretation of any provision of this Agreement. Unless otherwise indicated, references in this Agreement to any Section, Article, Appendix, Schedule, or Exhibit are to such Section or Article of, or Appendix, Schedule, or Exhibit to this Agreement, as the case may be, and references in any Section, subsection, or clause to any subsection, clause, or subclause are to such subsection, clause, or subclause of such Section, subsection, or clause.

SECTION 13.10 Integration. This Agreement, together with the other Transaction Documents, contains a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire understanding among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.


SECTION 13.12 Waiver of Jury Trial. EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT, OR UNDER ANY AMENDMENT, INSTRUMENT, OR DOCUMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING OR OTHER RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT A JURY.

90
SECTION 13.13  Consent to Jurisdiction; Waiver of Immunities. EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT:

(a) IT IRREVOCABLY (i) SUBMITS TO THE JURISDICTION, FIRST, OF ANY UNITED STATES FEDERAL COURT, AND SECOND, IF FEDERAL JURISDICTION IS NOT AVAILABLE, OF ANY NEW YORK STATE COURT, IN EITHER CASE SITTING IN NEW YORK CITY, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OTHER TRANSACTION DOCUMENT, (ii) AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED ONLY IN SUCH NEW YORK STATE OR FEDERAL COURT AND NOT IN ANY OTHER COURT, AND (iii) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING.

(b) TO THE EXTENT THAT IT HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM THE JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID TO EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, IT HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER OR IN CONNECTION WITH THIS AGREEMENT.

SECTION 13.14  Execution in Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same Agreement. Delivery of an executed counterpart hereof by facsimile or other electronic means shall be equally effective as delivery of an originally executed counterpart.

SECTION 13.15  Pledge to a Federal Reserve Bank. Notwithstanding anything to the contrary set forth herein (including in Section 13.3), (i) each Purchaser that constitutes a banking institution or any assignee or participant thereof other than a Conduit Purchaser, or (ii) in the event that any Conduit Purchaser assigns any of its interest in, to and under the Pool Receivables or Related Assets to any Liquidity Provider or Enhancement Provider, any such Person, may at any time pledge, grant a security interest in or otherwise transfer all or any portion of its interest in the Pool Receivables or Related Assets or under this Agreement to secure the obligations of such Person to a Federal Reserve Bank or otherwise to any other federal Governmental Authority or special purpose entity formed or sponsored by any such federal Governmental Authority or any central bank having jurisdiction over such Person, in each case without notice to or the consent of the Seller, ADT or the Servicer, but such pledge, grant, or transfer shall not relieve any Person from its obligations hereunder, and each of the other parties hereto shall be entitled to treat such Purchaser’s Investment and its interest in the Pool Receivables or Related Assets or under this Agreement as not having been assigned, pledged or otherwise transferred for all purposes under this Agreement.

SECTION 13.16  Severability. Any provisions of this Agreement which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such
prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 13.17  Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Transaction Document or in any other agreement, arrangement, or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Transaction Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Transaction Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

SECTION 13.18  PATRIOT Act Notice. Each of the Administrative Agent and the Collateral Agent (for itself and not on behalf of any Purchaser or Purchaser Agent) and each Purchaser Agent and Purchaser hereby notifies ADT and the Seller that pursuant to the requirements of the USA PATRIOT Act, it is required to obtain, verify and record information that identifies ADT and the Seller. Such information includes the name and address of ADT and the Seller and other information that will allow the Administrative Agent, the Collateral Agent, such Purchaser Agent or such Purchaser to identify ADT and the Seller in accordance with the USA PATRIOT Act.

[SIGNATURE PAGES FOLLOW]
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ADT LLC,
individually and as the Servicer
By: /s/ Lee D. Jackson
Name: Lee D. Jackson
Title: Vice President and Assistant Secretary

ADT FINANCE LLC, as Seller
By: /s/ Deepika Yelamanchi
Name: Deepika Yelamanchi
Title: Vice President and Treasurer

MIZUHO BANK, LTD.,
as Administrative Agent, Arranger, and Structuring Agent
By: /s/ Richard A. Burke
Name: Richard A. Burke
Title: Managing Director

MIZUHO BANK, LTD.,
as Collateral Agent
By: /s/ Richard A. Burke
Name: Richard A. Burke
Title: Managing Director

MIZUHO BANK, LTD.,
as a Purchaser Agent for Mizuho Bank, Ltd., as Purchaser
By: /s/ Richard A. Burke
Name: Richard A. Burke
Title: Managing Director
MIZUHO BANK, LTD.,

as a Purchaser

By: /s/ Richard A. Burke

Name: Richard A. Burke
Title: Managing Director

APPENDIX A

DEFINITIONS

This is Appendix A to the Receivables Purchase Agreement, dated as of March 5, 2020 among ADT LLC, individually and as Servicer, ADT FINANCE LLC, as Seller (the “Seller”), the various Purchasers and Purchaser Agents from time to time party thereto and Mizuho Bank, Ltd. (“Mizuho”), as Administrative Agent, Arranger, Structuring Agent and Collateral Agent (as such terms are defined below).

A. Defined Terms.

As used in this Agreement, unless the context requires a different meaning, the following terms have the meanings indicated herein below:


“Acceleration Date” means the date specified in Section 10.2 following the occurrence of an Event of Termination.

“Accounts Amendment Effective Date” means the date that is the earlier to occur of (x) the twelve (12) month anniversary of the Closing Date, and (y) the date upon which the conditions set forth in Section 3.5(b) are satisfied.

“Administrative Agent” means Mizuho, in its capacity as administrative agent for the Purchaser Agents and the Purchasers as set forth herein and in the other Transaction Documents.

“Administrative Agent’s Account” means a special account of the Administrative Agent maintained at Mizuho Bank, Ltd. as the Administrative Agent shall designate to the Seller and ADT.

“ADT” is defined in the preamble.

“ADT Credit Agreement” means the Ninth Amended and Restated First Lien Credit Agreement dated as of July 1, 2015 among Prime Security Services Holdings, LLC, Prime Security Services Borrower, LLC, Barclays Bank PLC, as administrative agent and the other parties thereto.

“ADT Collateral Agreements” means, each of (i) the Collateral Agreement (First Lien), dated as of July 1, 2015, among Prime Security Services Borrower, LLC, each Subsidiary Loan Party party thereto, and Barclays Bank PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch, as collateral agent), and (ii) the Collateral Agreement (Second Lien), dated as of January 28, 2020, among Prime Security Services Borrower, LLC, Prime Finance Inc., each Subsidiary Guarantor party thereto, and Wells Fargo Bank, National Association, as collateral agent.

“ADT Credit Score” means the designated credit score of an Obligor assigned by ADT in accordance with ADT’s internal scoring system and the Credit and Collection Policy.

“ADT Entity” means ADT, the Servicer (if the Servicer is an Affiliate of the Parent), the Seller and the Parent.

“ADT Indentures” means, each of (i) the indenture dated as of April 4, 2019, among Prime Security Services Borrower, LLC,
as issuer, Prime Finance Inc., as Co-Issuer, the guarantors party thereto from time to time, and Wells Fargo Bank, National Association, as trustee, (ii) indenture dated as of July 5, 2012, between the ADT Corporation, as issuer, and Wells Fargo Bank, National Association, as trustee, (iii) indenture dated as of May 2, 2016, between Prime Security One MS, Inc., as issuer, and Wells Fargo Bank, National Association, as trustee, and (iv) indenture dated as of January 28, 2020, among Prime Security Services Borrower, LLC, as issuer, Prime Finance Inc., as issuer, the subsidiary guarantors party thereto from time to time, and Wells Fargo Bank, National Association, as trustee and collateral agent.

“ADT Managed Pool Delinquency Ratio” means, with respect to any Settlement Period, a ratio (expressed as a percentage) calculated by dividing (i) the number of residential customers originated through the direct sales channel (excluding, for the avoidance of doubt, dealers or contracts acquired from dealers or any third parties) with any payment, or part thereof, of any Service Charge Receivable that remains unpaid for 91 to 120 days from the original due date of such payment as of the Cut-off Date for such Settlement Period, by (ii) the total number of residential customers originated through the direct sales channel, with an “active status” in the Records of ADT as of the Cut-off Date for such Settlement Period.

“ADT Obligations” means any obligation owed by any ADT Entity (other than the Seller) to the Collateral Agent, the Administrative Agent, any Purchaser Agent, any Purchaser, any Indemnified Party, any other Affected Party, or any account institution that maintains a Lock-box Account, a Collection Account or the Omnibus Account arising out of or in connection with this Agreement and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect or absolute or contingent, including, all Indemnified Amounts payable pursuant to Section 12.2.

“Advance Rate” means, in respect of any Receivable, the applicable “Advance Rate” set forth in the Advance Rate Matrix corresponding to such Receivable based upon its Product Type and Remaining Term as determined on the Purchase Date in respect of such Receivable. For the avoidance of doubt, any Receivable with a Product Type other than “Tier 1”, “Tier 2”, Tier 3” or “Burglar Alarm” or with an Original Term exceeding 60 months, will be zero.

“Advance Rate Matrix” means the Advance Rate Matrix attached as Schedule III to this Agreement, as may be amended from time to time with the consent of all Purchasers.

“Adverse Claim” means any claim of ownership or any Lien other than any Permitted Adverse Claims.

“Affected Party” means the Collateral Agent, the Administrative Agent, each Purchaser, each Purchaser Agent, each Liquidity Provider, each Enhancement Provider and each Program Administrator.

“Affiliate” when used with respect to a Person means any other Person Controlling, Controlled by, or under common Control with, such Person. “Affiliated” has the meaning correlative to “Affiliate”.

“Agreement” is defined in the preamble.

“Allocated Share” is defined in Section 1.2(a).

“Anti-Corruption Laws” is defined in Section 6.1(y)(iii).

“Applicable Cooling Off Period” means, in respect of a Receivable, the period of time after origination thereof during which the related Obligor shall have the right to cancel or terminate such Contract without fee, premium or penalty whether by Law or under the terms of the related Contract or otherwise.

“Approval Date” is defined in Section 3.5.

“Arranger” means Mizuho, in its capacity as Arranger for the transactions contemplated by this Agreement and the other Transaction Documents.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Bank Rate” for any day falling in a particular Yield Period with respect to any Rate Tranche and any Purchaser Group means an interest rate per annum equal to the applicable LIBO Rate for such Yield Period.

“Base Rate” means, with respect to any Purchaser, as of any date of determination, a fluctuating rate of interest per annum equal to the highest of:

(a) the applicable Prime Rate for such date; and

(b) the Federal Funds Rate for such date, plus 0.50%.

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by the Administrative Agent and the Seller giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBO Rate for U.S. dollar-denominated syndicated or bilateral credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the LIBO Rate with an Unadjusted Benchmark Replacement for each applicable Yield Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Seller giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBO Rate for U.S. dollar-denominated syndicated or bilateral credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Yield Period,” the definition of “Bank Rate” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Purchaser Agents in a manner substantially consistent with market practice (provided that, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to the LIBO Rate:

(i) in the case of clause (i) or (ii) of the definition of “Benchmark Transition Event,” the later of (x) the date of the public statement or publication of information referenced therein and (y) the date on which the administrator of the LIBO Rate permanently or indefinitely ceases to provide the LIBO Rate; or

(ii) in the case of clause (i) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the LIBO Rate:

(i) a public statement or publication of information by or on behalf of the administrator of the LIBO Rate announcing that such administrator has ceased or will cease to provide the LIBO Rate, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Rate;

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBO Rate, a resolution authority with jurisdiction over the administrator for the LIBO Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Rate, which states that the administrator of the LIBO Rate has ceased or will cease to provide the LIBO Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Rate; or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO
“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent by notice to each Purchaser Agent, the Servicer and the Seller.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBO Rate and solely to the extent that the LIBO Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder in accordance with Section 2.5 and (y) ending at the time that a Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder pursuant to Section 2.5.

“Billing Address” means, the billing address of each Obligor relating to a Receivable specified in the Records of the Servicer.

“Borrower Information” means any personally identifiable information or records in any form (oral, written, graphic, electronic, machine-readable, or otherwise) relating to an Obligor, including but not limited to: an Obligor’s name, address, telephone number, account number, or transactional account history, account status; the fact that the Borrower has a relationship with ADT or any of its Affiliates; and any other personally identifiable information, in each case, other than any such information provided in a manner that does not personally identify such Obligor and in compliance with applicable Privacy Requirements.

“Business Day” means a day other than Saturday or Sunday or on which commercial banks in New York City, New York are authorized or required by applicable law to be closed for business; provided, that, when used with respect to a Yield Rate or associated Rate Tranche based on the applicable LIBO Rate, “Business Day” shall also exclude any day on which banks are not open for domestic and international business (including dealings in U.S. Dollar deposits) in London, England.

“Cash Equivalents” means (a) cash, (b) direct general obligations of the United States of America or obligations the prompt payment of the principal of and interest on which is unconditionally guaranteed by the United States of America, (c) U.S. dollar-denominated commercial paper notes which are rated at least “A-1+” by S&P and at least “P-1” by Moody’s, or (d) time deposits at, or certificates of deposit and bankers acceptances issued by, commercial banks located in the United States (including domestic branches or agencies of foreign banks) having short-term deposit ratings of “A-1” by S&P and “P-1” by Moody’s, provided that each such investment specified in clauses (b), (c) and (d) is payable in Dollars, has a maturity of the lesser of (i) ninety-one (91) days, and (ii) the days remaining until the next Payment Date, and is payable in the United States of America, or (e) U.S. Dollar-denominated money market funds of United States issuers that have ratings of at least “AAAm” by S&P and at least “Aaa” by Moody’s (or equivalent long-term ratings) and permit daily liquidation of investments. Ratings by S&P which include an “r” designation are not eligible to be Cash Equivalents unless approved by S&P or otherwise meet the rating conditions of S&P.

“Cash Purchase Price” is defined in Section 1.1.

“Change of Control” means the occurrence of any of the following:

(a) all of the outstanding Voting Securities of the Seller shall cease to be owned by ADT; or

(b) all of the outstanding Voting Securities of ADT shall cease to be directly or indirectly owned by the Parent.

“Chattel Paper” has the meaning of “chattel paper” set forth in Section 9-102 of the UCC.

“Closing Date” means March 5, 2020.

“Collateral” is defined in Section 9.1.

“Collateral Agent” means Mizuho, in its capacity as Collateral Agent, together with its successors and assigns.

“Collateral Agent’s Account” means a special account of the Collateral Agent maintained at Mizuho Bank Ltd., New York Branch as the Collateral Agent shall designate in writing to the other parties hereto.

“Collateral Trustee” means, with respect to any Conduit Purchaser, a collateral trustee for the benefit of the holders of the Commercial Paper Notes of such Conduit Purchaser appointed pursuant to such entity’s program documents.

“Collection Account” means each collection account of the Servicer maintained with an Eligible Bank into which Collections are to be remitted.

“Collection Agent” means any collection agent sub-servicer, special servicer or similar agent which is not an Affiliate of ADT appointed by the Servicer to assist it with its collection duties hereunder.

“Collection Agent Fees” all fees and expenses of any Collection Agent retained by the Servicer to collect any Receivable which are netted against the amount of, or otherwise reduce the amount of the Collections paid by, the Obligor of such Receivable.

“Collections” means with respect to any Receivable and the Related Assets, (a) all cash collections and other cash proceeds of such Receivable or Related Assets, from or on behalf of the related Obligors in payment of any amounts owed in respect of such Receivable or Related Assets, or applied to such other charges in respect of such Receivable or Related Assets, or applied to such amounts owed by such Obligors, (b) Deemed Collections, (c) amounts treated as Collections in accordance with Section 8.3(d), and (d) all other amounts required to be remitted to the Collateral Agent’s Account pursuant to any Transaction Document. For the avoidance of doubt the term “Collections” in respect of a Receivable and the Related Assets shall include all amounts allocated to such Receivable in accordance with the related Contract and Section 7.4(n).

“Commercial Paper Notes” means short-term promissory notes issued or to be issued by a Conduit Purchaser to fund its investments in accounts receivable or other financial assets.

“Conditional Service Guaranty” means the conditional service guaranty advertised by ADT to customers as in effect on the Closing Date, which generally provides that refunds for any system-related issues will only be issued after ADT has attempted to resolve the issue, has not been able to resolve such issue within the first six months of the Contract, and any related Equipment has been removed, as the same may be amended with the consent of the Administrative Agent, the Collateral Agent and the Purchasers.

“Conditional Service Guaranty Receivable” means, any Receivable which was originated when the Conditional Service Guaranty was in effect or to which the Conditional Service Guaranty applies, to the extent that the relevant Obligor still has the right to claim a refund for any system or service related concerns, including, without limitation, any Receivable in respect of which the related Obligor has notified any ADT Entity of a system or service concern within the first six (6) months of the effective date of the related Contract and such issue was not conclusively resolved within the first six (6) months of the effective date of the related contract.

“Conditional Service Guaranty Reserve” means, as of any date: (i) if the Level 1 Ratings Trigger is in effect, the Financed Unpaid Balance of all Conditional Service Guaranty Receivables that are Pool Receivables; and (ii) otherwise, zero

“Conduit Purchaser” means each multi-seller asset-backed commercial paper conduit listed as such as set forth on the signature pages of this Agreement or in any Joinder, other than any such Person that ceases to be a party hereto pursuant to such Joinder.

“Constituent Documents” means, with respect to any Person, the organization documents of such Person, including (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement or limited liability company agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“Contract” means, with respect to any Receivable, any retail installment agreement, contract, or other document (including any purchase order or invoice), between ADT and an Obligor, pursuant to which such Receivable arises or governing or evidencing
such Receivable.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise, and “Controlling” and “Controlled” have meanings correlative thereto.

“Control Agreement” means an agreement with respect to any Lock-Box Account, Collection Account or the Omnibus Account, in form and substance reasonably satisfactory to the Administrative Agent and the Collateral Agent, pursuant to which the Collateral Agent has “control” over such account within the meaning of Article 8 and 9 of the UCC, and the related account bank has agreed to comply with the instructions of the Collateral Agent without further consent of the Seller, ADT or any other Person.

“CP Rate” means, for any period and with respect to any Rate Tranche funded by Commercial Paper Notes of any Conduit Purchaser, the per annum rate equivalent to the weighted average cost (as determined by the applicable Purchaser Agent for such Conduit Purchaser and which shall include commissions and fees of placement agents and dealers, incremental carrying costs incurred with respect to Commercial Paper Notes maturing on dates other than those on which corresponding funds are received by such Conduit Purchaser, other borrowings by such Conduit Purchaser (other than under any Liquidity Agreement) and any other costs and expenses associated with the issuance of Commercial Paper Notes of or related to the issuance of Commercial Paper Notes that are allocated, in whole or in part, by such Conduit Purchaser to fund or maintain such Rate Tranche and which may be also allocated in part to the funding of other assets of such Conduit Purchaser (determined in the case of Commercial Paper Notes issued on a discount by converting the discount to an interest equivalent rate per annum); provided, that notwithstanding anything in this Agreement or the other Transaction Documents to the contrary, the Seller agrees that any amounts payable to the applicable Conduit Purchaser in respect of Yield for any Settlement Period with respect to any Rate Tranche funded by such Conduit Purchaser at the CP Rate shall include an amount equal to the portion of the face amount of the outstanding Commercial Paper Notes issued by such Conduit Purchaser to fund or maintain such Rate Tranche that corresponds to the portion of the proceeds of such Commercial Paper Notes that was used to pay the interest component of maturing Commercial Paper Notes issued by such Conduit Purchaser to fund or maintain such Rate Tranche, to the extent that such Conduit Purchaser had not received payments of interest in respect of such interest component prior to the maturity date of such maturing Commercial Paper Notes (for purposes of the foregoing, the “interest component” of Commercial Paper Notes equals the excess of the face amount thereof over the net proceeds received by such Conduit Purchaser from the issuance of Commercial Paper Notes, except that if such Commercial Paper Notes are issued on an interest-bearing basis its “interest component” will equal the amount of interest accruing on such Notes through maturity).

“Credit and Collection Policy” means the Servicer’s credit and collection policies, practices and procedures, relating to the Contracts and the Receivables, a copy of which is attached as Exhibit F hereto, as they may modified from time to time after the Closing Date in compliance with this Agreement.

“CRR” means Articles 404-410 of the Capital Requirements Regulation (EU) No. 575/2013, as amended, together with the rules and regulations thereunder.

“Cut-off Date” means the last day of each Settlement Period.

“Debt” means, with respect to any Person, (i) all obligations (whether secured or unsecured) of such Person for money borrowed and all other obligations (contingent or otherwise) of such Person with respect to surety bonds, letters of credit and bankers’ acceptances, whether or not matured, (ii) all obligations of such Person evidenced by notes, bonds, debentures, loan agreements, reimbursement agreements, or similar instruments (including senior, mezzanine and junior borrowings, (iii) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossess or sale of such property); (iv) all capital lease obligations of such Person, (v) all obligations in respect of derivative instruments to the extent required to be reflected as a liability on a balance sheet of such Person under GAAP, (vi) liabilities in respect of unfunded vested benefits under plans covered by Title VI of ERISA, (vii) all indebtedness referred to in clause (i), (ii), (iii) or (iv) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, and (viii) all indebtedness of others referred to in clause (i), (ii), (iii), (iv), (v) or (vi) above Guaranteed by such Person or for which such Person has otherwise assumed responsibility on, before or after the date such indebtedness is incurred.

“Deemed Collections” is defined in Section 3.2(a).

“Defaulted Receivable” means a Receivable (a) as to which any payment, or part thereof or any payment or part of the related Service Charge Receivable, if any, remains unpaid for 90 days or more after the date hereof (b) any ADT Entity or the Servicer has
knowledge or notice that the Obligor thereof is subject to an Event of Bankruptcy and the related bankruptcy case, action, or proceeding has not been dismissed by the applicable court, and such Obligor’s obligations with respect to such Receivable have not been reaffirmed by such Obligor with the approval of the applicable court, or (c) which, consistent with the Credit and Collection Policy, is or should have been written off as uncollectible or defaulted.

“Defaulting Purchaser” means all of the Purchasers of a Purchaser Group, (a) that have failed, within two (2) Business Days of the date required to be funded or paid hereunder, to fund any portion of a Purchase hereunder that they have, in accordance with Section 1.2 agreed to fund, unless the Purchaser Agent for such Purchaser Group notifies the Administrative Agent in writing that such failure is the result of the good faith determination by such Purchaser Group that a condition precedent to funding (specifically identified and with supporting facts) has not been satisfied, (b) (i) if any Purchaser in such Purchaser Group has become the subject of an Event of Bankruptcy, or (ii) become the subject of a Bail-in Action.

“Delinquency Ratio” means, with respect to any Settlement Period, a ratio (expressed as a percentage) calculated as (i) the sum of the Financed Unpaid Balances of all Delinquent Receivables that constitute Pool Receivables as of the Cut-off Date for such Settlement Period, divided by (ii) the aggregate Financed Unpaid Balance of Pool Receivables that constitute Eligible Receivables as of the Cut-off Date for such Settlement Period.

“Delinquent Receivable” means a Receivable that is not a Defaulted Receivable as to which any payment or part thereof, or any payment or part thereof of the related Service Charge Receivable, if any (other than any Service Charge Receivable related to a Defaulted Receivable), remains unpaid for more than 60 days from the original due date for such payment; provided, that once a Receivable has been written off as uncollectible it shall no longer be a Delinquent Receivable.

“Dilution” means, as of any date of determination, with respect to any Pool Receivable, the amount by which the Unpaid Balance of such Pool Receivable is either (a) reduced or canceled as a result of (i) any defective, rejected, or returned merchandise or services, any cash discount, or any failure by any ADT Entity to deliver any merchandise or services or otherwise perform under the underlying contract or invoice, (ii) any change in or cancellation of any of the terms of such contract or invoice or any other adjustment by ADT which reduces the amount payable by the Obligor on the related Receivable, or (iii) any setoff in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related transaction or an unrelated transaction), or (b) subject to any specific dispute, offset, counterclaim, or defense whatsoever between the Obligor and the Seller, ADT, the Servicer, or any Affiliate thereof, in each case, other than to the extent arising from the bankruptcy or insolvency of the related Obligor, or the financial or credit condition or financial default, of such related Obligor.

“Direct Deposit Obligor” means, as of any date of determination and with respect to any Receivable, an Obligor which has pursuant to the Contract authorized ADT to, from time to time, withdraw from the bank account of such Obligor and/or charge from the credit or debit card of such Obligor all amounts necessary to pay the Unpaid Balance of such Receivable when due and payable, to the extent such authorization has not been revoked or rescinded by such Obligor as of such date of determination.

“Early Opt-in Election” means the occurrence of:

(i) a determination by the Administrative Agent that U.S. dollar-denominated syndicated or bilateral credit facilities at such time contain (as a result of amendment or as originally executed) as a benchmark interest rate, in lieu of the LIBO Rate, a new benchmark interest rate to replace the LIBO Rate, and

(ii) the election by the Administrative Agent to declare that an Early Opt-in Election has occurred and the provision by the Administrative Agent of written notice of such election to each Purchaser Agent, the Servicer and the Seller.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.

“Eligible Assignee” means (i) the Administrative Agent, any Purchaser Agent, any Purchaser, or any of their respective Affiliates that are financial institutions or banks, (ii) any Liquidity Provider, any Program Administrator, or any Enhancement
Provider, (iii) any commercial paper conduit or similar entity that is managed by the Administrative Agent, any Purchaser or any Purchaser Agent or any of their respective Affiliates, (iv) any other financial or other institution that is acceptable to the Administrative Agent, and solely with respect to this clause (iv) so long as no Unmatured Event of Termination or Event of Termination has occurred and is continuing, with the consent of the Seller (such consent not to be unreasonably withheld, conditioned, or delayed), and (v) a collateral agent, trustee, or similar party which holds the assets of a Conduit Purchaser on behalf of the holders of the Commercial Paper Notes issued by such Conduit Purchaser.

“Eligible Bank” means a financial institution which has a senior short-term unsecured debt rating (or where such financial institution does not have such a rating, the senior short-term unsecured debt rating of the parent of such financial institution) from both Moody’s and S&P of at least P-1 and A-1 respectively or the long-term unsecured debt rating equivalent thereof which, for the avoidance of doubt, is a long-term unsecured debt rating of at least A3, in the case of Moody’s, and at least A-, in the case of S&P.

“Eligible Collateral Agent” means a bank or financial institution which has a long-term unsecured debt credit rating from Moody’s of at least “Baa1” or if such bank or financial institution is not rated by Moody’s, the equivalent rating from another nationally recognized statistical rating organization.

“Eligible Contract” means a Contract governed by the law of the United States of America or of any State thereof that contains an obligation to pay a specified sum of money and that has been duly authorized by each party thereto and that (i) does not require the Obligor thereunder to consent to any transfer, sale, or assignment thereof or of the related Receivable or any proceeds thereof, (ii) is not subject to a confidentiality provision or similar covenant of non-disclosure that would restrict the ability of the Administrative Agent, the Collateral Agent or any Purchaser to fully exercise or enforce its rights under the Transaction Documents (including any rights thereunder assigned or originated to them hereunder), (iii) remains in full force and effect, (iv) provides for a total Original Term of up to 60 months, (v) the first installment in respect of which is required to be paid by the related Obligor upon completion of the installation of the Equipment which is the subject matter of such Contract, (vi) is substantially in the form of Exhibit E hereto or which is in such other form approved in writing by the Administrative Agent and, except to the extent resulting from the Conditional Service Guaranty, is not subject to any amendment, supplement or other modification as a result of any promotional activity, advertising or other statement or warranty (including on any ADT Entity's website, except for such amendment, supplement or modification permitted under Section 7.3(b)), and (vii) is not assignable by the related Obligor without the consent of ADT.

“Eligible Receivable” means, as of any date of determination, a Receivable:

(a) (i) which represents all or part of the sales price of the Equipment and the installation cost of such Equipment, sold and provided by ADT in the ordinary course of its business and which Receivable has been sold or contributed to the Seller pursuant to the Sale Agreement, and (ii) which is not owed to ADT or the Seller as a bailee or consignee for another Person;

(b) which constitutes Chattel Paper, an “account” (as defined in Section 9-102(a) of the UCC) or a “payment intangible” (as defined in Section 9-102(a) of the UCC);

(c) which is not a Service Charge Receivable;

(d) which is not a Defaulted Receivable;

(e) with regard to which the representations of the Seller in respect of such Receivable are true and correct;

(f) the sale or contribution of which pursuant to the Sale Agreement and this Agreement does not violate or contravene any Law or the related Contract;

(g) which is denominated and payable only in U.S. Dollars in the United States;

(h) the Obligor of which, as of the date of Purchase is a Direct Deposit Obligor with respect to such Receivable and has been instructed by ADT that to the extent that its payments will not be made through the withdrawal from its bank account and/or the charge of its credit or debit card, such payments shall be made to a Lock-box relating to a Lock-box Account that is subject to a Payment Direction in the form of Exhibit G-1 hereto or a Control Agreement;

(i) the Obligor of which is domiciled or organized in the United States of America (but excluding a Receivable the Obligor of which is domiciled or organized in the Commonwealth of Puerto Rico or the Virgin Islands of the United States) and with respect to which ADT has a Billing Address for such Obligor in the United States;

(j) which arises under an Eligible Contract that, together with such Receivable, (i) is in full force and effect and
constitutes the legal, valid, and binding obligation of the related Obligor to pay the full Unpaid Balance of such Receivable, enforceable against such Obligor in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, or similar laws relating to and limiting creditors’ rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or in Law), (ii) as of the date of its Purchase, is not subject to any dispute, offset, netting, litigation, counterclaim, or defense whatsoever (including defenses arising out of violations of usury Laws) (other than potential discharge in a bankruptcy of the related Obligor) or other event or circumstance that would give rise to a Deemed Collection, and (iii) is not subject to any Adverse Claim;

(k) that together with the Contract related thereto, does not contravene any Law applicable thereto (including Laws relating to usury, consumer protection, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, and privacy) in any respect, with respect to which the origination thereof did not violate any such Law in any such respect and with respect to which no party to the Contract related thereto is in violation of any Law;

(l) which (i) was originated by ADT in the ordinary course of its business, (ii) satisfies the requirements of the Credit and Collection Policy, and (iii) has been acquired by the Seller from ADT pursuant to and in accordance with the terms of the Sale Agreement;

(m) the Obligor of which is not, any ADT Entity or an Affiliate of any ADT Entity;

(n) the Obligor of which is not a Sanctioned Person;

(o) the Obligor of which is required to make payments no less frequently than monthly under the related Contract;

(p) which represents the sales price of goods or services within the meaning of Section 3(c)(5) of the Investment Company Act;

(q) the Obligor of which (i) is a residential customer of ADT in good standing and listed in the Records of ADT as having an “active status”, (ii) either (x) has not been the Obligor under a Delinquent Receivable during the twelve (12) months immediately preceding the date of Purchase, or (y) has a minimum Telco98 score of 625 and an ADT Credit Score of “A”, “B” or “C”, (iii) is not an Obligor in respect of any Defaulted Receivable, and (iv) is not subject to cancellation or disconnection in respect of ADT’s Monitoring Services in accordance with the Credit and Collection Policy, the terms of the Contract or otherwise;

(r) which does not constitute a Delinquent Receivable;

(s) which relates to Equipment which is designated on the Records of ADT and in accordance with the Credit and Collection Policy as a product type “Tier 1”, “Tier 2”, “Tier 3” or “Burglar Alarm” for the purpose of installing home security monitoring equipment systems for a single site;

(t) which is non-executory and has been fully earned by performance on the part of ADT;

(u) in respect of which no further action is required to be performed by ADT or any other Person with respect thereto pursuant to the terms of the Contract, any promotional activity, advertising or any other statement or warranty or otherwise (subject, to the extent applicable with respect to any Receivable, only to the Conditional Service Guaranty), other than payment thereon by the applicable Obligor;

(v) in respect of which the payment of the Unpaid Balance thereof by the related Obligor is not contingent upon such Obligor receiving Monitoring Services and the termination of the Monitoring Services provided by ADT to the related Obligor will not affect the obligation of such Obligor to pay the full Unpaid Balance of such Receivable or otherwise affect the rights of ADT, the Seller or the Collateral Agent under the related Contract in respect of such Receivable;

(w) the Obligor of which is not a Governmental Authority and is a residential customer;

(x) the related Contract in respect of which cannot be cancelled or terminated unless the related Obligor pays the full Unpaid Balance of such Receivable;

(y) which has been outstanding beyond the Applicable Cooling Off Period or, except to the extent provided by the Conditional Service Guaranty, any other period prior to which such Receivable can be cancelled or terminated in any manner, which would excuse the related Obligor of its obligation to pay all or any portion of the Unpaid Balance thereof, and
with respect to which the first installment payment thereof has been paid by the related Obligor and collected and applied by the Servicer;

(z) the Unpaid Balance of which is not, as of the date of Purchase, subject to reduction, cancellation, setoff, offset, special refunds, or credits for any reason, including without limitation as a result of defective or rejected Equipment or other goods;

(a) in respect of which all sales taxes to be paid in connection with the related Equipment and installation thereof have been fully paid by ADT, or if not due and payable as of the Purchase Date in respect of such Receivable, has been fully paid by the due date thereof (except for any such sales taxes that are being appropriately contested in good faith by appropriate proceedings and with respect to which adequate reserves in conformity with GAAP have been provided);

(b) the Financed Unpaid Balance of which does not exceed $5,000;

(c) without limiting any of the foregoing, no portion of which (i) is subject to any Lien in favor of any Governmental Authority, or (ii) results in (or, in the case of non-payment of any such governmental fee, surcharge, or tax by any Person, would result in) any Adverse Claim on such Receivable or any proceeds thereof in favor of any Governmental Authority (other than, for the avoidance of doubt, Adverse Claims that may be imposed by any Governmental Authority from time to time on the assets of ADT generally (or any Person treated as the same Person as ADT for tax purposes) in respect of any governmental fees, surcharges or taxes that will be paid or contested in compliance with Section 7.1(p) and Section 7.4(l));

(d) which as of the date of Purchase, has not been compromised, adjusted or modified (including by the extension of time for payment or the granting of any discounts, allowances, or credit), including as a result of any promotional activity, advertising or other statement or warranty (including on any ADT Entity’s website), other than the Conditional Service Guaranty;

(e) if any Deemed Collection arises in respect of such Receivable, the Seller is not in default of its obligation to pay the full amount of such Deemed Collection in accordance with Section 3.2;

(f) the Obligor of which is receiving Monitoring Services provided by ADT commensurate with the related Contract, except pursuant to a voluntary termination of such Monitoring Services by such Obligor after the Purchase Date of such Receivable;

(g) the Unpaid Balance of which is payable by the related Obligor in up to 60 equal monthly installments under the related Contract; and

(h) which is not a Warranty Receivable.

“Enhancement Agreement” means any agreement between a Conduit Purchaser and any other Person(s), entered into to provide (directly or indirectly) credit enhancement to such Conduit Purchaser’s commercial paper facility.

“Enhancement Provider” means any Person providing credit support to a Conduit Purchaser under an Enhancement Agreement, including pursuant to an unfunded commitment, or any similar entity with respect to any permitted assignee of such Conduit Purchaser.

“Equipment” means in respect of a Contract, all alarm system and monitoring equipment installed by ADT pursuant to such Contract.


“ERISA Affiliate” means, with respect to any Person, any trade or business (whether or not incorporated) that, together with such Person, is treated as a single employer under Section 414(b), or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414(m) or (o) of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043(c)(1), (6) or (10) of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period referred to in Section 4043(a) is waived), (b) any failure by any Plan to satisfy the minimum funding standards (within the meaning of Sections 412 or 430 of the Code or Section 302 of ERISA) applicable to such Plan, whether or not waived, (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, (d) the incurrence by any ADT Entity, or any ERISA Affiliate thereof of any liability under Title IV of ERISA with respect to the
termination of any Plan, (e) the receipt by any ADT Entity, or any ERISA Affiliate thereof from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan under Section 4042 of ERISA, (f) the incurrence by any ADT Entity, or any ERISA Affiliate thereof of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan, or (g) the receipt by any ADT Entity, or any ERISA Affiliate thereof of any notice, or the receipt by any Multiemployer Plan from ADT, the Servicer, the Parent, the Seller, or any ERISA Affiliate thereof of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent within the meaning of Section 4245 of ERISA, or is in reorganization within the meaning of Section 4241 of ERISA, or in endangered or critical status (within the meaning of Section 432 of the Code or Section 305 or Title IV of ERISA).

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“EU Retention Effective Date” means the first date upon which a Purchaser notifies ADT and the Seller that the transaction contemplated by this Agreement must comply with the EU Securitization Rules.

“EU Securitization Rules” means the Securitization Regulation, together with any relevant regulatory and/or implementing technical standards adopted by the European Commission in relation thereto, any relevant regulatory and/or implementing technical standards applicable in relation thereto pursuant to any transitional arrangements made pursuant to the Securitization Regulation, and, in each case, any relevant guidance (having a binding effect or with which European Union institutions or competent authorities of European Union member states are accustomed to comply) published by the European Banking Authority, the European Securities and Markets Authority (or, in either case, any predecessor or successor authority) or by the European Commission.

“Event of Bankruptcy” shall be deemed to have occurred with respect to a Person if either: (a) (i) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator (or other similar official) for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any Law relating to bankruptcy, insolvency, reorganization, winding up, or composition or adjustment of debts, and such case or proceeding shall continue unstayed or undismissed for a period of sixty (60) consecutive days (or, for purposes of Section 10.1(c), if such case or proceeding is in respect of the Seller, zero (0) days); or (ii) an order for relief in respect of such Person shall be entered in an involuntary case under federal bankruptcy laws or other similar Laws now or hereafter in effect; or (b) such Person (i) shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution, or other similar Law now or hereafter in effect, (ii) shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or (iii) shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors (or any board or Person holding similar rights to control the activities of such Person) shall vote to implement any of the foregoing.

“Event of Termination” is defined in Section 10.1.

“Excess ADT Credit Score B Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool related to Obligors with an ADT Credit Score of “B”, as of such date of determination, exceeds (b) 30.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excess ADT Credit Score B, C, Q, W, Z and Null Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool related to Obligors with an ADT Credit Score of “B”, “C”, “Q”, “W”, “Z” and “Null” as of such date of determination, exceeds (b) 50.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excess ADT Credit Score C Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool related to Obligors with an ADT Credit Score of “C”, as of such date of determination, exceeds (b) 15.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excess ADT Credit Score C, Q, W, Z and Null Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool related to Obligors with an ADT Credit Score of “C”, “Q”, “W”, “Z” and “Null” as of such date of determination, exceeds (b) 35.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.
“Excess Concentration Amount” means, as of any date of determination, the sum, as calculated without duplication for any Eligible Receivable that falls into more than one of the following, of (a) the Excess Single State Unpaid Balance Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (b) the Excess Third State Obligor Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (c) the Excess Second Largest State Obligor Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (d) the Excess Largest State Obligor Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (e) the Excess ADT B Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (f) the Excess ADT C Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (g) the Excess Q, W, Z and Null ADT Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (h) the Excess ADT B, C, Q, W, Z and Null Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, and (i) the Excess ADT C, Q, W, Z and Null Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period; provided, that if such date of determination occurs in any month upon and after the completion of application of Collections in accordance with Section 3.1(d) with respect to any Settlement Date occurring in such month, each of the amounts calculated above shall also include the Eligible Receivables (if any) purchased on such Settlement Date. In order to avoid duplication in calculating the Excess Concentration Amount, each component of the Excess Concentration Amount shall be determined in the order set forth above, and the aggregate Financed Unpaid Balances of any Eligible Receivables that are included in the Excess Concentration Amount in any prior step shall be deemed not to constitute Eligible Receivables in the numerator of any otherwise applicable subsequent step.

“Excess Largest State Obligor Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool which relate to Obligors with Billing Addresses in the Largest State, as of such date of determination, exceeds (b) 20.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excess Second Largest State Obligor Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool which relate to Obligors with Billing Addresses in the Second Largest State, as of such date of determination, exceeds (b) 20.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excess Single State Unpaid Balance Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool which relate to an Obligor with a Billing Address in any single State (or commonwealth) in the United States, as of such date of determination, other than the Obligors in the Largest State, the Second Largest State or the Third Largest State, exceeds (b) 10.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excess Third Largest State Obligor Concentration Amount” means, as of any date of determination, the amount, if any by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool which relate to Obligors with Billing Addresses in the Third Largest State, as of such date of determination, exceeds (b) 20.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excess Q, W, Z and Null ADT Credit Score Concentration Amount” means, as of any date of determination, the amount, if any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool related to Obligors with an ADT Credit Score of “Q”, “W”, “Z” and “Null”, as of such date of determination, exceeds (b) 20.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“Excluded Taxes” means (i) any Taxes based upon, or measured by, any Affected Party’s net income, net receipts, net profits, net worth or capital (including franchise or similar Taxes imposed in lieu of such Taxes), but only to the extent such Taxes are imposed by a taxing authority (a) in a jurisdiction (or political subdivision thereof) in which such Affected Party has its principal office or under the laws of which such Affected Party is organized or incorporated, (b) in a jurisdiction (or political subdivision thereof) in which such Affected Party does business, or (c) in a jurisdiction (or political subdivision thereof) in which such Affected Party maintains a lending office (or branch), (ii) any franchise Taxes, branch Taxes or branch profits Taxes imposed by the United States, or any similar Taxes imposed in lieu of such Taxes, but only to the extent such Taxes are imposed, (iii) any, by which (a) the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool related to Obligors that fall into more than one of the following, of (a) the Excess Single State Unpaid Balance Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (b) the Excess Third State Obligor Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (c) the Excess Second Largest State Obligor Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (d) the Excess Largest State Obligor Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (e) the Excess ADT B Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (f) the Excess ADT C Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (g) the Excess Q, W, Z and Null ADT Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (h) the Excess ADT B, C, Q, W, Z and Null Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, and (i) the Excess ADT C, Q, W, Z and Null Credit Score Concentration Amount, as determined as of the last day of the most recently ended Settlement Period; provided, that if such date of determination occurs in any month upon and after the completion of application of Collections in accordance with Section 3.1(d) with respect to any Settlement Date occurring in such month, each of the amounts calculated above shall also include the Eligible Receivables (if any) purchased on such Settlement Date. In order to avoid duplication in calculating the Excess Concentration Amount, each component of the Excess Concentration Amount shall be determined in the order set forth above, and the aggregate Financed Unpaid Balances of any Eligible Receivables that are included in the Excess Concentration Amount in any prior step shall be deemed not to constitute Eligible Receivables in the numerator of any otherwise applicable subsequent step.
immediately before the time of such assignment, to receive amounts in respect of such Taxes from the Seller, ADT or the Servicer, as applicable, pursuant to Section 3.3, (iv) any Tax that is found in a final, non-appealable judgment by a court of competent jurisdiction to have been imposed solely as a result of any Affected Party’s gross negligence or willful misconduct, and (v) any FATCA Withholding Tax. For the avoidance of doubt, Excluded Taxes shall include any backup withholding in respect of income or branch profits under Section 3406 of the Code or any similar provision of state, local or foreign law.

“Exiting Purchaser” is defined in Section 3.5.

“Extension Request” is defined in Section 3.5.

“FATCA” means Sections 1471 through 1474 of the Code and the current or future U.S. Treasury Regulations issued thereunder, as the same may be amended, modified, or supplemented from time to time (so long as any future, amended, modified, supplemented, or successor version is substantively comparable and not materially more onerous to comply with), corresponding provisions of successor Law, official interpretations thereof, and any agreements entered into pursuant to Section 1471(b) of the Code and any published intergovernmental agreements entered into in connection with the implementation of such Sections of the Code and any fiscal or regulatory legislation, rules, or practices adopted pursuant to any such intergovernmental agreement.

“FATCA Withholding Tax” means any withholding Tax imposed under FATCA.

“Federal Funds Rate” means, for any period, a fluctuating interest rate per annum, determined by the Administrative Agent, equal (for each day during such period) to:

(a) the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York; or

(b) if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the applicable Liquidity Provider or Purchaser Agent from three federal funds brokers of recognized standing selected by it.

“Federal Reserve Bank” means the Board of Governors of the Federal Reserve System, or any successor thereto or to the functions thereof.


“Fee Letters” means any fee letter among any of the Seller or ADT, on the one hand, and the Administrative Agent, the Collateral Agent, or the Purchaser Agents, on the other hand, setting out the fees and expenses payable in connection with this Agreement or other Transaction Documents.

“Fees” means all fees payable by the Seller pursuant to any Fee Letter, including the Funded Fee.

“Final Payout Date” means the date following the Purchase Termination Date on which Purchasers’ Pool Investment shall have been reduced to zero and all other amounts then accrued or payable to any of the Affected Parties under the Transaction Documents shall have been paid in full in cash.

“Financed Unpaid Balance” means, as of any time of determination with respect to a Pool Receivable, the sum of all remaining unpaid monthly installment payments (up to a maximum of the next 36 such monthly installment payments in the case of a Pool Receivable with a Product Type “Burglar Alarm” or in respect of which no credit check was performed in connection with its origination), owed by the related Obligor in respect of such Pool Receivable as of such time of determination.

“Funded Fee” is defined in the Fee Letter.

“Funded Fee Percentage” is defined in the Fee Letter.

“GAAP” means generally accepted accounting principles in the United States of America as consistently applied.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state, regional or local, and any agency, authority, instrumentality, regulatory body, court, central bank, or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers, or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).
“Guarantee” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise), or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business or customary and reasonable indemnity obligations incurred in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedge Rate” means, for any date of determination, the sum of (i) the Weighted Average Swap Rate, (ii) 2.0%, (iii) the Funded Fee Percentage, and (iv) the Servicing Fee Rate.

“Indemnified Amounts” is defined in Section 12.1(a).

“Indemnified Party” is defined in Section 12.1(a).

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made or deemed made by or on account of any obligation of the Seller (or the Servicer on behalf of the Seller) under any Transaction Document, and (b) Other Taxes.

“Independent Manager” means a natural person who (I) is not at the time of initial appointment, or at any time while serving as Independent Manager of the Seller, and has not been at any time during the preceding five (5) years: (a) a member, partner, equityholder, manager, director, officer or employee of ADT or the Parent, or any of their respective Affiliates (other than as special member, independent director, independent manager or similar capacity, of the Seller or any Affiliate of the Seller that is a securitization vehicle or is similarly structured to be a special purpose bankruptcy remote entity); (b) a creditor, supplier, service provider (including a provider of professional services) or any other Person who derives any material portion of its revenues from its activities with the Seller, the Parent, or ADT or any of their respective Affiliates (other than as a provider of corporate services in the ordinary course of business or as special member, independent director, independent manager, or similar capacity, of the Seller or any Affiliate of the Seller that is a securitization vehicle or is similarly structured to be a special purpose bankruptcy remote entity); or (c) a member of the immediate family of any such disqualified Person described in clauses (a) or (b) above and (II) (1) has prior experience as a special member, independent director, independent manager or similar capacity for an entity that is a securitization vehicle or is similarly structured to be a special purpose bankruptcy remote entity whose Constituent Documents required the unanimous consent of all independent managers before such entity could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy, and (2) has at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management, or placement services to issuers of securitization or structured finance instruments, agreements, or securities, including, without limitation, Citadel SPV (USA) LLC, Corporation Service Company, CT Corporation, Lord Securities Corporation, Wilmington Trust, National Association or Wilmington Trust SP Services, Inc.

“Information” is defined in Section 13.8(e).

“Information Package” is defined in Section 3.1(a).

“Initial Syndication” means the first assignment by Mizuho, as the initial Purchaser, of all or any portion of its interest under this Agreement to any (i) any Conduit Purchaser or (ii) any Person other than its own Affiliates.

“Investment” means as of any date of determination, with respect to any Purchaser, the aggregate of all Cash Purchase Price paid to, or for the account of, the Seller in connection with all Purchases allocated to such Purchaser pursuant to Section 1.2, as reduced from time to time by Collections distributed to such Purchaser (or to its Purchaser Agent for such Purchaser’s account) and applied on account of such Purchaser’s Investment pursuant to Sections 3.1(d); provided, that if such Purchaser’s Investment shall have been reduced by any distribution and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, such Purchaser’s Investment in respect of such Receivable Pool shall be increased by the amount of such rescinded or returned distribution as though it had not been made.

“Investment Company Act” means the Investment Company Act of 1940.

“Joinder” is defined in Section 13.3(d).

“Largest State” means, as of any date of determination, the state (or commonwealth) in the United States, in respect of which
the largest amount of aggregate Financed Unpaid Balances of Eligible Receivables in the Receivable Pool in respect of Obligors with Billing Addresses in such state (or commonwealth) relate.

“Law” means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree, judgment, award, or similar item of or by a Governmental Authority or any interpretation, implementation or application thereof.

“Legal Final” means the earliest of (a) the Acceleration Date, and (b) the date which is 60 months after the Purchase Termination Date.

“Level 1 Ratings Trigger” means a condition that is in effect at any time when ADT Inc.: (i) has a long-term “corporate family rating” of “B3” or less by Moody’s and a long-term “issuer rating” of “B-” or less by S&P, (ii) has a long-term “corporate family rating” of “B1” with negative outlook or “B2” or less by Moody’s and a long-term “issuer rating” of less than “B-” or “B-” with negative outlook by S&P, (iii) has a long-term “corporate family rating” of less than “B3” or “B3” with negative outlook by Moody’s and a long-term “issuer rating” of “B1+” with negative outlook or “B” or less by S&P, (iv) has a long-term “corporate family rating” of “Ca1” or less by Moody’s, (v) has a long-term “issuer rating” of “CCC+” or less by S&P, or (vi) is not rated by either S&P or Moody’s.

“LIBO Rate” means for any Yield Period, the rate per annum equal to the greater of (i) 0.00% and (ii) (a) the interest rate per annum designated as the LIBO Rate by the applicable Purchaser Agent for a period of time comparable to such Yield Period that appears on the Reuters Screen LIBO Page (or on any successor or substitute page of such service providing rate quotations comparable to those currently provided on such page of such service, as determined by such Purchaser Agent from time to time) for purposes of providing quotations of the London interbank offered rate or, if for any reason such rate is not available, the rate determined by the applicable Purchaser Agent from another recognized source or interbank quotation for deposits in U.S. dollars as at 11:00 a.m. (London, England time) with respect to such Purchaser Agent or related Purchaser on the second Business Day preceding the first day of such Yield Period or (b) if a rate cannot be determined under the foregoing clause, an annual rate equal to the average (rounded upwards if necessary to the nearest 1/100th of 1%) of the rates per annum at which deposits in U.S. Dollars with a duration comparable to such Yield Period in a principal amount substantially equal to the principal amount of the applicable Rate Tranche are offered to the principal London office of the applicable Purchaser Agent (or its related Purchaser) by three London banks, selected by the Administrative Agent in good faith, at about 11:00 a.m. London time on the second Business Day preceding the first day of such Yield Period.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority, or other security agreement or preferential arrangement of any kind or nature whatsoever, including any conditional sale or other title retention agreement and any financing lease having substantially the same economic effect as any of the foregoing.

“Liquidation Fee” means, as of any date of determination, for each Rate Tranche (or portion thereof), the amount, if any (without duplication of any amounts payable pursuant to Section 4.3), by which:

(a) the additional Yield which would have accrued on the reductions of such Purchaser’s Tranche Investment on any day which is not a Settlement Date determined in accordance with clause (a) of the definition of Settlement Date with respect to such Rate Tranche during such if such reductions had not been made until the Settlement Date determined in accordance with clause (a) of the definition of Settlement Date exceeds,

(b) the income, if any, received for such day during such Settlement Period by the affected Purchaser from investing the proceeds of such reductions of such Purchaser’s Tranche Investment.

“Liquidity Advance” means a loan, advance, purchase, or other similar action made by a Liquidity Provider pursuant to a Liquidity Agreement.

“Liquidity Agreement” means any agreement entered into, directly or indirectly, in connection with or related to, this Agreement pursuant to which a Liquidity Provider agrees to make loans or advances to, or purchase assets from, a Conduit Purchaser (directly or indirectly) in order to provide liquidity or other enhancement for such Conduit Purchaser’s Commercial Paper Notes or other senior indebtedness.

“Liquidity Provider” means any lender, credit enhancer, or liquidity provider that is at any time party to a Liquidity Agreement or any successor or assign of such lender, credit enhancer, or liquidity provider or any similar entity with respect to any permitted assignee of a Conduit Purchaser.

“Lock-box Accounts” means each of the accounts (and any related Lock-box) specified in Schedule V (or such as have been notified to and approved by the Collateral Agent and the Administrative Agent in accordance with Section 7.3(d)) maintained at a Lock-box Bank in the name of the Seller.

“Lock-box Bank” means any of the banks party to a Lock-box agreement.

“Loss Ratio” means, with respect to any Settlement Period, a ratio (expressed as a percentage) calculated as (i) the sum of the Financed Unpaid Balances of all Defaulted Receivables that constitute Pool Receivables as of the Cut-off Date for such Settlement Period, plus, without duplication, the sum of all Losses during such Settlement Period, divided by (ii) the aggregate Financed Unpaid Balance of all Pool Receivables that constitute Eligible Receivables as of the Cut-off Date for such Settlement Period.

“Loss Reserve” means as of any time of determination, the product of (i) the result of (A) one (1) minus (B) the Weighted Average Advance Rate for the Receivables Pool as of such time of determination, multiplied by (ii) the Net Portfolio Balance on such time of determination.

“Losses” means the Financed Unpaid Balance (net of recoveries) of any Pool Receivables that have been, or should have been, written-off as uncollectible by the Servicer in accordance with the Credit and Collection Policies.

“Material Subsidiary” means, in respect of any Person, any Subsidiary of such Person that satisfies (or would have satisfied) the definition of “Material Subsidiary” in the ADT Credit Agreement as such definition is in effect on the Closing Date.

“Material Adverse Effect” means with respect to any event or circumstance, a material adverse effect on:

(a) (i) if a particular Person is specified, the ability of such Person to perform its obligations under this Agreement or any other Transaction Document, or (ii) if a particular Person is not specified, the ability of any ADT Entity or the Servicer to perform its respective obligations under this Agreement or any other Transaction Document;

(b) (i) the validity or enforceability of any Transaction Document, or (ii) the value, validity, enforceability, or collectability of all or any portion of Pool Receivables, or the Related Assets with respect thereto;

(c) the assets, operations, business or financial condition of any ADT Entity; or

(d) the status, existence, perfection, priority, enforceability, or other rights and remedies of any Purchaser, the Collateral Agent or the Administrative Agent associated with its respective interest in the Pool Receivables, or the Related Assets;

provided, that no Material Adverse Effect shall be deemed to have occurred if any event or circumstance, individually or in the aggregate, has a material adverse effect as set forth above on only an insignificant portion of the Pool Receivables and the Related Assets, and after the occurrence of such event or circumstance, the sum of the aggregate Purchasers’ Pool Investment and the Required Reserves does not exceed the Net Portfolio Balance.

“Mizuho” is defined in the preamble.

“Monitoring Services” means the monitoring and notification services provided by ADT under any contract which give rise to the Service Charge Receivables.

“Monthly Collections” means, with respect to each Settlement Date, the aggregate amount of Collections deposited to the Collateral Agent’s Account during the immediately preceding Settlement Period, plus any Deemed Collections with respect to such Settlement Period deposited to the Collateral Agent’s Account three (3) Business Days prior to such Settlement Date as required pursuant to Section 3.3.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Net Portfolio Balance” means, at any time in any calendar month, (A) if such time is prior to the completion of the application of Collections in accordance with Section 3.1(d) with respect to the Settlement Date occurring in such calendar month, an amount equal to (x) the aggregate Financed Unpaid Balance of Pool Receivables that constitute Eligible Receivables as of the end of the last day of the most recently ended Settlement Period, minus (y) the sum of (a) the Excess Concentration Amount as of the end of the last day of the most recently ended Settlement Period, plus (b) without duplication of any amounts already removed from the
Net Portfolio Balance (including as a result of the related Pool Receivable no longer constituting an Eligible Receivable), all cash Collections and security deposits which have been allocated to the reduction of the Financed Unpaid Balance of such Eligible Receivables but have not yet been applied to reduce such Financed Unpaid Balance, as of the last day of the end of the last day of the most recently ended Settlement Period, plus (c) without duplication of any such amounts already removed from the Net Portfolio Balance (including as result of the related Pool Receivable no longer constituting an Eligible Receivable), the aggregate amount, as of the end of the last day of the most recently ended Settlement Period, for all Pool Receivables that are Eligible Receivables of all Dilutions and discounts, rebates or other credits that reduce the Financed Unpaid Balance in respect of such Pool Receivables; and (B) if such time is upon and after the completion of application of Collections in accordance with Section 3.1(d) with respect to any Settlement Date occurring in such calendar month, the amount determined pursuant to clause (A)(x) hereof plus, upon the completion of any Purchase occurring upon and after such time, pursuant to the terms of this Agreement, an amount equal to the aggregate Financed Unpaid Balance of the Pool Receivables of such Purchase that constitute Eligible Receivables as of the end of the last day of the most recently ended Settlement Period, minus the sum of (a) the Excess Concentration Amount as of the end of the last day of the most recently ended Settlement Period with respect to the combined Receivables Pool including any such Purchase, plus (b) without duplication of any such amounts already removed from the Net Portfolio Balance (including as a result of the related Pool Receivable no longer constituting an Eligible Receivable), all cash Collections and security deposits which have been allocated to the reduction of the Financed Unpaid Balance of such Eligible Receivables but have not yet been applied to reduce such Financed Unpaid Balance, as of the last day of the end of the last day of the most recently ended Settlement Period with respect to the combined Receivables Pool including any such Purchase, plus (c) without duplication of any such amounts already removed from the Net Portfolio Balance (including as result of the related Pool Receivable no longer constituting an Eligible Receivable), the aggregate amount, as of the end of the last day of the most recently ended Settlement Period with respect to the combined Receivables Pool including any such Purchase, for all Pool Receivables that are Eligible Receivables of all Dilutions and discounts, rebates or other credits that reduce the Financed Unpaid Balance in respect of such Pool Receivables.

“Non-Cash Purchase” means a Purchase or proposed Purchase of Eligible Receivables, pursuant to a Purchase Request, where the Cash Purchase Price set forth in such Purchase Request is zero.

“Non-Public Borrower Data” is defined in Section 13.8(e).

“Obligations” means Seller Obligations and ADT Obligations.

“Obligor” means a Person obligated to make payments under a Contract with respect to a Receivable, including any guarantor thereof.

“OFAC” is defined in Section 6.1(y)(ii).

“Omnibus Account” means the Omnibus Account of the Servicer maintained with an Eligible Bank into which Collections shall be deposited.

“Original Term” means, with respect to any Receivable, the total number of months over which monthly installment payments are due under the related Contract.

“Other Connection Taxes” means, with respect to an Affected Party, Taxes imposed as a result of a present or former connection between the Affected Party and the jurisdiction imposing such Tax (other than connections arising from the Affected Party having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Transaction Document, or sold or assigned an interest in any Pool Receivables (or Related Assets) or Transaction Document).

“Other Permitted Amounts” means (i) as of any date of determination on or prior to the Accounts Amendment Effective Date, any cash of any ADT Entity or their respective Affiliates (other than Collections in respect of Pool Receivables remitted to any Lock-box Account, Collection Account or the Omnibus Account), and (ii) as of any date of determination after the Accounts Amendment Effective Date, none.

“Other Taxes” means all present or future stamp and other similar Taxes payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement or the other Transaction Documents, except any such Taxes that are (i) Other Connection Taxes imposed with respect to an assignment, or (ii) Excluded Taxes.

“Parent” means ADT Inc. a Delaware Corporation.

“Participant Register” is defined in Section 13.3(b).

“Participant” is defined in Section 13.3(b).
“Payment Direction” means (i) in respect of any Lock-box Account, the Irrevocable Payment Direction in the form of Exhibit G-1 hereto, from ADT to the applicable Lock-box Bank, as consented and agreed to by the applicable Lock-box Bank and acknowledged by the Collateral Agent, (ii) in respect of any Collection Account, the Irrevocable Payment Direction in substantially the form of Exhibit G-2 hereto from ADT to the applicable account bank, as consented and agreed to by such account bank and acknowledged by the Collateral Agent, and (iii) in respect of the Omnibus Account, the Irrevocable Payment Direction in the form of Exhibit G-3 hereto, from ADT to the account bank of maintaining such account, as consented and agreed to by such account bank and acknowledged by the Collateral Agent.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Performance Support Agreement” means the Performance Support Agreement, dated on or about the Closing Date or the initial Purchase Date, among the Parent, the Administrative Agent and the Collateral Agent, in form and substance acceptable to the Collateral Agent, the Administrative Agent and the Required Purchasers.

“Permitted Adverse Claims” means any Lien (a) created under the Transaction Documents to the Purchasers, the “Collateral Agent, the Administrative Agent, the Affected Parties, and the Purchaser Agents, (b) granted pursuant to the ADT Credit Agreement, the ADT Indentures or the ADT Collateral Agreements with respect to any assets or property other than the Seller, the Pool Receivables and the Collections and Related Assets in respect thereof and the other Collateral, (c) created under the Sale Agreement in favor of the Seller, or (d) as to which no enforcement collection, execution, levy, or foreclosure proceeding shall have been commenced or threatened and that solely secure the payment of taxes, assessments and/or governmental charges or levies, if and to the extent the same are either (x) not yet due and payable, or (y) being contested in good faith and as to which adequate reserves have been provided in accordance with GAAP, but, in any case, only to the extent that such Lien securing payment of such taxes or assessments or other governmental charges constitutes an inchoate tax lien.

“Person” means a natural individual, partnership, sole proprietorship, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture, limited liability company, any Governmental Authority, or any other entity of whatever nature.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any ADT Entity or any ERISA Affiliate thereof is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Pool Limit” means in respect of each Purchaser, the maximum amount corresponding to such Purchaser specified as its “Pool Limit” on Schedule IV to this Agreement.

“Pool Deficiency Amount” means as of any time of determination, an amount equal to the sum, without duplication, of (i) the amount, if any, necessary to reduce, the sum of the Purchasers’ Pool Investment and the Required Reserves at such time to an amount equal to the Net Portfolio Balance at such time, plus (ii) the amount, if any which is necessary to reduce the aggregate Investment of all Exiting Purchasers to zero, plus (iii) the amount, if any, necessary to reduce the Pool Investment to an amount equal to the Purchasers’ Pool Limit, plus (iv) the amount, if any, necessary to reduce each Purchaser Group Investment to an amount equal to the related Purchaser Group Limit.

“Pool Receivable” means a Receivable in the Receivable Pool.

“Prime Rate” means a rate per annum equal to the rate of interest quoted in the print edition of The Wall Street Journal, Money Rates Section as the USA “Prime Rate”, as published for such day (or, if such day is not a Business Day, for the preceding Business Day), or, if such rate is not so published for any day which is a Business Day, the rate announced by the Administrative Agent from time to time as its prime rate of interest at its principal office in New York, New York, such rate to change as and when such designated rate changes.

Regulation and codified at 201 C.M.R. Part 17.00.

“Product Type” means the type of product sold to the Obligor under the Contract, including “Tier 1”, “Tier 2”, “Tier 3” or “Burglar Alarm”, each as defined in ADT’s Credit & Collection Policy.

“Program Administration Agreement” means that certain administration agreement between a Conduit Purchaser and Program Administrator governing certain aspects of the administration of such Conduit Purchaser’s commercial paper facility or any other agreement having similar purposes, as in effect from time to time.

“Program Administrator” means, with respect to any Conduit Purchaser, the administrator designated for such Conduit Purchaser under its Program Administration Agreement.

“Program Information” is defined in Section 13.8(a)(i).

“Proportionate Share” means at any time, for any Purchaser Group, a percentage equal to the quotient of (a) the Purchaser Group Investment of such Purchaser Group at such time, divided by (b) the Purchasers’ Pool Investment at such time.

“Purchase” is defined in Section 1.1.

“Purchase Date” is defined in Section 1.2(a).

“Purchase Facility” means the receivables purchase facility evidenced by this Agreement.

“Purchase Limit” means in respect of a Purchaser Group, the unused portion of the Pool Limit of such Purchaser Group.

“Purchase Request” is defined in Section 1.2(a).

“Purchase Termination Date” means the earliest of (a) March 5, 2021, and (b) the occurrence of an Event of Termination.

“Purchaser” means each Conduit Purchaser (if any) and each other Person listed as such as set forth on the signature pages of this Agreement or in any Joinder as a “Purchaser”, other than any such Person that ceases to be a party hereto pursuant to such Joinder.

“Purchaser Agent” means each Person acting as agent on behalf of a Purchaser Group and listed as such as set forth on the signature pages of this Agreement or any other Person who becomes a party to this Agreement as a Purchaser Agent in accordance with this Agreement.

“Purchaser Group” means each group consisting of a Purchaser Agent, its related Purchasers, including any related Conduit Purchaser, if any, administered or represented by such Purchaser Agent and each Liquidity Provider and Enhancement Provider related to any such Conduit Purchaser.

“Purchaser Group Limit” means, at any time, with respect to any Purchaser Group, the aggregate Pool Limits of all Purchasers at such time in such Purchaser Group.

“Purchaser Group Investment” means at any time with respect to any Purchaser Group, the aggregate Investments of all Purchasers at such time in such Purchaser Group.

“Purchasers’ Pool Investment” means, at any time, the aggregate Investments of all Purchasers.

“Purchasers’ Pool Limit” means, the aggregate Pool Limits of all Purchaser Groups at such time.

“Purchasers’ Tranche Investment” means in relation to any Rate Tranche the amount of Purchasers’ Pool Investment allocated by the Administrative Agent to such Rate Tranche; provided, that at all times the aggregate amounts allocated to all Rate Tranches shall equal Purchasers’ Pool Investment.

“Ratable Share” means, for any Purchaser Group, (x) at any time prior to the Purchase Termination Date, a percentage equal to (a) the Purchase Limit of such Purchaser Group divided by (b) the Purchase Limit of all Purchaser Groups and (y) at any time from and after the Purchase Termination Date, zero.

“Rate Tranche” means, at any time, a portion of a Purchaser’s Investment relating to a Receivable Pool selected by the applicable Purchaser Agent pursuant to Section 2.1 and designated as a Rate Tranche solely for purposes of computing Yield.
“Ratio Effective Date” means the first date, upon which the Purchasers’ Pool Investment exceeds $50,000,000.

“Receivable” means any right to payment from a Person, whether constituting an account, chattel paper, instrument, or a general intangible (as such terms are defined under the UCC), arising from the financing of the sale and installation costs of Equipment by ADT pursuant to a Contract and including any payment obligations of such Person with respect thereto; provided, however that no right to payment or other indebtedness owing by a Sanctioned Person shall (i) constitute a Receivable, (ii) be deemed to have been sold or contributed to the Seller by ADT pursuant to the Sale Agreement, or (iii) sold or pledged hereunder by the Seller.

“Receivable Pool” means at any time all of the outstanding Receivables sold or, purported to be sold to the Collateral Agent (on behalf of the Purchasers) pursuant to this Agreement.

“Records” means all Contracts and other documents, instruments, books, records, purchase orders, agreements, reports, and other information (including computer programs, tapes, disks, other information storage media, data processing software, and related property and rights) prepared or maintained by ADT, the Servicer, or the Seller, respectively, with respect to the Pool Receivables, the Related Assets, the related Service Charge Receivables and the Obligors of such Pool Receivables. For the avoidance of doubt, “Records” shall include any Chattel Paper (tangible or electronic) evidencing any Pool Receivables.

“Register” is defined in Section 13.3(e).

“Related Assets” means (a) with respect to any Pool Receivable, (x) all security interests, hypothecations, reservations of ownership, liens, or other Adverse Claims, and property subject thereto from time to time purporting to secure payment of such Pool Receivable, including pursuant to the Contract pursuant to which such Pool Receivable was originated, together with all financing statements, registrations, hypothecations, charges, or other similar filings or instruments against an Obligor and all security agreements describing any collateral securing such Pool Receivable, if any, (y) all interest in any Equipment relating to the Contract giving rise to such Pool Receivable including the right to repossess such Equipment, and (z) all guarantees, insurance policies, and other agreements or arrangements of whatsoever character from time to time supporting of such Pool Receivable whether pursuant to the Contract pursuant to which such Pool Receivable was originated, including any obligation of any party under the Transaction Documents to promptly deposit amounts received in respect of Collections to an account, (b) all Collections in respect of, and other proceeds of, such Pool Receivable in respect of the period from and after the Cut-off Date immediately preceding the Purchase Date relating to such Pool Receivables , (c) all rights and remedies (but none of the obligations) of the Seller under the Sale Agreement and the other Transaction Documents and any other rights or assets pledged, sold, or otherwise transferred to the Seller thereunder, and (d) all the products and proceeds of any of the foregoing: provided, that the term “Related Assets” when used to refer to the Related Assets sold, assigned, contributed or transferred to the Seller under the Sale Agreement shall refer to such term as defined in the Sale Agreement.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“Remaining Term” means, as of any date of determination, with respect to any Receivable, the number of remaining unpaid monthly installment payments due under the related Contract for the payment of the Financed Unpaid Balance following such date of determination.

“Reporting Date” is defined in Section 3.1(a).

“Required Purchasers” means, at any time, Purchasers whose aggregate Investments at such time aggregate to more than 50.00% of the Purchasers’ Pool Investment at such time; provided, however, that if at such time any Purchaser is a Defaulting Purchaser, the Investments of such Defaulting Purchaser shall be disregarded for purposes of determining the Required Purchasers unless such Defaulting Purchaser is the sole Purchaser.

“Required Reserves” means the sum of (i) the Loss Reserve, (ii) the Yield and Fee Reserve, and (iii) the Conditional Service Guaranty Reserve.

“Response Date” is defined in Section 3.5.

“Responsible Officer” shall mean in respect of an ADT Entity or the Servicer any executive officer, assistant treasurer, treasurer, or controller of such ADT Entity, and any other officer of such ADT Entity or the Servicer, as the case may be, responsible for the administration of this Agreement.

“Retained Interest” means a material net economic interest of not less than five percent (5%) of the then current aggregate
Purchasers’ Pool Investment, which takes the form of the first loss tranche in accordance with Article 6(3)(d) of the Securitization Regulation represented by ADT’s direct or indirect equity interest in the Seller.

“RPA Deferred Purchase Price” is defined in Section 1.1.

“Sale Agreement” means the Receivables Sale and Contribution Agreement, dated on or about the Closing Date or the initial Purchase Date, between ADT and the Seller.

“Sanctioned Country” means, at any time, a country or territory which is the subject or target of any Sanctions, including, without limitation, as of the date hereof, Cuba, Crimea (Ukraine), Iran, Sudan, Syria, and North Korea.

“Sanctioned Person” means, at any time, (a) any Person currently the subject or the target of any Sanctions, including any Person listed in any Sanctions-related list of designated Persons maintained by OFAC (or any successor thereto) or the U.S. Department of State, available at: http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx, or as otherwise published from time to time; (b) that is fifty-percent or more owned, directly or indirectly, in the aggregate by one or more Persons described in clause (a) above; (c) that is operating, organized or resident in a Sanctioned Country; (d) with whom engaging in trade, business, or other activities is otherwise prohibited or restricted by Sanctions; or (e) (i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a Sanctioned Country, or (iii) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

“Sanctions” is defined in Section 6.1(y)(ii).

“Sanctions Laws” is defined in Section 6.1(y)(ii).

“SEC” means the Securities and Exchange Commission or any successor governmental authority.

“Second Largest State” means as of any date of determination, the state (or commonwealth) in the United States, in respect of which the second largest amount of aggregate Financed Unpaid Balances of Eligible Receivables in the Receivable Pool in respect of Obligors with Billing Addresses in such state (or commonwealth) relate.

“Securities Act” means the Securities Act of 1933.


“Security” is defined in Section 2(a)(1) of the Securities Act.

“Seller” is defined in the preamble.

“Seller Creditor” is defined in Section 13.7(b).

“Seller Obligations” means any obligation owed by the Seller to the Collateral Agent, the Administrative Agent, any Purchaser Agent, any Purchaser, any Indemnified Party, any other Affected Party, or any account institution that maintains a Lock-box Account, a Collection Account or the Omnibus Account arising in connection with this Agreement, and each other Transaction Document, whether now or hereafter existing, due or to become due, direct or indirect, or absolute or contingent, including, all Indemnified Amounts payable pursuant to Section 12.1.

“Service Charge Receivable” means any right to payment from a Person, whether constituting an account, chattel paper, instrument, a payment intangible or a general intangible (as such terms are defined under the UCC), arising from ADT’s providing the Monitoring Services pursuant to a contract and including any payment obligations of such Person with respect thereto.

“Servicer” is defined in Section 8.1(a).

“Servicing Fee” means in respect of the Receivable Pool, for any day, an amount equal to the product of (i) the Servicing Fee Rate, times the Financed Unpaid Balance of all Pool Receivables at the end of such day, and (ii) 1/360.

“Servicing Fee Rate” means 0.50%.

“Set-off Party” is defined in Section 13.4.

“Settlement Date” means (a) the twentieth (20th) day of each calendar month (or, if such day is not a Business Day, the immediately succeeding Business Day), and (b) on and after the Acceleration Date, each additional day selected from time to time by the Administrative Agent (it being understood that the Administrative Agent may select such Settlement Date to occur daily);
provided, that the last Settlement Date shall be the Final Payout Date.

“Settlement Period” means:

(a) the period from the Closing Date, to the end of the calendar month immediately succeeding the calendar month in which such date occurs; and

(b) thereafter, each subsequent calendar month;

provided, that the last Settlement Period shall end on the Final Payout Date.


“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Structuring Agent” means Mizuho, in its capacity as structuring agent for the transactions contemplated by this Agreement and the other Transaction Documents.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise Controlled, directly, or indirectly through one or more intermediaries, or both, by such Person.

“Successor Notice” is defined in Section 8.1(b).

“Taxes” means all income, gross receipts, rental, escheat, franchise, excise, stamp, occupational, capital, value added, sales, use, ad valorem (real and personal), property (real and personal), and taxes, fees, levies, imposts, charges, or withholdings of any nature whatsoever (including backup withholding), together with any assessments, penalties, fines, additions to tax and interest thereon, howsoever imposed, by any Governmental Authority or other taxing authority in the United States or by any foreign government, foreign governmental subdivision or other foreign or international taxing authority.

“Telco98” means the numeric credit modeling score developed by Equifax.

“Term SOFR” means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Third Largest State” means, as of any date of determination, the state (or commonwealth) in the United States, in respect of which the third largest amount of aggregate Financed Unpaid Balances of Eligible Receivables in the Receivable Pool in respect of Obligors with Billing Addresses in such state (or commonwealth) relate.

“Tranche Investment” means in relation to any Rate Tranche and any Purchaser, the amount of such Purchaser’s Investment allocated by the related Purchaser Agent to such Rate Tranche pursuant to Section 2.1; provided, that at all times the aggregate amounts allocated to all Rate Tranches of all Purchasers in respect of the Receivable Pool shall equal the Purchasers’ Pool Investment; provided, further, that at all times the aggregate amounts allocated to all Rate Tranches in respect of a Receivable Pool of any Purchaser shall equal the aggregate Investment of such Purchaser.

“Transaction Documents” means (i) this Agreement, the Sale Agreement, the Fee Letters, the Lock-box agreements, each applicable Payment Direction, each applicable Control Agreement entered into in connection with the Omnibus Account, each Lock-box Account and each Collection Account, the limited liability company agreement of the Seller, the Performance Support Agreement, all amendments, waivers and other modification to any of the above-referenced agreements or documents, executed and delivered by any ADT Entity, and (ii) each other agreement entered into in connection with any Transaction Document which either (x) is expressly designated as a “Transaction Document” by the Administrative Agent, the Seller and ADT or (y) in respect of which counsel to any ADT Entity has provided an opinion of counsel as to enforceability.

“True Sale” shall mean, with respect to any Receivable, the sale, contribution or transfer of an ownership interest in such Receivable (not the granting of a security interest therein), within the meaning of all applicable Law, including the United States Bankruptcy Code, which sale or transfer was not made with the intent to hinder, delay or defraud any present or future creditors and is not voidable or subject to avoidance under the United States Bankruptcy Code.
“UCC” means, in respect of each state in the United States of America, the Uniform Commercial Code as from time to time in effect in such state.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

“Unmatured Event of Termination” means any event which, with the giving of notice or lapse of time, or both, would become an Event of Termination.

“Unpaid Balance” means, as of any time with respect to a Receivable, an amount equal to the sum of all remaining unpaid monthly installment payments owed by the related Obligor in respect of such Receivable under the related Contract as of such time of determination.

“USA PATRIOT Act” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107 56 (signed into law October 26, 2001)).

“U.S. Dollars” means dollars in lawful money of the United States of America.

“Voting Securities” of any Person means the stock or other ownership or equity interests, of whatever class or classes, the holders of which ordinarily have the power to vote for the election of the members of the board of directors, managers, trustees, or other voting members of the governing body of such Person (other than stock or other ownership or equity interests having such power only by reason of the happening of a contingency).

“Weighted Average Advance Rate” means, as of any date of determination, the lesser of (A) 85.00%, and (B) the percentage obtained by (i) multiplying the Advance Rate applicable to each Eligible Receivable in the Receivable Pool with a fraction, (x) the numerator of which is the Financed Unpaid Balance of such Eligible Receivable, and (y) the denominator of which is the aggregate Financed Unpaid Balance of all Eligible Receivables in the Receivable Pool, and (ii) summing all of the products calculated pursuant to clause (i).

“Weighted Average Swap Rate” means, as of any date of determination, the result of (I) the sum of (x) the product of (i) the 5-year USD Libor Swap Rate (USSW) as of such date of determination, and (ii) the Financed Unpaid Balance of all Eligible Receivables with an Original Term greater than 36 months, plus (y) the product of (i) the 3-year USD Libor Swap Rate (USSW) as of such date of determination, and (ii) the Financed Unpaid Balance of all Eligible Receivables with an Original Term of 36 months or less, divided by (II) the aggregate Financed Unpaid Balance of all Eligible Receivables in the Receivable Pool.

“Weighted Average Term” means, as of any date of determination, with respect to all Receivables in the Receivable Pool which are Eligible Receivables, the number of months following such date of determination obtained by summing the products obtained by:

(a) multiplying (i) the number of remaining unpaid monthly installment payments at such time in respect of each Pool Receivable due from the applicable Obligor under the Contract which payments give rise to such Receivable, by (ii) the Financed Unpaid Balance of such Pool Receivable;

and dividing such sum by:

(b) the aggregate Financed Unpaid Balances at such time of all Pool Receivables which are Eligible Receivables.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

“Yield” means, for any day with respect to any Rate Tranche for the Receivable Pool:

\[
\{ (PTI \times YR) / 360 \} + LF
\]

where:

\[
YR = ;
\]
\[ \text{PTI} = \text{Purchasers’ Tranche Investment in such Rate Tranche on such day; and} \]
\[ \text{LF} = \text{the Liquidation Fee, if any, for such day.} \]

“Yield and Fee Reserve” means as of any date of determination, the product of:

(a) the Weighted Average Term divided by 12; times
(b) the Hedge Rate; times
(c) the Financed Unpaid Balance of all Pool Receivables; times
(d) the Weighted Average Advance Rate; times
(e) one (1) minus the Hedge Rate.

“Yield Period” means for any Rate Tranche, the period from and including the Closing Date to and excluding the first Settlement Date occurring hereunder, and thereafter, each period from and including each Settlement Date and to but excluding the immediately following Settlement Date.

“Yield Rate” means for any Rate Tranche on any day:
(a) in the case of a Rate Tranche funded by a Conduit Purchaser through the issuance of Commercial Paper Notes, the applicable CP Rate; and
(b) in the case of a Rate Tranche not funded by Commercial Paper Notes, the applicable Bank Rate for such Rate Tranche;

provided, that:

(i) on any day as to any Rate Tranche which is funded by Commercial Paper Notes, the Yield Rate shall equal the applicable Base Rate if (A) the Administrative Agent does not receive notice or determines, by 12:00 noon (New York City time) on the third Business Day prior to the first day of the related Yield Period or Settlement Period, as applicable, that such Rate Tranche shall not be funded by Commercial Paper Notes, or (B) the Administrative Agent determines that (I) funding that Rate Tranche on a basis consistent with pricing based on the applicable Bank Rate would violate any applicable Law, or (II) that deposits of a type and maturity appropriate to match fund such Rate Tranche based on the applicable Bank Rate are not available; and

(ii) on any day when any Event of Termination, shall have occurred that remains continuing the applicable Yield Rate for each Rate Tranche means a rate per annum equal to the higher of (A) the applicable Base Rate, plus 2.00% per annum and (B) the rate per annum otherwise applicable to such Rate Tranche during the current Yield Period or Settlement Period, as applicable plus 2.00% per annum.

B. Other Interpretive Matters.

(a) All accounting terms defined directly or by incorporation in this Agreement or the Sale Agreement shall have the defined meanings when used in any certificate or other document delivered pursuant thereto unless otherwise defined therein. For purposes of this Agreement, the Sale Agreement and all such certificates and other documents, unless the context otherwise requires: (a) except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; (b) terms defined in Article 9 of the UCC and not otherwise defined in such agreement are used as defined in such Article; (c) references to any amount as on deposit or outstanding on any particular date means such amount at the close of business on such day; (d) the words “hereof,” “herein” and “hereunder” and words of similar import refer to such agreement (or the certificate or other document in which they are used) as a whole and not to any particular provision of such agreement (or such certificate or document); (e) the term “including” means “including without limitation”; (f) references to any Law refer to that Law as amended from time to time and include any successor Law; (g) references to any agreement refer to that agreement as from time to time amended, restated, extended, or supplemented or as the terms of such agreement are waived or modified in accordance with its terms; (h) references to any Person include that Person’s permitted successors and assigns; (i) headings are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof; (j) unless otherwise provided, in the calculation of time from a specified date to a later specified date, the term “from and including”, and the terms “to” and “until” each means “to but excluding”; (k) if any calculation to be made hereunder refers to a
Settlement Period (or any portion thereof) that would have occurred prior to the Closing Date, such reference shall be deemed to be a reference to a calendar month; (l) terms in one gender include the parallel terms in the neuter and opposite gender; and (m) the term “or” is not exclusive.

(b) Each of the ADT Entities, the Collateral Agent, each Purchaser, and the Administrative Agent agree that no party hereto shall be deemed to be the drafter of this Agreement.
Mizuho Bank, Ltd.
1251 Avenue of the Americas
New York, NY 10020
Attention:

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of March 5, 2020 (as amended, restated, supplemented or otherwise modified, the “Receivables Purchase Agreement”), among ADT FINANCE LLC (the “Seller”), ADT LLC, as Servicer, the various Purchasers and Purchaser Agents from time to time party thereto, Mizuho Bank, Ltd., as collateral agent, administrative agent, arranger, and structuring agent. Capitalized terms used in this Purchase Request and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a Purchase Request pursuant to Section 1.2(a) of the Receivables Purchase Agreement. The Servicer (on behalf of the Seller) hereby requests that the Purchasers make a Purchase of the Receivables set forth on Annex A hereto on the Settlement Date to occur on [●], [20____], effective on the Cut-off Date that occurred on [●], [20____] with a proposed aggregate Cash Purchase Price of $__________ . The Seller and the Servicer hereby represents and warrants that each Receivable set forth on Annex A is an Eligible Receivable. Attached hereto as Annex B is the Information Package in respect of the Settlement Period and Yield Period, as applicable immediately preceding the proposed date of Purchase.

The Servicer hereby directs the Purchasers to pay the Cash Purchase Price to the account of the Seller [specified on Schedule II of the Receivables Purchase Agreement][designated below:

Holder Name:
Bank Name:
Branch:
SWIFT:

Exhibit A-1
Address:
Account Number:
ABA Number:]

Exhibit A-2
IN WITNESS WHEREOF, the undersigned has caused this Purchase Request to be executed by its duly authorized officer as of the date first above written.

**ADT LLC**, as Servicer and on behalf of the Seller

By:____
Name:____
Title:____

---

### Annex A

#### Exhibit A

<table>
<thead>
<tr>
<th>Obligor Name &amp; Billing Address</th>
<th>Account Number</th>
<th>ADT Credit Score of Obligor</th>
<th>Date of Origination</th>
<th>Unpaid Balance</th>
<th>Financed Unpaid Balance</th>
<th>Remaining Term For Payment of Financed Unpaid Balance</th>
<th>Remaining Term For Payment of Unpaid Balance</th>
<th>Product Type; Credit Check (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Receivables

---

**EXHIBIT B**

**FORM OF PAYDOWN NOTICE**

____________________, 20___

[SPECIFY NAME AND ADDRESS OF THE ADMINISTRATIVE AGENT]**
Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of March 5, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the “Receivables Purchase Agreement”), among ADT FINANCE LLC, as Seller (“Seller”), ADT LLC., as Servicer, the various Purchasers and Purchaser Agents from time to time party thereto and Mizuho Bank, Ltd., as collateral agent, administrative agent, arranger and structuring agent. Capitalized terms used in this notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a notice of the Seller’s optional reduction of Purchasers’ Pool Investment in the Receivable Pool pursuant to Section 3.2(b)(i) of the Receivables Purchase Agreement. The Seller desires to reduce the Purchasers’ Pool Investment in the Receivable Pool on [SPECIFY SETTLEMENT DATE], _____ by $____________________. Subsequent to such reduction, the Purchasers’ Pool Investment in the Receivable Pool will be $________________.

IN WITNESS WHEREOF, the undersigned has caused this paydown notice to be executed by its duly authorized officer as of the date first above written.

ADT LLC, on behalf of the Seller

By:____
Name:____
Title:____

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement, dated as of March 5, 2020 among ADT LLC (“Servicer”), ADT FINANCE LLC as Seller (the “Seller”), the various Purchasers and Purchaser Agents from time to time party thereto, and Mizuho Bank, Ltd., as collateral agent, administrative agent, Arranger and structuring agent (as amended, restated, supplemented or otherwise modified from time to time, the “Agreement”). Capitalized terms used and not otherwise defined herein are used with the meanings attributed thereto in the Agreement (including those incorporated by reference therein).

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected ________________ of Servicer.

2. I have reviewed the terms of the Agreement and each of the other Transaction Documents and I have made, or have caused to be made under my supervision, a review of the transactions and conditions of Servicer, ADT, and each Seller during the accounting period covered by the attached financial statements.

3. [Except as set forth in paragraph 4, the][T]he examinations described in paragraph 2 above did not disclose, and I have no actual knowledge of, the existence of any condition or event which constitutes an Event of Termination or an Unmatured Event of Termination, as each such terms are defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Compliance Certificate.

4. Described below are the exceptions, if any, to paragraph 3 above by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Seller or the Servicer on its behalf has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications and the financial statements delivered with this Compliance Certificate in support thereof, are made and delivered as of the _____ day of ________________, 20__. 
FORM OF JOINDER
[see attached]

SCHEDULE I

ADDRESSES FOR NOTICES

If to any ADT Entity:

c/o ADT LLC
1501 Yamato Road
Boca Raton, FL 33431
Attention: Chief Legal Officer
Facsimile: (561) 226-2856

with copies to:
Apollo Management VIII, L.P.
9 West 57th Street, 43rd Floor
New York, NY 10019
Attention: Chief Legal Officer
Telephone: (212) 515-3484
Facsimile: (646) 607-0539

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
Attention: Gregory A. Ezring, T. Robert Zochowski
Telephone: (212) 373-3762
Facsimile: (212) 492-0762

If to Mizuho:

Mizuho Bank, Ltd.
1251 Avenue of the Americas
New York, NY 10020
Attention: Johan Andreasson
Tel: (212) 282-3544
Fax: (212) 282-4105
Email: Johan.Andreasson@mizuhogroup.com

SCHEDULE II

PAYMENT INSTRUCTIONS

With respect to Mizuho:

Destination Bank: Mizuho Bank Ltd., New York Branch
ABA Number: 026 004 307
Account Name: ISA Loan Agency
Account No.: H79-740-005344
Reference: ADT Finance LLC

With respect to the Seller:

BNY Mellon Bank
500 Ross Street
Pittsburgh, PA 15262
Contact: Brina Hilliard
412.234.3359
brina.hilliard@bnymellon.com

Routing/ABA #: 043000261
Swift: MELNUS3P
Account #: 132-3080

**SCHEDULE III**

ADVANCE RATE MATRIX

<table>
<thead>
<tr>
<th>Advance Rate</th>
<th>Remaining Term</th>
<th>Tier 1-3 w/ Credit Check</th>
<th>Tier 1-3 wo/ Credit Check</th>
<th>Burglar Alarm w/ Credit Check</th>
<th>Burglar Alarm wo/ Credit Check</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td></td>
<td>71.55%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>59</td>
<td></td>
<td>72.14%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>58</td>
<td></td>
<td>72.73%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>57</td>
<td></td>
<td>73.32%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>56</td>
<td></td>
<td>73.90%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55</td>
<td></td>
<td>74.49%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54</td>
<td></td>
<td>75.08%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>53</td>
<td></td>
<td>75.67%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52</td>
<td></td>
<td>76.25%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51</td>
<td></td>
<td>76.84%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50</td>
<td></td>
<td>77.43%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49</td>
<td></td>
<td>78.02%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>48</td>
<td></td>
<td>78.60%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td></td>
<td>79.19%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td></td>
<td>79.78%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td></td>
<td>80.37%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td></td>
<td>80.95%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td></td>
<td>81.54%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td></td>
<td>82.13%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td></td>
<td>82.72%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
<td>83.30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td></td>
<td>83.89%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td></td>
<td>84.48%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td></td>
<td>85.07%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td></td>
<td>85.67%</td>
<td>69.59%</td>
<td>84.29%</td>
<td>64.64%</td>
</tr>
<tr>
<td>35</td>
<td></td>
<td>85.70%</td>
<td>69.65%</td>
<td>84.39%</td>
<td>64.77%</td>
</tr>
<tr>
<td>34</td>
<td></td>
<td>85.74%</td>
<td>69.72%</td>
<td>84.48%</td>
<td>64.90%</td>
</tr>
<tr>
<td>33</td>
<td></td>
<td>85.79%</td>
<td>69.78%</td>
<td>84.56%</td>
<td>65.06%</td>
</tr>
<tr>
<td>32</td>
<td></td>
<td>85.83%</td>
<td>69.86%</td>
<td>84.67%</td>
<td>65.20%</td>
</tr>
<tr>
<td>31</td>
<td></td>
<td>85.88%</td>
<td>70.01%</td>
<td>85.22%</td>
<td>65.44%</td>
</tr>
<tr>
<td>30</td>
<td></td>
<td>86.24%</td>
<td>71.01%</td>
<td>85.61%</td>
<td>66.63%</td>
</tr>
<tr>
<td>29</td>
<td></td>
<td>86.61%</td>
<td>72.01%</td>
<td>86.00%</td>
<td>67.81%</td>
</tr>
<tr>
<td>28</td>
<td></td>
<td>86.97%</td>
<td>73.01%</td>
<td>86.39%</td>
<td>68.99%</td>
</tr>
<tr>
<td>27</td>
<td></td>
<td>87.34%</td>
<td>74.01%</td>
<td>86.78%</td>
<td>70.17%</td>
</tr>
</tbody>
</table>
1) Subject to 85% maximum advance rate in aggregate
2) The number of remaining installments at the time such Eligible Receivable is acquired by the Seller

**SCHEDULE IV**

**POOL LIMITS**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Pool Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mizuho Bank, Ltd.</td>
<td>$200,000,000</td>
</tr>
</tbody>
</table>

**SCHEDULE V**

**LOCK-BOX AND ACCOUNT INFORMATION**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Address</th>
<th>Lock-box #</th>
<th>Account #(#s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon</td>
<td>ADT LLC, PO Box 371878,</td>
<td>371878</td>
<td>192-5363</td>
</tr>
<tr>
<td></td>
<td>Pittsburgh, PA 15250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BNY Mellon</td>
<td>One Wall Street</td>
<td>Virtual LB #66</td>
<td>022-2615</td>
</tr>
<tr>
<td></td>
<td>New York, NY 10286</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### COLLECTION ACCOUNT INFORMATION

<table>
<thead>
<tr>
<th>Bank</th>
<th>Address</th>
<th>Account #(#s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon</td>
<td>BNY Mellon One Wall Street</td>
<td>192-5865</td>
</tr>
<tr>
<td></td>
<td>New York, NY 10286</td>
<td></td>
</tr>
<tr>
<td>BNY Mellon</td>
<td>BNY Mellon One Wall Street</td>
<td>192-6243</td>
</tr>
<tr>
<td></td>
<td>New York, NY 10286</td>
<td></td>
</tr>
</tbody>
</table>

### OMNIBUS ACCOUNT

<table>
<thead>
<tr>
<th>Bank</th>
<th>Address</th>
<th>Account #(#s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BNY Mellon</td>
<td>BNY Mellon One Wall Street</td>
<td>132-3080</td>
</tr>
<tr>
<td></td>
<td>New York, NY 10286</td>
<td></td>
</tr>
</tbody>
</table>

### SCHEDULE VI

#### UCC DETAILS

<table>
<thead>
<tr>
<th>Legal Name</th>
<th>Other Names</th>
<th>Location of Physical Records</th>
<th>Jurisdiction of Organization / Entity Type</th>
<th>FEIN</th>
<th>Organizational ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADT FINANCE LLC</td>
<td>None</td>
<td>1501 Yamato Road, Boca Raton, FL 33431</td>
<td>DE</td>
<td>45-4517261</td>
<td>7705696</td>
</tr>
</tbody>
</table>

Exhibit A-3
<table>
<thead>
<tr>
<th>Country</th>
<th>Entity</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>ADT LLC</td>
<td>DE</td>
</tr>
<tr>
<td>United States</td>
<td>Prime Security Services Borrower, LLC</td>
<td>DE</td>
</tr>
<tr>
<td>United States</td>
<td>Prime Security Services Holdings, LLC</td>
<td>DE</td>
</tr>
<tr>
<td>United States</td>
<td>The ADT Security Corporation</td>
<td>DE</td>
</tr>
</tbody>
</table>
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-230456 and 333-235331) and Form S-8 (No. 333-222783 and 333-234077) of ADT Inc. of our report dated March 10, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 10, 2020
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James D. DeVries, certify that:

1. I have reviewed this Annual Report on Form 10-K of ADT Inc.:  

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2020

/s/ James D. DeVries

James D. DeVries  
President and Chief Executive Officer
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jeffrey Likosar, certify that:

1. I have reviewed this Annual Report on Form 10-K of ADT Inc.: 
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; 
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; 
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; 
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; 
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and 
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and 
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and 
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting. 

Date: March 10, 2020 

/s/ Jeffrey Likosar

Jeffrey Likosar

Executive Vice President, Chief Financial Officer and Treasurer
I, James D. DeVries, President and Chief Executive Officer of ADT Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

• the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

• information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James D. DeVries
James D. DeVries
President and Chief Executive Officer
March 10, 2020

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).
I, Jeffrey Likosar, Executive Vice President, Chief Financial Officer and Treasurer of ADT Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

• the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

• information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Likosar  
Jeffrey Likosar  
Executive Vice President, Chief Financial Officer and Treasurer  
March 10, 2020

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 1350 of Title 18 of the United States Code and, accordingly, is not being filed with the U.S. Securities and Exchange Commission as part of the Report and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Report, irrespective of any general incorporation language contained in such filing).