

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, 2020

Or



Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 001-38352



ADT Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

47-4116383

(I.R.S. Employer Identification No.)

**1501 Yamato Road,
Boca Raton, Florida, 33431
(561) 988-3600**

(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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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, 2020 was \$815,503,819 as computed by reference to the closing price for such stock on the New York Stock Exchange on June 30, 2020 and excludes unvested shares of common stock.

As of February 16, 2021, there were 762,035,537 shares outstanding (excluding 9,611,770 unvested shares of common stock) of the registrant's common stock, \$0.01 par value per share, and 54,744,525 shares outstanding of the registrant's Class B common stock, \$0.01 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for use in connection with its 2021 Annual Meeting of Shareholders, which is to be filed no later than 120 days after December 31, 2020, are incorporated by reference into Part III of this Annual Report on Form 10-K.

TABLE OF CONTENTS

	Page
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	1
SUMMARY OF PRINCIPAL RISK FACTORS	2
Part I	
ITEM 1. BUSINESS	4
ITEM 1A. RISK FACTORS	14
ITEM 1B. UNRESOLVED STAFF COMMENTS	42
ITEM 2. PROPERTIES	42
ITEM 3. LEGAL PROCEEDINGS	43
ITEM 4. MINE SAFETY DISCLOSURES	43
Part II	
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES	44
ITEM 6. SELECTED FINANCIAL DATA	46
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	48
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	69
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	70
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	70
ITEM 9A. CONTROLS AND PROCEDURES	70
ITEM 9B. OTHER INFORMATION	71
Part III	
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	72
ITEM 11. EXECUTIVE COMPENSATION	72
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	72
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE	72
ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES	72
Part IV	
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	73
ITEM 16. FORM 10-K SUMMARY	77
SIGNATURES	78

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 plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions, our ability to successfully respond to the challenges posed by the COVID-19 Pandemic, our strategic partnership and ongoing relationship with Google, the expected timing of product commercialization with Google or any changes thereto, the successful internal development, commercialization and timing of our next generation platform 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 effectively implement our strategic partnership with, or utilize any of the amounts invested in us by Google LLC;
- the impact of the COVID-19 pandemic on our employees, our customers, our suppliers and our ability to carry on our normal operations;
- our ability to maintain and grow our existing customer base;
- 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 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;
- 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 implement an equipment ownership model that best satisfies the needs of our customers and to successfully implement and maintain our receivables securitization financing agreement;
- our ability to successfully pursue alternate business opportunities and strategies;
- our ability to integrate various 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; and
- 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 or referenced in Part I Item 1A of this Annual 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 the 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.

SUMMARY OF PRINCIPAL RISK FACTORS

This summary briefly lists the principal risks and uncertainties facing our business, which are only a select portion of those risks. A more complete discussion of those risks and uncertainties is set forth in Part I, Item 1A of this Annual Report, entitled *Risk Factors*. Additional risks not presently known to us or that we currently deem immaterial may also affect us. If any of these risks occur, our business, financial condition or results of operations could be materially and adversely affected. Our business is subject to the following principal risks and uncertainties:

Risks Related to Our Products and Services

- Our future growth is dependent upon our ability to keep pace with rapid technological and industry changes.
- We sell our products and services in highly competitive markets, including the home security and automation markets and the commercial fire and security markets.
- Older telecommunications technology such as 3G and CDMA is being retired by telecommunications providers and, at the same time, our customers may shift their choice of telecommunications services and equipment.
- Police departments could refuse to respond to calls from monitored security service companies.
- Our reputation as a service provider of high-quality security offerings may be affected by product defects or shortfalls in customer service.
- 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.
- We have invested 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.
- There may be unauthorized use of our brand names by third parties, and we may incur significant expenses in developing and preserving the value of our brand names.
- Third parties hold rights to certain of our key brand names outside of the U.S.

Risks Related to Our Operations

- The COVID-19 Pandemic has had and could continue to have a significant negative impact on our employees, our customers, our suppliers, and our ability to carry on our normal operations.
- We rely on a significant number of our customers remaining with us for long periods of time.
- We may fail to successfully upgrade, integrate, and maintain the security of our information and technology networks, including personally identifiable information and other data.
- 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.
- 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 to provide other services to our subscribers.
- Events could cause a disruption in the ability of our monitoring facilities or customer care resources to operate.
- 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 may pursue business opportunities that diverge from our current business model.
- We continue to integrate our acquisitions, which may divert management's attention from our ongoing operations, and we may not achieve all of the anticipated benefits, synergies, or cost savings from our acquisitions.
- Our customer generation strategies through third parties, including our authorized dealer and affinity marketing programs, and our use of celebrities and social media influencers, and the competitive market for customer accounts may expose us to risk and affect our future profitability.

- We face risks in acquiring and integrating customer accounts.
- We may be unable to recruit and retain key personnel to manage our business and the loss of or changes to our senior management could disrupt our business.
- Adverse developments could negatively impact our relationship with our employees.
- 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.

Risks Related to Regulations and Litigation

- 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.
- Infringement of our intellectual property rights could negatively affect us.
- Allegations that we have infringed upon the intellectual property rights of third parties could negatively affect us.
- We may be subject to class actions and other lawsuits.
- 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.
- Our business operates in a regulated industry.
- We could be assessed penalties for false alarms.
- Adoption of statutes and governmental policies could characterize certain of our charges as unlawful.
- In the absence of net neutrality or similar 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.
- We are exposed to greater risks of liability for employee acts or omissions or system failures than may be inherent in other businesses.
- We may be required to make indemnification payments relating to the sale of our Canadian business.
- 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.
- Our use of independent contractors for certain functions may expose us to additional risks.
- 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.

Risks Related to Macroeconomic and Related Factors

- General economic conditions can affect our business, and we are susceptible to changes in the business economy, in the housing market, and in business and consumer discretionary income, which may inhibit our ability to grow.
- We are subject to credit risk and other risks associated with our subscribers and dealers.
- Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.
- We have significant deferred tax assets and may experience impairments of or valuation allowances against these deferred tax assets in the future.

Risks Related to Our Indebtedness and to the Ownership of Our Common Stock

- As a result of our substantial indebtedness, we may be unable to raise additional capital sufficient to run our operations or service our debt, and we have a more limited ability and more limited flexibility to run our operations as we desire.
- Our stock price may decline if a significant holder sells any part of their holdings, and may be negatively impacted by our status as a controlled company, the actions of our controlling stockholder, provisions in our charter or bylaws that benefit our controlling stockholder, or any failure to achieve programs that are consistent with investor expectations.

PART I

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 and connect customers by providing 24/7 professional monitoring services as well as delivering lifestyle-driven solutions through professionally installed (“do-it-for-me” or “DIFM”), do-it-yourself (“DIY”), mobile, and digital-based offerings for residential, small business, and large commercial customers. The ADT brand is synonymous with monitored security and, as one of the most recognized and trusted brands in the security systems industry, is a key driver of our success. As of December 31, 2020, we served approximately 6.5 million recurring revenue customers through more than 300 locations, nine monitoring centers, and the largest network of security and home automation 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 at the time.

The following represents key business developments in recent years:

- In January 2018, we completed an initial public offering (“IPO”) and our common stock, par value \$0.01 per share, (“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”) (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 January 2020, we acquired our largest independent dealer, Defender Holdings, Inc. (“Defenders”) (the “Defenders Acquisition”).
- In February 2020, we launched a new revenue model initiative for certain residential customers which (i) revised the amount and nature of fees due at installation, (ii) introduced a 60 month monitoring contract option, and (iii) introduced a new retail installment contract which allows qualifying residential customers to repay the fees due at installation over the course of a 24, 36, or 60 month interest-free period.
- In July 2020, we entered into a Master Supply, Distribution, and Marketing Agreement (the “Commercial Agreement”) with Google LLC (“Google”) and in September 2020, we issued and sold 54,744,525 shares of Class B common stock, par value \$0.01 per share, (“Class B Common Stock”) in a private placement to Google. The partnership with Google is anticipated to drive our next phase of growth for our DIFM and DIY solutions beginning in 2021.
- In November 2020, we announced the ongoing development of our ADT-owned next-generation professional security and automation technology platform, which is currently being developed in coordination with Google.

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 affiliates of Apollo Global Management, Inc. (together with its subsidiaries and affiliates, “Apollo” or the “Sponsor”). As of December 31, 2020, Apollo owned approximately 74.6% of our outstanding common stock, including Class B Common Stock on an as-converted basis and excluding unvested common shares, compared to 87.7% as of December 31, 2019.

Information about Segment and Geographic Revenue

We report results based on a single operating and reportable segment. However, we expect the manner in which the chief operating decision maker (the “CODM”) evaluates results to change during the first quarter of 2021, and as a result, we anticipate a change in our operating and reportable segment structure. For the results of our operations outside of the U.S., which consist 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.

Our Products and Services

We primarily offer our portfolio of products and services under our ADT brand, which is among the most recognized and trusted brands in the security systems industry. The strength of our brand is built upon a long-standing record of providing high-quality and reliable monitored security and automation services, expertise in system sales and installation, superior customer care, and industry-leading experience and knowledge. Our interactive offerings add automation and smart home capabilities to traditional security systems. We also seek opportunities that allow us to leverage our brand, 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 brand is a key competitive advantage and contributor to our success.

Our baseline security and automation offerings involve the sale, 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, 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.

The vast majority of our new customers enroll in our 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 emerging markets, we are extending the concept of security from the physical home or business to personal on-the-go security and safety with SoSecure, our mobile safety application, and other offerings. 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.

A portion of our customers use traditional land-line telephone service as the primary communication method for alarm signals to our central monitoring centers. As the use of land-line telephone service has decreased, we have implemented cellular and broadband technologies as communication methods for alarm signals, which facilitate our interactive and smart home offerings.

In addition to our sale, installation, and monitoring 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 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 residential customer contract, the customer is charged an upfront fee, which qualifying customers can pay over the course of the contract, and is then obligated to make monthly payments for the remainder of the initial contract term. The standard contract term for residential customers is two, three, or five years, 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.

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 sufficiently long periods of time in order to recoup our initial investment in new customers, generally achieving revenue break-even in less than two and a half years.

Sales and Distribution Channels

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

- *Direct Channel*

Our direct channel customers are generated by our direct response and other marketing efforts and general brand awareness, customer referrals, and lead generation partners, and are supported by our internal sales force located in our four national sales call centers as well as our network of sales and service offices located throughout the U.S.

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 select 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 residential end users (the "ADT Authorized Dealer Program"). The ADT Authorized Dealer Program extends our reach by aligning us with select independent security sales and installation companies. As opportunities arise, we have in the past engaged, and we may continue to engage, in selective bulk account purchases, which typically involve the purchase of a set of customer accounts from other security service providers.

Our authorized dealers are contractually obligated to offer exclusively to us all qualified monitored 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. 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 thirteen months, the dealer is required to refund our payment of the purchase price for the canceled account.

As of December 31, 2020, our network of authorized dealers consisted of approximately 200 authorized dealers operating across the U.S. 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.

The Defenders Acquisition 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, 2020, we served our customer base from more than 300 sales and service offices located throughout the U.S. We staff our network of sales and service offices with installation and service technicians 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, including by providing same-day or next-day service to the majority of our customers.

Monitoring Centers and Support Services

As of December 31, 2020, we operated nine monitoring centers, which are listed by Underwriters Laboratories (“U.L.”), located throughout the U.S. in order to provide professional monitoring services to our customers 24 hours a day on a year-round basis, of which three monitoring centers also provide outsourced monitoring services for other security companies. 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.

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

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.

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. We believe this concept is a strong selling point for multi-site customers choosing us for their security needs.

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 Markets

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

- *Residential:* Our residential market primarily consists of owners of single-family homes who have purchased monitored security and automation services. The market is characterized by a large and homogeneous customer base with less complex system installations.

- *Commercial:* Our commercial market includes 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. 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.
- *Emerging:* Our emerging markets, which include new customer types and new offerings, present opportunities for us to leverage our brand name, our core focus on security, and our high degree of trust among our customer base to pursue complementary markets such as DIY offerings, 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, 2020, we served approximately 6.5 million recurring revenue customers throughout the U.S. 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 brand, 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 also rely on marketing by social media influencers and celebrity spokespersons that represent the ADT brand to generate new customers.

We continually consider and evaluate new customer lead generation methods and channels to increase our customer base and drive greater market penetration. 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.

Competition

Technology trends are creating significant change in our industry. While providing us with many opportunities, innovation has also lowered the barriers to entry for automation, interactive, 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 automation, interactive, and smart home solutions. We are focused on extending our leadership position in the traditional residential and commercial markets while also growing our share of the expanding emerging markets.

The traditional residential and commercial 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 market are Vivint Smart Home, Inc., Brinks Home Security (operating brand of Monitronics International, Inc.), and Xfinity Home Security (a division of Comcast Corporation). Our principal competitors within the

commercial market are Johnson Controls International plc. (“Johnson Controls”), Convergent Technologies, Stanley Security (a division of Stanley Black and Decker), and Securitas Electronic Security. Additionally, with our recent investments and enhancements in DIY offerings as well as our partnership with Google, we are positioning ourselves to grow our market share in the DIY space from competitors including SimpliSafe, Apple HomeKit, and Amazon Ring.

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. Our approach to competition is to emphasize the quality and reputation of our services, our superior customer service, our industry-leading brand, 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.

Resources Material to Our Business

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, 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.

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 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 in the U.S. and Canada, including ADT, ADT Pulse, Protection 1, ADT Commercial, and Blue by ADT. Our brand is critical to our success 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 extend for limited periods of time 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 the ADT brand 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 in 2019, 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 (i) the use of our patents in Canada for a period of seven years and (ii) exclusive use of our trademarks in Canada for a period of five years and non-exclusive use for an additional two years thereafter.

Seasonality of Our Business

Our business experiences a certain level of seasonality with respect to residential customers. 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.

Government Regulation and Other Regulatory Matters

Our operations are subject to numerous federal, state, and local laws and regulations related to consumer protection, privacy, occupational licensing, building codes, environmental protection, labor and employment, tax, and permitting. Most states in which we operate have licensing laws directed specifically toward professional installation and monitoring of security devices. In certain jurisdictions, we must obtain licenses or permits to comply with standards governing employee selection, training, and business conduct. We do not believe that federal, state, and local laws and regulations relating to the discharge of materials into the environment, or otherwise relating to the protection of the environment, or any existing or pending climate change legislation, regulation, or international treaties or accords are reasonably likely to have a material effect in the foreseeable future on our business. We will continue to monitor emerging developments in this area.

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.

Our communications with current and potential customers are regulated by federal and state laws, which include restrictions on telemarketing activities, the use of auto-dialing technology, email marketing, and text communications.

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.

Human Capital and Environmental, Social, and Governance (“ESG”)

Our success is built upon the success of those whose lives we touch. This includes our customer base, our employees, and the communities we serve, who we impact both directly and indirectly as we seek to accomplish our corporate mission to help our customers protect and connect to what matters most—their families, homes, and businesses.

We place a strong emphasis on environmental, social, and governance issues and believe that such emphasis enhances our corporate performance, while enabling us to hire and retain top talent whose values embrace environmental and social responsibility and who remain passionate about our organization.

Human Capital

As of December 31, 2020, we employed approximately 20,500 people, of whom approximately 5,700 are installation and service technicians, approximately 4,100 are customer care professionals, and approximately 4,500 are sales consultants. Approximately 7% of our employees are covered by collective bargaining agreements, and we believe our relations with our employees and labor unions have generally been positive.

We are committed to fostering a culture and environment where every employee feels valued. Our success depends in large part on our hiring and retaining top talent across the entire organization, with primary emphasis on our management team and our employees who interface directly with our customers (such as sales representatives, installation and service technicians, and call center personnel). We compete for talent with other companies both smaller and larger, and both in our market and in other industries. In order to attract and retain top talent, we focus on having a diverse, inclusive, and safe workplace, while offering competitive compensation, benefits, and health and wellness programs. A majority of employees also have incentive compensation opportunities, which are primarily focused on financial, sales, operational, and customer service metrics. In addition, our long-term equity compensation is intended to align management interests with those of our stockholders and to encourage the creation of long-term value. We provide training and learning opportunities, rotational assignment opportunities, and continuous feedback in order to further our employee development.

We are committed to building a culture of diversity and inclusion for our employees. Because our employees reflect the communities where we live and serve, we strive to hire and retain a workforce that is truly representative of our markets. In 2020, we took a meaningful step on our journey to create a work environment where inclusion, diversity, and belonging can truly thrive by establishing the ADT Inclusive Diversity and Belonging Council (the "AIDBC"). The AIDBC plays an integral role in laying the ground-work for establishing enterprise initiatives that will advance our mission to promote diversity and inclusion. The AIDBC represents a broad cross section of our organization, including executive and senior management, and is expected to help build an enterprise wide program by elevating inclusion and diversity as a business priority across the organization in a manner that includes measurable goals and accountability.

We value the health and safety of our team members and customers above all else. We continually work to foster a culture of safety that enables our employees to minimize risk and to understand and follow safety rules, as well as to identify and correct unsafe actions, behaviors, or situations. We believe that all occupational injuries and illnesses, as well as environmental incidents, are generally preventable and we focus on compliance with all applicable environmental, health, and safety requirements. We continue to institute fleet safety initiatives to protect our drivers and others across our fleet of vehicles, including collision warning and auto braking technologies. We also offer our employees and their families comprehensive health and wellness rewards to help them achieve their best overall self.

Our Environmental, Health, and Safety ("EHS") vision is to build a culture that promotes safe behaviors on each task, every day, to achieve zero incidents and enhance employee wellness, and to minimize our environmental impact. In order to achieve our vision, we strive to incorporate our values of people, prevention, and accountability into our business and the decisions we make each day. We have implemented an EHS management system that includes expectations for compliance, accountability, sustainability, and continuous improvement.

During March 2020, the World Health Organization declared the outbreak of a novel coronavirus as a pandemic (the "COVID-19 Pandemic"), which has become increasingly widespread in the U.S. In order to continue to both protect our employees and serve our customers, we have adjusted and are continuously evolving certain aspects of our operations from those as discussed above, which includes (i) detailed protocols for infectious disease safety for employees, (ii) daily wellness checks for employees, and (iii) certain work from home actions, including for the majority of our call center professionals. In addition, we have invested in personal protective equipment for our employees and other work from home initiatives,

Environmental

We are committed to reducing our impact on the environment by promoting environmental stewardship throughout our organization. We have implemented our ADT Environmental Absolutes framework, which represents our focus on complying with environmental requirements, addressing proper disposal of waste streams, and promoting recycling of materials. We invest significant time and resources to reduce building greenhouse gases and have focused on efficiency improvements in lighting, air handling, and data operations. We continually explore methods to reduce greenhouse gases from our motor vehicle fleet, including through the purchase of newer vehicle models having greater fuel efficiency and the use of hybrid vehicles. We employ waste recycling and diversion programs and continue to evolve new initiatives such as the placement of sensors inside our trash dumpsters to monitor waste levels and reduce unnecessary trash hauls. We will continue to look for new, and to improve existing, initiatives that reduce our carbon footprint.

Social

Our volunteerism and philanthropy social initiatives are varied and widespread across the organization. Our team members across the U.S. give back to their communities as part of ADT Always Cares, a corporate-wide citizenship program comprised of employee-directed volunteerism and philanthropy. Through our LifeSaver Awards program, we provide support to first responders by providing charitable contributions to the police and fire departments who helped save our customers from home fires, carbon monoxide poisoning, and other medical emergencies. During 2020, we increased our philanthropy campaign by providing contributions to more than 130 non-profit organizations impacted by the COVID-19 Pandemic, donating meals to

employees at major hospitals to express gratitude for their sacrifice and dedication in response to the COVID-19 Pandemic, and giving to volunteer fire departments that battled wildfires in the western U.S. We also look for opportunities to support organizations that focus on diversity and inclusion efforts. In 2020, we donated to the United Negro College Fund to provide five students with four-year college scholarships.

Governance

We are committed to making sure that every team member understands our core values of trust, collaboration, service and innovation. That understanding begins with our Code of Conduct, which outlines our commitment to our customers, our investors, our communities, and to one another. Our Code of Conduct outlines what is expected of our employees and ensures we continue to foster a culture of high integrity. We adhere to the governance requirements established by federal and state law, the Securities and Exchange Commission (the “SEC”), and the NYSE, and we strive to establish appropriate risk management methods and control procedures to adequately manage, monitor, and control the major risks we may face day to day.

Recent Initiatives Within Our Business Operations

We have been successful in improving certain of our operating key performance indicators in recent years, such as customer acquisition efficiency and customer retention. We believe these improvements in our fundamentals have positioned us well to achieve long-term capital efficient growth. During 2020, we commenced certain ongoing strategic initiatives that we believe will be transformative to our business. We have seen an increase in interest in smart home offerings and other mobile technology applications that we believe is attributable to a variety of factors, including advancements in technology, younger generations of consumers, and shifts to de-urbanization. Our strategic initiatives are intended to help us satisfy consumer and commercial demands in light of these macro-level dynamics and to position us for sustainable growth for years to come.

For example, our partnership with Google represents the combination of the leading security brand and the leading technology brand joining forces to introduce the next-generation smart and helpful home. Co-branded offerings are expected to be available beginning in 2021 in the form of both DIFM and DIY solutions and will include the integration of leading Google devices paired with Google video and analytics service. As part of this partnership, each company will contribute \$150 million upon the achievement of certain milestones towards the joint marketing of devices and services, customer acquisition, training of our employees for the sales, installation, customer service, and maintenance for the product and service offerings, and technology updates for products included in such offerings.

These co-branded offerings will be initially supported by our current technology platform and we then plan to transition them to be supported by our ADT-owned next-generation professional security and automation technology platform, which is currently being developed in coordination with Google. Our comprehensive interactive technology platform is expected to provide customers with a seamless experience across security, life safety, automation, and analytics through a common application. Additionally, our platform is expected to integrate the user experience, customer service experience, and back-end support.

We are also increasing our emphasis on the use of strategic partnerships and alliances with third parties to expand our market presence. For example, through our partnerships with D.R. Horton and Lyft, we are teaming up with national leaders in home construction and ride sharing, respectively, while also investing in and integrating our services with new and existing technologies and applications. We believe there is a healthy pipeline of future partnership and alliance opportunities.

Given the successful implementation of a temporary work from home strategy during 2020, we are re-imagining what our physical footprint should look like. While the COVID-19 Pandemic has presented its challenges, it has also presented opportunities, such as with respect to how employees may most effectively work from home. This shift to an at home environment may provide us with an opportunity to more permanently reduce our number of fixed physical locations. For example, we expect a portion of our monitoring and customer service employees to remain in a permanent work from home environment. We believe this will reduce operating expenses while being a significant benefit for our employees, thereby making ADT an even more attractive place to work.

In addition, we have been focused on increasing our market share and penetration in the commercial market, which began with the Red Hawk Acquisition in 2018. While we experienced significant growth in our commercial channel during 2019, our commercial growth was negatively impacted by the COVID-19 Pandemic during 2020. However, we have now completed our integration of the Red Hawk business, and believe we are poised to return to commercial growth organically and through opportunistic value-add acquisitions.

Available Information

Availability of SEC Reports

Our website is located at <https://www.adt.com>. Our investor relations website is located at <https://investor.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 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 our website and accessible at <https://investor.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 Products and Services

Our future growth is dependent upon our ability to keep pace with rapid technological and industry changes through a combination of partnerships with third parties, our own internal development, and by acquisition, in order to obtain and maintain 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, alone or with third parties, or to 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.

For example, in July 2020, we entered into the Commercial Agreement with Google pursuant to which Google has agreed to supply us with certain Google devices as well as certain Google video and analytics services and we have agreed, with certain exceptions, to exclusively provide Google end-user video and sensing analytics services and smart-home, security and safety devices to our customers. If Google fails to perform or to provide products that continually meet the demands of our customers, or if we fail to develop products and services that our customers find desirable and in a timely manner, our business will be materially, adversely impacted. In addition, while we are required to use Google exclusively for certain of our product supply, Google can sell the same or similar devices to our competitors who may more successfully commercialize products or services that are competitive to ours, thereby materially harming our business.

In addition, in November 2020, we announced the ongoing development of our ADT-owned next-generation professional security and automation technology platform, which is currently being developed in coordination with Google. Our comprehensive interactive platform is expected to provide customers with a seamless experience across security, life safety, automation, and analytics through a common application. Additionally, our platform is expected to integrate the customer experience, the customer service experience, and back-end support. We may not achieve a successful platform build in a timely manner, within budget, or in a manner that enables the commercialization of products and services that meet the continually evolving demands of our customers. The failure to successfully build a platform will significantly impact our ability to provide commercially viable products and services, and will result in the loss of a substantial amount of investment dollars. In addition, the development of this platform will take management’s time and attention away from other opportunities. A failure to successfully develop this platform could result in a material adverse impact on our business.

Any new or enhanced products and services developed in these manners 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 security and automation markets 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 home automation and 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 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, as well as the acquisition of other companies with home automation solution offerings, 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, Apple HomeKit, and Amazon Ring, 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. In November 2020, we announced our intention to launch a co-branded ADT | Google core professionally installed DIFM offering during the second half of 2021 and a co-branded ADT | Google DIY solution in 2021 having new distribution channels, including retail sales directly to prospective customers. We cannot be certain that either offering will launch successfully, or occur at all, or whether any such co-branded product will be commercially viable. Notwithstanding our new partnership with Google, 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.

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 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, as was the case when we sought to migrate certain customers off of the earlier 2G networks, and slow new customer generation.

We have received notice from the providers of 3G and Code-Division Multiple Access (“CDMA”) cellular networks that they will be retiring their 3G and CDMA networks by the first quarter of 2022. One carrier that sunset CDMA in 2019 has agreed to continue to provide such service only until the end of 2022. As of December 31, 2020, we provided services to approximately 1.9 million customer sites that transmit signals via 3G or CDMA networks. A failure to effectively transition these customers away from retiring networks would result in a loss of signal to the systems and services we provide, which may result in a loss of related recurring monthly revenue. Implementation of additional service charges in connection with our transition plans, may cause customers to view such charges unfavorably, which could cause customer 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, or to respond to other changes carriers are or may make to their networks in a timely and cost-effective manner, whether due to an insufficient supply of electronic components or parts, an insufficient skilled labor force, or due to any other reason, our business, financial condition, results of operations, and cash flows, could be materially adversely affected.

During November 2020, we acquired Cell Bounce, a technology company with proprietary radio conversion technology in the form of a user-installable device, which is expected to allow for the transition of customers on 3G networks in a cost efficient and timely manner. The Cell Bounce technology is unproven on a large commercial scale and any long term failure in the technology or inability to install the technology in a cost effective and timely manner, including as a result of the unwillingness of customers to self-install the device, or their prolonged delay in doing so, would result in a loss of our investment to date to acquire and integrate Cell Bounce into our operations and could have a material, adverse impact on our financial condition, results of operations and cash flows.

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 carrier’s ability to retire copper-based wireline networks without advanced notice 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, which could materially, adversely impact our financial condition, results of operations and cash flows.

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.

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, suppliers, 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 product or service providers or any other factors could have a material adverse effect on our business, financial condition, and results of operations.

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 invested 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.

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 of our 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 and continue to grow our business outside of the U.S. 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 (the "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.

Risks Related to Our Operations

The COVID-19 Pandemic has had and could continue to have a significant negative impact on our employees, our customers, our suppliers, and our ability to carry on our normal operations given its impact on the economy generally, as well as the resulting "shelter in place" and other operational requirements we have or must continue to adhere to, or which could be reinstituted upon a re-emergence of COVID-19 in a particular jurisdiction, any of which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We continue to monitor the impact of the COVID-19 Pandemic on all aspects of our business. This includes the health of our employees, the protection of our customers, and our ability to continue to operate all aspects of our operations. Our employees are susceptible to COVID-19 in the ordinary course of their work. While we seek to protect our employees' health through various initiatives, we cannot be certain that our employees will not contract COVID-19, be required to quarantine as a result of coming in contact with others who have the disease, or be unable to work in order to care for someone with the disease. Any such instances, whether on a large scale basis or concentrated in any one area of the business could result in legal claims and have a material adverse effect on our business, financial condition, results of operations, and cash flows. The health and safety of our customers is also a top priority and we similarly take precautions to protect their health and well-being. The refusal of customers to allow us to enter their residences or businesses due to the fear of COVID-19 could have a material impact on our business, and the spreading of the disease between our customers and our employees could interrupt our operations, result in legal claims and damage our brand. Any such result could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We rely on monitoring centers and customer care centers as an integral part of our ongoing business operations. While we have taken steps to enable the majority of the employees who staff these operations to conduct their jobs from home, the closure of any such site or the widespread illness of the employees remaining in any such site could result in a material disruption to our business. Similarly, our work from home environment could subject us to the failure of the communications networks serving our employees which we no longer control and who may not have sufficient back up capabilities. In addition, this work from home environment results in more home access points that are susceptible to cybersecurity attacks, such as computer hacking, computer viruses, worms or other malicious software or malicious activities. In addition, our monitoring centers are listed by U.L. and must meet certain requirements to maintain that listing. Permitting some of our monitoring center or customer care center employees to work from home during the duration of the COVID-19 Pandemic or for any period of time or permanently thereafter may impact our U.L. listing and our ability to provide our services in situations where a U.L. listing is required or otherwise negatively impact the customer experience. Our employees who work from home may also experience a decrease in the quality of job performance, whether immediate or over time. Any such impact with respect to our employees who are working from home could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Any continued widespread growth in infections could also result in additional, or the re-institution of prior, travel restrictions or “shelter-in-place” mandates that further impact the ability of our employees to reach our operations, be available to install new or repair existing systems within residential homes or commercial operations, or to enter such homes or commercial operations. Such inability to access residences, or any unwillingness of customers to allow us to enter their sites, to proactively continue our program to replace the 3G and CDMA cellular equipment used in many of our security systems could also negatively impact the pace of our 3G and CDMA radio replacement program, which could impair our ability to convert all of those radios across our system by the applicable technology sunset dates. In addition, the continuation of infections has resulted, and could continue to result, in a change in policy of emergency responders in certain jurisdictions who have declined, and may continue temporarily or permanently to decline, to respond to certain verified or non-verified burglar alarm calls from our monitoring centers or from our employees who are working from home, and restrictions on business operations may continue, or be re-instituted, or expand in certain jurisdictions with only limited exceptions. Such restrictions, which could impact us directly should we fail to fall within a permissible exception, and which could also result in future sustained business closures among our customer and potential customer bases, would magnify the negative impact already experienced across our operations and, most significantly, within our commercial operations. Any of the foregoing impacts on our employees, first responders, customers, operations, or business generally, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our dealers and suppliers may be similarly impacted by the COVID-19 Pandemic. 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. These dealers face many of the same challenges we face due to the COVID-19 Pandemic and the impact on their respective employees, customers and operations generally. These dealers may not have sufficient financial strength or operational diversity to enable them to maintain their operations throughout the COVID-19 Pandemic. We may also find that it is difficult or impossible to receive equipment from our suppliers or that we have an impaired ability to deliver products and services to customers, or to even make repairs, 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 these losses, or any of the other losses we may experience as a result of the COVID-19 Pandemic, many of which we may not even be able to contemplate or quantify at this time, and such insurance may not cover a particular event at all. Any of these outcomes could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

The COVID-19 Pandemic has also caused significant disruption to and volatility within the financial markets. A long-term refusal of residential or commercial customers to allow us to access their premises, significant cancellations or non-payment of accounts, or an inability to obtain new customers, could impact our liquidity. We may not be able to timely access the financial markets or be able to do so on terms that are favorable to us, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

We are also concerned with the impacts that have and could continue to result as cases of COVID-19 re-emerge in jurisdictions which have and will continue to reopen for business and / or no longer require social distancing. COVID-19 cases have increased significantly in many jurisdictions that have re-opened, prompting new restrictions. Even if current containment efforts or a successful vaccine lead to dramatic reductions in COVID-19 cases, we are also concerned with the uncertainty around the subsequent re-emergence or mutation of COVID-19. If individuals cease to undertake appropriate protective measures or if any vaccine proves ineffective in the long term or is not commercially available to the entire population, a re-emergence of COVID-19 could cause additional significant disruptions in the economy continuing into the future, which could result in a material adverse effect on our business, financial condition, results of operations, and cash flows.

The COVID-19 Pandemic may also exacerbate the other risks noted in this Item 1A. “Risk Factors,” including, but not limited to: our ability to comply with the terms of our indebtedness, our ability to generate revenues, earn profits and maintain adequate liquidity, our ability to service existing and attract new customers, our ability to maintain our overall competitiveness in the market, the potential for significant fluctuations in demand for our services, overall industry trends impacting our business, as well as potential volatility in our stock price.

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 two and a half years. Accordingly, our long-term profitability is dependent on long customer tenure. This requires that we minimize our rate of customer disconnects, or attrition. Factors that can increase disconnects include customer relocations, 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. In addition, if attrition rates were to rise significantly, we may be required to accelerate the depreciation and amortization expense for, or to impair, certain of our assets, which would cause a material adverse effect on our financial condition, and results of operations.

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 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, impede our ability to comply with constantly evolving laws, regulations and industry standards addressing information and technology networks, privacy and data security, and have a material adverse effect on our business, financial position, 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 and other actors around the world. While we implement security measures within our products, services, operations, and other actors’ 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 and the effects of climate change (such as sea level rise, drought, flooding, wildfires, and increased storm severity), pandemics, malicious acts, terrorism, government action, or other concerns impacting their local workforce, all of which are beyond our and their control. Any financial or other difficulties our providers face may have negative effects on our business. We exercise no 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. We are also aware that there exists a worldwide shortage of electronic components, that lead times for such components is increasing, and that existing commitments by certain manufacturers are being extended and, in certain cases, allocations are being made. While a single cause of the shortages has not been identified, it is believed that among other reasons, there has been a surge in demand for such components and exponential growth in certain sectors which rely on such components, and these trends may continue and increase. Certain of our key suppliers have begun to see the impact on their ability to obtain certain components which could present challenges to our ability to obtain the inventory necessary to meet the demands of our new and existing customers, and to complete crucial initiatives such as the upgrading of cellular equipment at customer sites to meet new network standards prior to the retirement of 3G and CDMA networks. 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 these costs, or 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 telecommunications providers and signal processing centers to transmit and communicate signals to our monitoring facility in a timely and consistent manner. These telecommunications providers and signal processing centers could deprioritize or fail to transmit or communicate these signals to the monitoring facility for many reasons, including disruptions from fire, natural disasters, weather and the effects of climate change (such as flooding, wildfires, and increased storm severity), transmission interruption, malicious acts, provider preference, government action, or terrorism. The failure of one or more of these telecommunications 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 subscribers. 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 telecommunications 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 failure or 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 ongoing impacts of the COVID-19 Pandemic 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 not fully known, 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 and the effects of climate change (such as sea level rise, drought, flooding, wildfires, and increased storm severity), 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. During 2020, in response to the COVID-19 Pandemic, we took steps to enable the majority of the employees who staff our monitoring and customer care facilities to conduct their jobs remotely, which could subject us to the failure of the communications networks serving our employees which we no longer control and who may not have sufficient back up capabilities. In addition, this remote working environment results in more home access points that are susceptible to cybersecurity attacks, such as computer hacking, computer viruses, worms or other malicious software or malicious activities. In addition, the COVID-19 Pandemic could lead to disruptions in our supply chain, causing shortages or unavailability of equipment necessary to install or repair systems and to maintain our monitoring and customer care facilities. 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 business, legal, or reputational 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. Acquisitions in recent years have also significantly expanded our risk profile. We have acquired companies which provide cybersecurity services for business customers and 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, 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 acquisitions.

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, physical security, cyber 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 across all companies;
- 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;
- coordinating a geographically dispersed organization; and
- challenges with ensuring that environmental, social and governance or corporate social responsibility policies of acquired companies are in compliance with ADT's policies and practices.

In addition, we continue to integrate the financial reporting systems and processes of various companies we have acquired. Successfully implementing our business plan and complying with the Sarbanes-Oxley Act and other regulations 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 independent registered public accounting firm.

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 our use of celebrities and social media influencers, and the competitive market for customer accounts may expose us to risk and 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 authorized dealers accounted for approximately one-fourth of our new customer accounts for 2020. 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, and 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, 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.

The successful promotion of our brands also 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 contract service levels and/ or 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 also rely on marketing by social media influencers and celebrity spokespersons that represent the ADT brand to generate new customers. The promotion of our brand, products and services by social media 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 social media 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. In connection with the promotion of ADT's brand by influencers and celebrities, ADT is also subject to an FTC consent decree from 2014 which requires adherence to a robust internal compliance process. Any failure to adhere to such compliance process could result in financial penalties.

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. In addition, we may need to incorporate and maintain specialized equipment and knowledge in order to service customer accounts purchased, or pay to upgrade such customers to ADT equipment. If any of these risks materialize, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

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 talent, including, our management team, sales representatives, installation and service technicians and call center talent. Our ability to recruit and retain key talent 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. 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 key talent 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 and there is significant competition for executive talent with experience in the security and home automation industry. As a result, 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. 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, 2020, approximately 1,490 of our employees at various sites, or approximately 7% of our total workforce, were represented by unions and covered by collective bargaining agreements. We are currently a party to approximately 28 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.

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 Regulations and Litigation

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 retained 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, among other things, 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, such as the Payment Card Industry Data Security 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, regulations, and standards, as well as contractual requirements, could increase our cost of doing business, and failure to comply with these laws, regulations, standards, 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. In 2020, we disclosed that a Company technician had secured unauthorized personal access to certain customers' in-home security systems, resulting in legal claims against us, which have and may continue to arise either as individual claims or as class actions. We could incur significant legal costs in defending existing or new claims or in the ultimate resolution of such claims, and we may suffer reputational harm and damage to our brand as a result of such claims or any related publicity. 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; or if we fail to successfully defend against any matters that may arise as a result of the rogue conduct of the technician as described above or should we fail to prevent future rogue actors from undertaking similar actions, 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 and 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. In addition, in November of 2020, California voters passed Proposition 24, also known as the California Privacy Rights Act, which will impose additional requirements on businesses with regard to the collection, use, and sharing of data beginning in 2023 and which could materially impact our business.

The General Data Protection Regulation ("GDPR") applies to our activities regarding personal data of which we may come in to possession, directly or indirectly through vendors and subcontractors, from persons or businesses 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.

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. 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. Our exposure to intellectual property infringement claims may increase as we continue to build our new proprietary platform announced in November 2020 or expand upon our existing intellectual property in the future. 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 on 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 may be subject to class actions and other lawsuits which may harm our business and results of operations.

We have and we may continue to be subject to class action litigation involving alleged violations of privacy, consumer protection laws, employment laws or other matters. In addition, we have previously been subject to securities class actions relating to our IPO and we may in the future be subject to additional securities litigation in connection with our IPO, in connection with issues arising subsequent to the IPO or in connection with issues that may have arisen prior to the acquisition of what was then The ADT Corporation. 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 other than class actions. 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 matters, which may include product liability claims, automobile negligence claims and property/casualty claims, and employment law matters. 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, including through their consent decree on ADT that regulates our use of social media influencers and celebrities, 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 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 (including climate change regulations), 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.

Increased public awareness and concern regarding global climate change may result in more international, regional and/or federal or other requirements or expectations that could mandate more restrictive or expansive standards than existing regulations. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. If environmental laws or regulations are either changed or adopted and impose significant operational restrictions and compliance requirements upon our business or products, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

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 internal growth and through 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 and our operations generally 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. Also, as we continue to 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.

Adoption of statutes and government 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 net neutrality or similar 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, 4G/LTE, or 5G, 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 their 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 their 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 for 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 states 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. The petition was denied on February 6, 2020. It is possible Congress may adopt legislation establishing clear net neutrality requirements at some point, or the FCC under the Biden Administration could reverse the current FCC’s Restoring Internet Freedom Order. 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.

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 due to 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.

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, 2020, 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 California 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.

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 2018 and 2019, the U.S. federal government imposed tariffs on certain alarm equipment components manufactured in China, and on other categories of electronic equipment manufactured in China that we install in our customers’ premises, such as batteries and thermostats. Certain of these tariffs are as high as 25% and such 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. 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, and the ban on use of certain covered equipment by federal contractors implemented in August 2020, has required us to find new sources of end-user products, which may 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.

Risks Related to Macroeconomic and Related Factors

General economic conditions can affect our business, and we are susceptible to changes in the business economy, in the housing market, and in business and consumer discretionary income, which may inhibit our ability to grow our customer base 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. Our long-term revenue growth rate primarily 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 and dealers.

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 two 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 have introduced and will continue to explore different commercial terms for our products and services, such as increasing or otherwise changing the amount of up-front payments, providing different financing options, such as retail installment contracts for the amount of up-front payments associated with our transactions, or offering longer or shorter contract term options. These options could increase the credit risks associated with our subscribers, and the introduction of, or transition to, different 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 and non-standard term lengths, 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. During March 2020, we entered into an uncommitted receivables securitization financing agreement (the "Receivables Facility"). Under the terms of the Receivables Facility, we may receive up to \$200 million of financing secured by retail installment contract receivables. Third-party financing arrangements such as the Receivables Facility may impose or result in limitations on the products and services we offer customers that are financed under such arrangements, may adversely affect our relationships with customers, and may subject us to risk with respect to our ability to generate current levels of cash flow should, for example, the Receivables Facility be terminated, any of which in turn could have an adverse effect on our business, financial condition, results of operations and cash flows.

Offering more commercial term and financing options, and transitions between such options, 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.

Under the standard alarm monitoring contract acquisition agreements that we enter into with our dealers, if a subscriber terminates his or her service with us during the first thirteen months after we have acquired the alarm monitoring contract, the dealer is typically required to substitute with a compatible 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 will breach these obligations. Although we generally withhold specified amounts from the acquisition cost paid to dealers for alarm monitoring contracts ("holdback"), which may be used to satisfy or offset these and other applicable dealer obligations under the alarm monitoring contract acquisition agreements, there can be no guarantee that these amounts will be sufficient to satisfy or offset the full extent of the default by a dealer of its obligations under its agreement. If the holdback proves insufficient to cover dealer obligations, we are also subject to the credit risk that the 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.

Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

As of December 31, 2020, we had approximately \$11 billion of goodwill and other identifiable intangible assets. We review such assets for impairment at least annually. Impairment may result from, among other things, deterioration in performance; adverse market conditions; adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services we offer; challenges to the validity of certain registered intellectual property; reduced sales of certain products or services incorporating registered intellectual property; increased attrition; and a variety of other factors. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial condition and results of operations.

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 time of 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. Certain of the entities we have acquired had material NOL carryforwards prior to our acquisition. Our ability to fully utilize these deferred tax assets, however, may be limited for various reasons, including whether 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 the entities involved. Our ability to fully utilize the NOL carryforwards of those entities is subject to the limitations under Section 382 of the IRC. It is also 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. 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. Any increase in taxation or limitation of benefits could have a material adverse effect on our financial condition, results of operations, or cash flows.

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. 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.

Risks Related to Our Indebtedness

Our substantial indebtedness, which we can significantly increase, 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, 2020, we had \$9.7 billion face value of outstanding indebtedness, excluding finance leases.

During the year ended December 31, 2020, our cash flow used for debt service, excluding finance leases and including interest rate swap contracts, totaled \$575 million, which included scheduled quarterly principal payments on our debt of \$23 million, payments on our Receivables Facility of \$7 million, interest payments on our debt of \$507 million, and \$38 million related to payments on interest rate swap contracts that included an other-than-insignificant financing element at inception.

During the year ended December 31, 2020, our cash flows from operating activities totaled \$1.4 billion, which included interest paid on our debt of \$507 million. As such, our cash flows from operating activities before giving effect to the payment of interest amounted to \$1.9 billion. Cash payments used to service our debt represented approximately 31% of our net cash flows from operating activities before giving effect to the payment of interest.

In addition, our cash flows included net repayments on our long-term borrowings of \$387 million, payments on our finance leases of \$28 million (excluding \$3 million of interest payments on our finance leases), and payments on interest rate swap contracts that included an other-than-insignificant financing element at inception of \$38 million, partially offset by net proceeds under the Receivables Facility of \$76 million.

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.

We and our subsidiaries also may be able to incur substantially more 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.

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.

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 shareholders, including our Sponsor and its affiliates, and Google, 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 upon an event of default, 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 no longer compel or persuade participating banks to submit London Interbank Offered Rate ("LIBOR") quotations and would phase out LIBOR as a benchmark by the end of 2021. More recently, in November 2020, the ICE Benchmark Administration ("IBA") announced a consultation on the extension of most tenors of USD LIBOR until June 30, 2023. The proposed extension would not apply to the rate's other denominations - euro, sterling, Swiss franc and Japanese yen. The final announcement regarding the dates for cessation of all USD LIBOR tenors is not expected until early 2021, when IBA's consultation period ends. However, U.S. banking regulators have made clear that USD LIBOR originations should end by no later than December 30, 2021, and that new LIBOR originations prior to that date must provide for an alternative reference rate or a hardwired fallback. In accordance with recommendations from the Alternative Reference Rates Committee ("ARRC"), USD LIBOR is expected to be replaced with the Secured Overnight Financing Rate ("SOFR"), a new index calculated on a daily basis by reference to short-term repurchase agreements for U.S. Treasury securities. Although there have been a few issuances utilizing SOFR or the Sterling Over Night Index Average, an alternative reference rate that is based on transactions, it is unknown whether SOFR or any of the other alternative reference rates will attain market acceptance as replacements for LIBOR. The International Swaps and Derivatives Association, Inc. recently announced fallback language for LIBOR-referencing derivatives contracts that provides for SOFR as the primary replacement rate in the event of a LIBOR cessation. There is currently no definitive successor reference rate to LIBOR and various industry organizations are still working to develop workable transition mechanisms. 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 have interest rate swap contracts to hedge our interest rate exposure on our variable-rate debt. However, certain of our variable-rate debt instruments are subject to a 1.00% floor on interest payments while our interest rate swap contracts do not include a floor. If current LIBOR increases above 1.00%, the increase in our debt service obligations on most of our variable-rate indebtedness will be neutralized as we have entered into interest rate swaps that hedge any increase in current LIBOR above 1.00%. If current LIBOR is below 1.00%, even though the amount borrowed remains the same, our net income and cash flows, including cash available for servicing our indebtedness, will decrease by the impact of the difference between 1.00% and current LIBOR because certain of our variable-rate debt has an interest floor of 1.00% while the corresponding interest rate swap contracts do not have a LIBOR floor. Additionally, 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, 2020, any 0.125% decrease in LIBOR below 1.0% would result in an increase of approximately \$4 million in annualized interest expense on our variable-rate debt, including the impact of our interest rate swaps. In January 2021, we amended our variable-rate debt and reduced the floor from 1.00% to 0.75%.

Until a successor rate is more firmly determined, we cannot implement the transition away from LIBOR for our variable-rate indebtedness and interest rate swaps. As such, 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 States or elsewhere.

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. Among others, the following factors could affect our stock price:

- sales of our common stock by us or by our stockholders, including our controlling stockholder or Google, or the perception that such sales may occur;
- our operating and financial performance and prospects, including the success of our partnership with Google;
- 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;
- 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.

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, (the "Securities Act") ("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 are now eligible for sale, subject to the applicable volume, manner of sale, holding periods, and other limitations of Rule 144. In addition, each of Apollo, Google and certain other equity holders has certain rights to require us to register the sale of common stock they hold, including in connection with underwritten offerings. For example, in September 2020, Apollo and certain employees and other stockholders sold shares in a registered offering pursuant to a demand registration request from Apollo. 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 stockholders to sell their shares of common stock at a time and price that they deem appropriate.

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, stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

If we fail to establish and achieve an ESG program that is consistent with investor expectations, investors may not view us as an attractive investment which could have a negative effect on our stock price.

Investors are placing a greater emphasis on non-financial factors including ESG, when evaluating investment opportunities. If we are unable to provide sufficient disclosure about ESG practices, or if we fail to establish and achieve an ESG program that is consistent with investor expectations, investors may not view us as an attractive investment which could have a negative effect on our stock price. In addition, any failure to achieve metrics which we publicly disclose could materially adversely impact our stock price.

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 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 our Sponsor beneficially own a majority of our outstanding common stock, our Sponsor 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 our Sponsor 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 for exclusive forum provisions which could limit our stockholders' ability to obtain a favorable judicial forum for disputes.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Chancery Court of the State of Delaware is, to the fullest extent permitted by law, 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, or 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 against us or any of our directors or officers governed by the internal affairs doctrine. In addition, our amended and restated certificate of incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The exclusive forum provision in our amended and restated certificate of incorporation does not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. 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 has been challenged in legal proceedings, and it is possible that a court could find these types of provisions unenforceable. Although we believe exclusive forum provisions benefit us by providing increased consistency in the application of applicable law, our exclusive forum provisions 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, 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 the date of this Annual Report, 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 ("Apollo Designees") based on the percentage of our outstanding common stock beneficially owned by the Sponsor.

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. 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.

Your investment in our common stock 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. 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. 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.

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, 2020, we operated through a network of over 300 sales and service offices and three regional distribution centers, as well as 18 multi-use sales and customer and field support locations that house our nine U.L-listed monitoring centers and four national sales centers.

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 these properties primarily under long-term operating leases with third parties. We also own approximately 500 thousand square feet of space in the U.S.

We continue to assess the impacts of the COVID-19 Pandemic on the suitability, adequacy, productive capacity, and utilization of our existing principal physical properties. During 2020, we implemented a temporary work from home strategy as a result of the COVID-19 Pandemic. The success of this initiative may provide us with an opportunity to transition some of our workforce to a more permanent work from home environment, including a portion of our monitoring and customer service employees in our call centers, which may result in changes to our physical property needs. Although a portion of our employees continue to

work from home under our current temporary arrangement, 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.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information for our Common Stock

We have two classes of common stock outstanding, Common Stock and Class B Common Stock.

In January 2018, we completed an IPO of 105,000,000 shares of 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 Common Stock are listed on the NYSE under the symbol "ADT." Prior to that time, there was no public market for shares of Common Stock.

In September 2020, we sold and issued 54,744,525 shares of Class B Common Stock at a price of \$8.22 per share to Google in a private transaction pursuant to Section 4(a)(2) of the Securities Act. There is no established public trading market for shares of Class B Common Stock. Shares of Class B Common Stock are convertible on a share-for-share basis into shares of Common Stock at the option of the holder, subject to certain conditions.

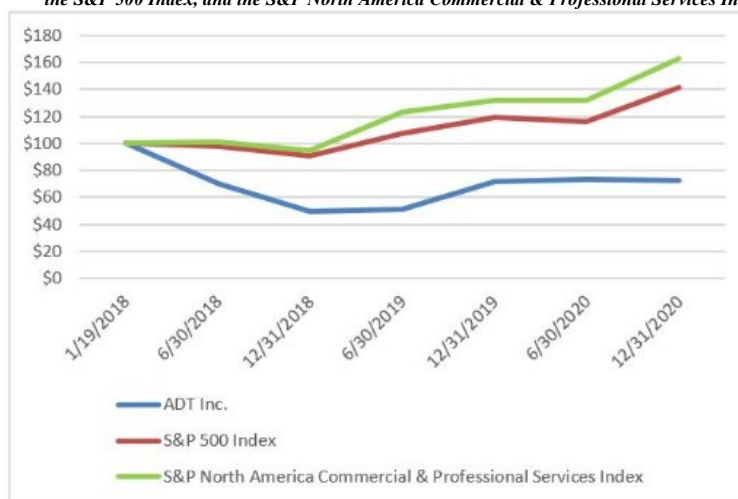
Stockholders of Record

As of February 16, 2021, the number of stockholders of record of Common Stock and Class B Common Stock was 71 and one, respectively. 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, 2020 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*



	1/19/2018	6/30/2018	12/31/2018	6/30/2019	12/31/2019	6/30/2020	12/31/2020
ADT Inc.	\$100.00	\$70.40	\$49.35	\$50.82	\$72.00	\$ 73.42	\$72.80
S&P 500 Index	\$100.00	\$97.58	\$90.89	\$107.74	\$119.50	\$ 115.81	\$141.47
S&P North America Commercial & Professional Services Index	\$100.00	\$100.73	\$94.87	\$123.49	\$131.83	\$ 131.84	\$162.69

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2020 with respect to shares of Common Stock issuable under our equity compensation plans. There are no shares of Class B Common Stock 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 Common Stock that was effected on January 4, 2018. In addition, the exercise prices of outstanding stock options that were granted prior to December 23, 2019 were reduced by \$0.70 in accordance with the provisions of both compensation plans as a result of the payment of a special dividend on December 23, 2019.

Plan Category	Equity Compensation Plans		
	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders:			
2016 Equity Incentive Plan ⁽¹⁾	3,299,036	\$ 6.08	1,504,101
2018 Omnibus Incentive Plan ⁽²⁾	52,880,752	\$ 6.01	32,348,162
Equity compensation plans not approved by stockholders	—		—
Total	56,179,788		33,852,263

- (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. Amount shown in the column denoted by (a) includes 1,613,608 of shares of Common Stock that may be issued upon the exercise of service-based stock options and 1,685,428 of shares of Common Stock 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. Amount shown in the column denoted by (a) includes 26,969,889 of shares of Common Stock that may be issued upon the exercise of service-based stock options, 9,119,573 of shares of Common Stock that may be issued upon the exercise of performance-based stock options, 15,872,971 of shares of Common Stock that may be issued upon the vesting of service-based RSUs, 890,303 of shares of Common Stock that may be issued upon the vesting of performance-based RSUs, and 28,016 of shares of Common Stock 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 \$8.81.

Recent Sales of Unregistered Equity Securities

As part of the consideration associated with the acquisition of Cell Bounce on November 24, 2020, we issued warrants to purchase up to an aggregate of 2 million shares of Common Stock with an exercise price of \$7.77 per share and subject to vesting over a three year period upon the achievement of certain mutually agreed milestones. The warrants were issued in a private transaction to individuals and entities previously holding an ownership interest in an entity that we acquired in a private transaction in reliance on the exemption provided by Section 4(a)(2) of the Securities Act. If the warrants are fully exercised, we will receive aggregate proceeds of approximately \$16 million.

There were no other sales of unregistered equity securities during the three months ended December 31, 2020.

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, 2020.

Issuer Purchases of Equity Securities

On February 27, 2019, we approved a share repurchase program (the “Share Repurchase Program”), which authorized us to repurchase up to \$150 million of our shares of Common Stock through February 27, 2021. We announced the Share Repurchase Program on March 11, 2019. On March 23, 2020, we approved an increase to \$75 million, inclusive of the amount then remaining under the Share Repurchase Program, in the authorized repurchase amount and an extension of the Share Repurchase Program through March 23, 2021.

We may effect these repurchases pursuant to one or more trading plans to be adopted in accordance with Rule 10b5-1 (each, a “10b5-1 plan”) under the Exchange Act, in privately negotiated transactions, in open market transactions, or pursuant to an

accelerated share repurchase program. We intend to conduct the Share Repurchase Program in accordance with Rule 10b-18 under the Exchange Act. We are not obligated to repurchase any of our shares of Common Stock and the timing and amount of any repurchases will depend on legal requirements, market conditions, stock price, alternative uses of capital, and other factors.

During the three months ended December 31, 2020, there were no repurchases of any shares of our Common Stock under the Share Repurchase Program. As of December 31, 2020, we had approximately \$75 million remaining under the Share 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, 2020 and 2019, and the related selected Consolidated Statement of Operations data for the years ended December 31, 2020, 2019, and 2018, 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, 2018, 2017, and 2016, and the related selected Consolidated Statement of Operations data for the years ended December 31, 2017 and 2016 have been derived from our audited consolidated financial statements not included in this Annual Report.

(in thousands, except per share data)	Years Ended December 31,				
	2020 ^{(a)(b)(c)}	2019 ^{(d)(e)(f)}	2018 ^{(g)(h)(i)}	2017 ^{(j)(k)}	2016 ^(l)
Statement of operations data:					
Total revenue	\$ 5,314,787	\$ 5,125,657	\$ 4,581,673	\$ 4,315,502	\$ 2,949,766
Operating income (loss)	\$ 40,640	\$ 196,444	\$ 277,840	\$ 282,439	\$ (229,315)
Net (loss) income	\$ (632,193)	\$ (424,150)	\$ (609,155)	\$ 342,627	\$ (536,587)
Net (loss) income per share - basic:					
Common stock	\$ (0.82)	\$ (0.57)	\$ (0.81)	\$ 0.53	\$ (0.84)
Class B common stock	\$ (0.72)	\$ —	\$ —	\$ —	\$ —
Weighted-average shares outstanding - basic:					
Common stock ^(m)	760,483	747,238	747,710	641,074	640,725
Class B common stock	15,855	—	—	—	—
Net (loss) income per share - diluted:					
Common stock	\$ (0.82)	\$ (0.57)	\$ (0.81)	\$ 0.53	\$ (0.84)
Class B common stock	\$ (0.74)	\$ —	\$ —	\$ —	\$ —
Weighted-average shares outstanding - diluted:					
Common stock ^(m)	760,483	747,238	747,710	641,074	640,725
Class B common stock	17,944	—	—	—	—
Dividends declared per share					
Common stock	\$ 0.14	\$ 0.84	\$ 0.14	\$ 1.17	\$ —
Class B common stock	\$ 0.07	\$ —	\$ —	\$ —	\$ —
Balance sheet data (at period end):					
Cash and cash equivalents	\$ 204,998	\$ 48,736	\$ 363,177	\$ 122,899	\$ 75,891
Total assets	\$ 16,116,936	\$ 16,083,652	\$ 17,208,608	\$ 17,014,820	\$ 17,176,481
Total debt	\$ 9,492,544	\$ 9,692,275	\$ 10,002,296	\$ 10,169,186	\$ 9,509,970
Mandatorily redeemable preferred securities ⁽ⁿ⁾	\$ —	\$ —	\$ —	\$ 682,449	\$ 633,691
Total liabilities	\$ 13,077,600	\$ 12,899,283	\$ 12,983,803	\$ 13,581,708	\$ 13,371,505
Total stockholders' equity	\$ 3,039,336	\$ 3,184,369	\$ 4,224,805	\$ 3,433,112	\$ 3,804,976

(a) During January 2020, we completed the Defenders Acquisition.

(b) During September 2020, we sold and issued 55 million shares of Class B Common Stock to Google for \$450 million.

(c) During 2020, net loss included loss on extinguishment of debt of approximately \$120 million due to various financing transactions throughout the year.

(d) During 2019, net loss included loss on extinguishment of debt of approximately \$104 million due to various financing transactions throughout the year.

(e) 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 during November 2019.

(f) During 2019, we paid a special dividend of \$0.70 per share to common stockholders.

(g) During 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.

(h) During 2018, operating income and net loss included a goodwill impairment loss of \$88 million related to the Canada reporting unit.

(i) During December 2018, we completed the Red Hawk Acquisition.

(j) During 2017, net income included a beneficial impact associated with Tax Reform.

(k) During 2017, we paid a special dividend of \$750 million to common stockholders.

(l) During May 2016, we completed the ADT Acquisition.

(m) 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 during January 2018, and have been adjusted retroactively for prior periods presented.

(n) During May 2016, we issued mandatorily redeemable preferred securities in connection with the ADT Acquisition. During 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 represents year-to-year comparisons between 2020 and 2019. Discussion and analysis of year-to-year comparisons between 2019 and 2018 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, 2019, which was filed with the SEC on March 10, 2020.

The following discussion and analysis contains 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 serving consumer and business customers in the U.S. We offer many ways to help protect and connect customers by providing 24/7 professional monitoring services as well as delivering lifestyle-driven solutions through professionally installed DIFM, DIY, mobile, and digital-based offerings for residential, small business, and larger commercial customers.

Our baseline security and automation offerings involve the sale, 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, 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.

The vast majority of our new customers enroll in our 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 emerging markets, we are extending the concept of security from the physical home or business to personal on-the-go security and safety with SoSecure, our mobile safety application, and other offerings. 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.

We have been successful in improving certain of our operating key performance indicators in recent years, such as customer acquisition efficiency and customer retention. We believe these improvements in our fundamentals have positioned us well to achieve long-term capital efficient growth. During 2020, we commenced certain ongoing strategic initiatives that we believe will be transformative to our business. We have seen an increase in interest in smart home offerings and other mobile technology applications that we believe is attributable to a variety of factors, including advancements in technology, younger

generations of consumers, and shifts to de-urbanization. Our strategic initiatives are intended to help us satisfy consumer and commercial demands in light of these macro-level dynamics and to position us for sustainable growth for years to come.

As of December 31, 2020, we served approximately 6.5 million recurring customers. We are one of the largest full-service security 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. However, we expect the manner in which the CODM evaluates results to change during the first quarter of 2021, and as a result, we anticipate a change in our operating and reportable segment structure.

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: disciplined, high-quality customer additions; efficient customer acquisition; best-in-class customer service; customer retention; 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 price and 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 relocation, cost, loss to competition, or service issues. Attrition has a direct impact on our financial results, including revenue, operating income, and cash flows.

COVID-19 Pandemic

During March 2020, the World Health Organization declared the outbreak of a novel coronavirus as a pandemic (the "COVID-19 Pandemic"), which has become increasingly widespread in the U.S. Containment efforts and responses to the COVID-19 Pandemic have varied by individuals, businesses, and state and local municipalities, and in certain areas of the U.S, initial and precautionary measures helped mitigate the spread of the coronavirus. However, subsequent easing of such measures resulted in the re-emergence of the coronavirus. The COVID-19 Pandemic has had a notable adverse impact on general economic conditions, including the temporary closures of many businesses, increased governmental regulations, and reduced consumer spending due to significant unemployment and other effects attributable to the COVID-19 Pandemic. In order to continue to both protect our employees and serve our customers, we have adjusted and are continuously evolving certain aspects of our operations, which includes (i) detailed protocols for infectious disease safety for employees, (ii) daily wellness checks for employees, and (iii) certain work from home actions, including for the majority of our call center professionals.

While the COVID-19 Pandemic has impacted our commercial channel to a greater extent than our residential channel, we believe our overall recurring revenue and highly variable subscriber acquisition cost model provides a solid financial foundation for strong cash flow generation. Accordingly, we anticipate having sufficient liquidity and capital resources to continue (i) providing essential services, (ii) satisfying our debt requirements, and (iii) having the ability to return capital to our stockholders in the form of a regular quarterly dividend during the current challenging macroeconomic environment and the slowdown brought on by the COVID-19 Pandemic. We have not sought or requested government assistance as a result of the COVID-19 Pandemic, but we did benefit from favorable cash flows and other benefits associated with certain income tax and

payroll tax provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). While we have incurred additional costs associated with personal protective equipment for our employees and work from home actions, we also instituted various temporary cost control measures. Furthermore, we believe the economic downturn, the recent civil unrest, and continued economic and COVID-19 Pandemic uncertainties increase awareness of the need for security, which together with a lower volume of customer relocations and the utilization of temporary pricing and retention initiatives for existing customers, may help counterbalance any increase in gross customer revenue attrition that we may experience as a result of reduced consumer or business spending caused by the COVID-19 Pandemic. Finally, we may see opportunities for additional acquisitions, continued investment in potential new revenue streams or capabilities, and low cost bulk account purchases.

We considered the emergence and pervasive economic impact of the COVID-19 Pandemic in our assessment of our financial position, results of operations, cash flows, and certain accounting estimates as of and for the year ended December 31, 2020. Due to the evolving and uncertain nature of the COVID-19 Pandemic, it is possible that the effects of the COVID-19 Pandemic could materially impact our estimates and consolidated financial statements in future reporting periods.

Radio Conversion Costs

The providers of 3G and 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 net costs for this replacement program at \$225 million to \$300 million through 2022, of which we have incurred \$77 million through December 31, 2020. We expect to incur approximately \$145 million to \$220 million of net costs during 2021. These amounts and ranges are 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. During November 2020, we acquired Cell Bounce, a technology company with proprietary radio conversion technology in the form of a user-installable device, which is expected to allow for the transition of customers on 3G networks in a cost efficient and timely manner. The replacement program and pace of replacement are subject to change and may be influenced by our ability to access customer sites due to the COVID-19 Pandemic, cost-sharing opportunities with suppliers, carriers, and customers, as well as new and innovative technologies.

Commercial Agreement

In addition to the issuance and sale of Class B Common Stock to Google, we entered into the Commercial Agreement, pursuant to which Google has agreed to supply us with certain Google devices as well as certain Google video and analytics services (“Google Services”), for sale to our customers. Subject to customary termination rights related to breach and change of control, the Commercial Agreement has an initial term of seven years from the date that the Google Service is successfully integrated into our end-user security and automation platform, which is targeted for no later than June 30, 2022. If the integrated service is not launched by June 30, 2022 then we will be required to offer Google Services without integration for professional installations except for existing customers who already have ADT Pulse or ADT Control interactive services until such integration has been made. Further, subject to certain carve-outs, we have agreed to exclusively sell Google end-user video and sensing analytics services and smart-home, security and safety devices to our customers. The exclusivity restriction does not apply to, among others, sales of Blue by ADT DIY products and services, providing services to customers on certain of our legacy platforms, sales to large commercial customers, and sales of certain devices that Google does not supply to us.

The Commercial Agreement also contains customary termination rights for both parties. In addition, Google has rights to terminate the Commercial Agreement if (i) we divest any part of our direct to consumer business and the acquiring entity does not agree to assume all obligations under the Commercial Agreement, or (ii) we breach certain provisions of the Commercial Agreement and do not cure such breaches. In the event that we breach the Commercial Agreement in a manner reasonably likely to result in a material adverse effect on Google’s business or brand, or we breach certain data security and privacy obligations under the Commercial Agreement, we must suspend the sale of Google Services and certain devices during the applicable cure period. Upon termination of the Commercial Agreement, we will no longer have rights to sell the Google Service or devices to new customers, subject to an applicable transition period. In addition, the Google Services may not be accessible by our customers through our integrated end-user application during any cure period for our breach of certain data security and privacy provisions of the Commercial Agreement or upon termination of the agreement for a breach of such provisions.

The Commercial Agreement specifies that each party will contribute \$150 million towards the joint marketing of devices and services, customer acquisition, training of our employees for the sales, installation, customer service, and maintenance for the product and service offerings, and technology updates for products included in such offerings. Each party is required to contribute such funds in three equal tranches, subject to the attainment of certain milestones.

Next Generation Platform

In November 2020, we announced the ongoing development of our ADT-owned next-generation professional security and automation technology platform, which is currently being developed in coordination with Google. Our comprehensive interactive platform is expected to provide customers with a seamless experience across security, life safety, automation, and analytics through a common application. Additionally, our platform is expected to integrate the user experience, customer service experience, and back-end support.

We expect to incur approximately \$50 million during 2021 associated with the development of our next generation platform. These initiatives are in the early stages, and it is possible that we could experience a material increase in the costs associated with these initiatives.

SIGNIFICANT EVENTS

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

Initial Public Offering

During 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

During December 2018, we acquired all of the issued and outstanding capital stock of Red Hawk, 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

During November 2019, we sold ADT Canada to TELUS for a selling price of \$514 million (CAD \$676 million). In connection with the sale of ADT Canada, we entered into a transition services agreement with TELUS whereby we 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 (i) the use of our patents in Canada for a period of seven years and (ii) exclusive use of our trademarks in Canada for a period of five years and non-exclusive use for an additional two years thereafter.

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.

Defenders Acquisition

During January 2020, we acquired our largest independent dealer, Defender Holdings, Inc. (“Defenders”) (the “Defenders Acquisition”), for total consideration of approximately \$290 million, which consisted of cash paid of \$173 million, net of cash acquired, and the issuance of approximately 16 million shares of our Common Stock with a fair value of \$114 million. In connection with the Defenders Acquisition, we recorded a loss from the settlement of a pre-existing relationship with Defenders in the amount of \$81 million in merger, restructuring, integration, and other in the Consolidated Statements of Operations.

Equipment Ownership Model Change

During February 2020, we launched a new revenue model initiative for certain residential customers which (i) revised the amount and nature of fees due at installation, (ii) introduced a 60 month monitoring contract option, and (iii) introduced a new retail installment contract which allows qualifying residential customers to repay the fees due at installation over the course of a 24, 36, or 60 month interest-free period. Due to the requirements of our initial third-party consumer financing program, we also transitioned our security system ownership model from a predominately Company-owned model to a predominately customer-owned model (the “Equipment Ownership Model Change”).

During March 2020, we entered into the Receivables Facility. Under the terms of the Receivables Facility, we may receive up to \$200 million of financing secured by retail installment contract receivables from transactions involving security systems that were sold under a customer-owned model. During April 2020, we amended the Receivables Facility to also permit financing secured by retail installment contract receivables from transactions occurring under the Company-owned model. During May 2020, we started to transition our security system ownership model back to a predominately Company-owned model.

In connection with the above, and with respect to transactions arising through Defenders, which has historically used a customer-owned ownership model, subsequent to the Defenders Acquisition, our residential transactions during 2020 included an increase in transactions based on a customer-owned model. We expect our transition to a Company-owned model to negatively impact revenue during 2021 due to different revenue recognition policies applicable to each ownership model. We are in the early stages of our revenue model initiative and we cannot be certain that this initiative or our transition back to a predominately Company-owned model, which is anticipated to include transactions arising through Defenders for a portion of 2021, will achieve the desired outcomes. Accordingly, the results of the new revenue model initiative and impact of our transition back to a predominately Company-owned model could have a material adverse effect on our business, financial condition, results of operations, cash flows, and key performance indicators.

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 conversions 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. 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

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 relocation, cost, loss to competition, or service issues. Gross customer revenue attrition has a direct impact on our financial results, including revenue, operating income, and cash flows.

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 thirteen 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 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)

	Years Ended December 31,			\$ Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Results of Operations:					
Monitoring and related services	\$ 4,186,987	\$ 4,307,582	\$ 4,109,939	\$ (120,595)	\$ 197,643
Installation and other	1,127,800	818,075	471,734	309,725	346,341
Total revenue	5,314,787	5,125,657	4,581,673	189,130	543,984
Cost of revenue (exclusive of depreciation and amortization shown separately below)	1,516,528	1,390,284	1,041,336	126,244	348,948
Selling, general and administrative expenses	1,722,906	1,406,532	1,246,950	316,374	159,582
Depreciation and intangible asset amortization	1,913,767	1,989,082	1,930,929	(75,315)	58,153
Merger, restructuring, integration, and other	120,208	35,882	(3,344)	84,326	39,226
Goodwill impairment	—	45,482	87,962	(45,482)	(42,480)
Loss on sale of business	738	61,951	—	(61,213)	61,951
Operating income	40,640	196,444	277,840	(155,804)	(81,396)
Interest expense, net	(708,189)	(619,573)	(663,204)	(88,616)	43,631
Loss on extinguishment of debt	(119,663)	(104,075)	(274,836)	(15,588)	170,761
Other income	8,293	5,012	27,582	3,281	(22,570)
Loss before income taxes	(778,919)	(522,192)	(632,618)	(256,727)	110,426
Income tax benefit	146,726	98,042	23,463	48,684	74,579
Net loss	\$ (632,193)	\$ (424,150)	\$ (609,155)	\$ (208,043)	\$ 185,005
Summary Cash Flow Data:					
Net cash provided by operating activities	\$ 1,366,749	\$ 1,873,117	\$ 1,787,607	\$ (506,368)	\$ 85,510
Net cash used in investing activities	\$ (1,137,477)	\$ (978,177)	\$ (1,738,210)	\$ (159,300)	\$ 760,033
Net cash (used in) provided by financing activities	\$ (70,261)	\$ (1,214,204)	\$ 193,001	\$ 1,143,943	\$ (1,407,205)
Key Performance Indicators: ⁽¹⁾					
RMR	\$ 343,243	\$ 336,128	\$ 346,751	\$ 7,115	\$ (10,623)
Gross customer revenue attrition (percentage) ⁽²⁾	13.1 %	13.4 %	13.3 %	(30) bps	(10) bps
Adjusted EBITDA ⁽³⁾	\$ 2,199,237	\$ 2,483,210	\$ 2,453,497	\$ (283,973)	\$ 29,713
Free Cash Flow ⁽³⁾	\$ 410,487	\$ 502,283	\$ 390,993	\$ (91,796)	\$ 111,290

(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 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.

2020 Compared to 2019

Monitoring and Related Services Revenue

The decrease in monitoring and related services revenue was driven by a decrease in recurring revenue primarily due to the sale of ADT Canada. This decrease was offset by an increase in recurring revenue in the U.S. largely due to improvements in average pricing as new and existing residential customers selected higher priced interactive services as well as temporary price escalations on our existing customer base. Average customer count remained relatively flat due to recent improvements in attrition and customer additions.

The increase in RMR to \$343 million as of December 31, 2020 from \$336 million as of December 31, 2019 was primarily due to improvements in average pricing and net customer additions. As of December 31, 2020 and December 31, 2019, gross customer revenue attrition was 13.1% and 13.4%, respectively. The improvement in attrition was primarily due to fewer customer relocations and the benefit of customer retention initiatives.

Installation and Other Revenue

The increase in installation and other revenue was primarily due to a higher volume of revenue from equipment sold outright to residential customers as a result of the Defenders Acquisition and the Equipment Ownership Model Change. These increases were partially offset by a decrease in the volume of revenue from equipment sold outright to commercial customers as a result of the COVID-19 Pandemic and the sale of ADT Canada.

We expect our transition to a Company-owned model for our residential transactions to negatively impact revenue during 2021 due to different revenue recognition policies applicable to each ownership model.

Cost of Revenue

The increase in cost of revenue was primarily due to an increase in installation costs associated with a higher volume of transactions in which equipment was sold outright to residential customers as a result of the Defenders Acquisition and the Equipment Ownership Model Change. These increases were partially offset by a decrease in installation costs associated with a lower volume of transactions in which equipment was sold outright to commercial customers as a result of the COVID-19 Pandemic and the sale of ADT Canada.

We expect our transition to a Company-owned model for our residential transactions to favorably impact cost of revenue during 2021 due to different accounting policies applicable to each ownership model.

Selling, General and Administrative Expenses

The increase in selling, general and administrative expenses was primarily due to (i) an increase in expenses, excluding provision for credit losses, of \$282 million associated with the Defenders Acquisition; (ii) a greater provision for credit losses of \$58 million due to the estimated impact of the COVID-19 Pandemic, a higher volume of longer duration receivables, and from recent acquisitions; (iii) an increase in radio conversion costs of \$59 million; and (iv) an increase in selling costs, which includes amortization of deferred subscriber acquisition costs. These increases were partially offset by (i) a decrease in advertising expenses, exclusive of incremental advertising expenses from recent acquisitions; (ii) a decrease of \$43 million as a result of the sale of ADT Canada, (iii) a decrease of \$20 million as a result of recoveries on notes receivable from a former strategic investment, and (iv) a decrease of \$18 million from financing and consent associated with financing transactions.

Depreciation and Intangible Asset Amortization

The decrease in depreciation and intangible asset amortization expense was primarily due to a decrease of \$70 million associated with the sale of ADT Canada as well as a decrease in the depreciation of subscriber system assets. These decreases were partially offset by an increase of the amortization of customer contracts acquired under the ADT Authorized Dealer Program.

Merger, Restructuring, Integration, and Other

The increase in merger, restructuring, integration, and other was primarily due to a loss of \$81 million associated with the settlement of a pre-existing relationship in connection with the Defenders Acquisition. This increase was partially offset by \$12 million of losses on a strategic investment, substantially all of which was recognized in 2019.

Goodwill Impairment

During 2019, we recorded a goodwill impairment loss of \$45 million in connection with the sale of ADT Canada. We did not record a goodwill impairment loss during 2020.

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. The impact in connection with the sale of ADT Canada was not material during 2020.

Interest Expense, net

The increase in interest expense, net, was primarily due to (i) an increase of \$52 million related to the reclassification of accumulated unrealized losses associated with interest rate swap contracts that have been de-designated as cash flow hedges, (ii) an increase of \$52 million related to unrealized losses on interest rate swap contracts as a result of cash flow hedges no longer being highly effective, and (iii) an increase of \$27 million related to an increase in outstanding principal on our fixed-rate first lien notes due to our financing transactions during 2020 and 2019. These increases were partially offset by a decrease in interest expense of \$53 million related to our second lien notes due to partial redemptions during 2019 and a reduced interest rate as a result of refinancing during January 2020.

Loss on Extinguishment of Debt

During 2020, loss on extinguishment of debt totaled \$120 million and included (i) \$66 million associated with the call premium and write-off of unamortized deferred financing costs in connection with the \$1.2 billion redemption of second lien notes in February 2020, (ii) \$49 million associated with the call premium and write-off of unamortized fair value adjustments in connection with the \$1 billion redemption of first lien notes in September 2020, and (iii) \$5 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the \$300 million repayment on a first lien term loan in December 2020.

During 2019, loss on extinguishment of debt totaled \$104 million and included (i) \$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 second lien notes in February 2019, (ii) \$61 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the \$1 billion partial redemption of second lien notes in April 2019, (iii) \$6 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the \$500 million repayment of a first lien term loan in April 2019, and (iv) \$13 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the amendment and restatement to our first lien credit agreement in September 2019.

Income Tax Benefit

Income tax benefit for 2020 was \$147 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 state statutory tax rate, net of federal benefits, of 2.9%, a 3.1% unfavorable impact from non-deductible charges primarily due to the Defenders Acquisition, and a 1.5% unfavorable impact from an increase in valuation allowances primarily due to tax credits and state net operating losses not expected to be utilized prior to expiration.

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 state statutory tax rate, net of federal benefits, of 1.4%, a 6.8% favorable impact from net capital losses generated in the U.S. and Canada related to the sale of ADT Canada, a 1.9% favorable impact from amendments to prior year tax returns, 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, and a 2.3% unfavorable impact from non-deductible goodwill impairment loss.

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 accounts purchased through our network of authorized dealers or third parties outside of our authorized dealer network; subscriber system asset expenditures; and purchases of property and equipment. 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 for the periods presented:

(in thousands)	Years Ended December 31,			\$ Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Net loss	\$ (632,193)	\$ (424,150)	\$ (609,155)	\$ (208,043)	\$ 185,005
Interest expense, net	708,189	619,573	663,204	88,616	(43,631)
Income tax benefit	(146,726)	(98,042)	(23,463)	(48,684)	(74,579)
Depreciation and intangible asset amortization	1,913,767	1,989,082	1,930,929	(75,315)	58,153
Amortization of deferred subscriber acquisition costs	96,823	80,128	59,928	16,695	20,200
Amortization of deferred subscriber acquisition revenue	(124,804)	(107,284)	(79,136)	(17,520)	(28,148)
Share-based compensation expense	96,013	85,626	135,012	10,387	(49,386)
Merger, restructuring, integration, and other	120,208	35,882	(3,344)	84,326	39,226
Goodwill impairment	—	45,482	87,962	(45,482)	(42,480)
Loss on sale of business	738	61,951	—	(61,213)	61,951
Loss on extinguishment of debt	119,663	104,075	274,836	15,588	(170,761)
Radio conversion costs, net ⁽¹⁾	51,889	24,983	5,099	26,906	19,884
Financing and consent fees ⁽²⁾	5,263	23,250	8,857	(17,987)	14,393
Foreign currency (gains)/losses ⁽³⁾	—	(1,250)	3,228	1,250	(4,478)
Acquisition related adjustments ⁽⁴⁾	438	22,285	16,178	(21,847)	6,107
Licensing fees ⁽⁵⁾	—	—	(21,533)	—	21,533
Other ⁽⁶⁾	(10,031)	21,619	4,895	(31,650)	16,724
Adjusted EBITDA	\$ 2,199,237	\$ 2,483,210	\$ 2,453,497	\$ (283,973)	\$ 29,713

(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. During 2020, included recoveries of \$10 million associated with notes receivable from a former strategic investment. During 2019, included losses of \$10 million associated with notes receivable from a former strategic investment and \$6 million associated with an estimated legal settlement, net of insurance. During 2018, included a gain of \$7.5 million from the sale of equity in a third-party that we received as part of a settlement.

2020 Compared to 2019

The decrease in Adjusted EBITDA was primarily due to (i) an increase in selling, general and administrative expenses, excluding items outside of our definition of Adjusted EBITDA, largely due to the Defenders Acquisition and the provision for credit losses and (ii) the sale of ADT Canada. The decrease was partially offset by an increase from transactions in which equipment is sold outright to customers, net of the associated costs.

We expect our transition to a Company-owned model for our residential transactions to negatively impact Adjusted EBITDA during 2021 due to different accounting policies applicable to each ownership model.

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:

(in thousands)	Years Ended December 31,			\$ Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Net cash provided by operating activities	\$ 1,366,749	\$ 1,873,117	\$ 1,787,607	\$ (506,368)	\$ 85,510
Dealer generated customer accounts and bulk account purchases	(380,716)	(669,683)	(693,525)	288,967	23,842
Subscriber system asset expenditures	(418,355)	(542,305)	(576,290)	123,950	33,985
Purchases of property and equipment	(157,191)	(158,846)	(126,799)	1,655	(32,047)
Free Cash Flow	\$ 410,487	\$ 502,283	\$ 390,993	\$ (91,796)	\$ 111,290

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 asset expenditures, and purchases of property and equipment 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, invest in acquiring and retaining customers, purchase property and equipment, service our debt, and finance 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, borrowings under our revolving credit facility and Receivables 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 Receivables Facility, and cash provided by 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 finance 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, 2020, we had \$205 million in cash and cash equivalents and \$400 million available under our revolving credit facility. In addition, we had an uncommitted available borrowing capacity of \$124 million under our Receivables Facility, which is dependent on the volume of eligible retail installment contract receivables that can be sold under our Receivables Facility. The carrying amount of total debt outstanding was approximately \$9.5 billion as of December 31, 2020.

Long-Term Debt

As of December 31, 2020, we had the following outstanding debt balances (excluding finance leases, deferred financing costs, discount, premium, and fair value adjustments):

(in thousands)

Debt Description	Issued	Maturity	Interest Rate	Interest Payable	Principal
First Lien Term Loan due 2026	9/23/2019	9/23/2026	Adj. LIBOR +3.25%	Quarterly	\$ 2,778,900
Second Lien Notes due 2028	1/28/2020	1/15/2028	6.250%	1/15 and 7/15	1,300,000
First Lien Notes due 2024	4/4/2019	4/15/2024	5.250%	2/15 and 8/15	750,000
First Lien Notes due 2026	4/4/2019	4/15/2026	5.750%	3/15 and 9/15	1,350,000
First Lien Notes due 2027	8/20/2020	8/31/2027	3.375%	6/15 and 12/15	1,000,000
ADT Notes due 2022	7/5/2012	7/15/2022	3.500%	1/15 and 7/15	1,000,000
ADT Notes due 2023	1/14/2013	6/15/2023	4.125%	6/15 and 12/15	700,000
ADT Notes due 2032	5/2/2016	7/15/2032	4.875%	1/15 and 7/15	728,016
ADT Notes due 2042	7/5/2012	7/15/2042	4.875%	1/15 and 7/15	21,896
Receivables Facility	3/5/2020	11/20/2025	LIBOR + 1.00%	Monthly	75,775
Total					\$ 9,704,587

First Lien Credit Agreement

Concurrently with the consummation of the Formation Transactions, we entered into a first lien credit agreement dated as of July 1, 2015 (together with subsequent amendments and restatements, 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.

As of December 31, 2020, the First Lien Credit Agreement consisted of the following:

- A term loan facility (“The First Lien Term Loan due 2026”) with an outstanding aggregate principal balance of \$2.8 billion. Below is a summary of key events related to the First Lien Term Loan due 2026 during 2020 and 2019:
 - September 2019 - In connection with the amendment and restatement dated as of September 23, 2019 and with a \$300 million repayment, we refinanced and replaced the \$3.4 billion aggregate principal amount of the first lien term loan due in May 2022 (the “First Lien Term B-1 Loan”) with \$3.1 billion aggregate principal amount of the First Lien Term Loan due 2026; and
 - December 2020 - We made a \$300 million prepayment, which was applied to the remaining required principal payments of \$8 million per quarter.

The First Lien Term Loan due 2026 is payable at maturity and we may make voluntary prepayments on the First Lien Term Loan due 2026 at any time prior to maturity at par. 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, 2020.

The First Lien Term Loan due 2026 had 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.

In January 2021, we amended the First Lien Credit Agreement to refinance the First Lien Term Loan due 2026, which reduced the applicable margin for Adjusted LIBOR loans from 3.25% to 2.750% and reduced the floor from 1.00% to 0.75%. Additionally, the amendment requires us to make quarterly payments equal to 0.250% of the aggregate outstanding principal amount of the First Lien Term Loan due 2026, or approximately \$7 million per quarter. 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 six months after the closing date of the amendment.

- 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, 2020, 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.

Second Lien Notes due 2028

As of December 31, 2020, the 6.250% second-priority senior secured notes due 2028 (the “Second Lien Notes due 2028”) had an outstanding balance of \$1.3 billion. The Second Lien Notes due 2028 were issued in January 2020 to refinance and redeem the then outstanding \$1.2 billion aggregate principal amount of our 9.250% second-priority senior secured notes due 2023 (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 indenture governing the Second Lien Notes due 2028 also provides for customary events of default.

First Lien Notes due 2024 and First Lien Notes due 2026

As of December 31, 2020, the 5.250% first-priority senior secured notes due 2024 (the “First Lien Notes due 2024”) had an outstanding balance of \$750 million and the 5.750% first-priority senior secured notes due 2026 (the “First Lien Notes due 2026”) had an outstanding balance of \$1.4 billion. Below is a summary of key events related to the First Lien Notes due 2024 and First Lien Notes due 2026 during 2020 and 2019:

- April 2019 - We issued \$750 million of First Lien Notes due 2024 and \$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 (prior to refinancing as discussed above); and
- September 2019 - We issued an additional \$600 million of the 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 (our notes originally issued by The ADT Corporation, collectively, the “ADT Notes”).

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.

First Lien Notes due 2027

As of December 31, 2020, the 3.375% first-priority senior secured notes due 2027 (the “First Lien Notes due 2027”) had an outstanding balance of \$1 billion. The First Lien Notes due 2027 were issued in August 2020 to refinance and redeem the then outstanding \$1 billion aggregate principal amount of the 6.250% ADT Notes due 2021 (the “ADT Notes due 2021”).

The First Lien Notes due 2027 will mature on August 31, 2027 with semi-annual interest payment dates of June 15 and December 15, and may be redeemed at our option as follows:

- Prior to August 31, 2026, in whole at any time or in part from time to time, at a make-whole premium plus accrued and unpaid interest, if any, thereon to the redemption date.
- On or after August 31, 2026, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the First Lien Notes due 2027 redeemed plus accrued and unpaid interest, if any, thereon to the redemption date.

Additionally, upon the occurrence of specified change of control events, we must offer to repurchase the First Lien Notes due 2027 at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The indenture governing the First Lien Notes due 2027 also provides for customary events of default.

ADT Notes

As of December 31, 2020, the ADT Notes had an outstanding balance of \$2.4 billion. Below is a summary of key events related to the ADT Notes during 2020 and 2019:

- September 2019 - We repurchased and cancelled \$147 million aggregate principal amount of the ADT Notes due 2020 at a price of \$149 million;
- October 2019 - We redeemed the remaining \$153 million aggregate principal amount of the ADT Notes due 2020 at a price of \$155 million; and
- September 2020 - We redeemed the outstanding \$1 billion aggregate principal amount of the ADT Notes due 2021 at a price of \$1.1 billion.

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.

Receivables Facility

During March 2020, we entered into the Receivables Facility. Under the terms of the Receivables Facility, we may receive up to \$200 million of financing secured by retail installment contract receivables from transactions involving security systems that were sold under a customer-owned model. During April 2020, we amended the Receivables Facility to also permit financing secured by retail installment contract receivables from transactions occurring under our Company-owned model. The Receivables Facility has a one year revolving period until March 5, 2021, which may be extended, and bears interest at a variable rate. If the revolving period is not extended, we are required to repay the Receivables Facility in a manner consistent with the contractual collections of the underlying retail installment contract receivables. We may make voluntary prepayments on the Receivables Facility at any time prior to maturity at par.

We obtain financing by selling or contributing certain retail installment contract receivables to our wholly-owned consolidated bankruptcy-remote special purpose entity (the "SPE"), which, pursuant to the Receivables Facility, borrows funds secured by the transferred retail installment contract 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 (other than the SPE). Accordingly, the assets of the SPE are not available to pay our creditors (other than the SPE), although collections from the transferred retail installment contract receivables in excess of amounts required to repay the SPE's creditors may be remitted to us during and after the term of the Receivables Facility. The SPE's creditors have legal recourse to the transferred retail installment contract receivables owned by the SPE, but do not have any recourse to us (other than the SPE) for the payment of principal and interest on the SPE's financing.

We service the transferred retail installment contract receivables and are responsible for ensuring that amounts collected from the transferred retail installment contract receivables are remitted to the SPE. We are required to deposit payments received from the transferred retail installment contract receivables into a segregated account subject to the control of the creditors under the Receivables Facility. On a monthly basis, the segregated account is utilized to make required principal, interest, and other payments due under the Receivables Facility.

During 2020, we received proceeds of \$83 million under the Receivables Facility and repaid \$7 million. As of December 31, 2020, we had an outstanding balance of \$76 million and an uncommitted available borrowing capacity of \$124 million under the Receivables Facility.

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, 2020, we were in compliance with all financial covenant and other maintenance tests for all our debt obligations, and we do not believe there is a material risk of future noncompliance with our financial covenant and other maintenance tests as a result of the COVID-19 Pandemic.

Dividends

During 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 in accordance with its terms on February 27, 2021.

We declared the following dividends on common stock during 2020, 2019, and 2018:

Declared Date	Record Date	Payment Date	Common Stock Dividend per Share	Class B Common Stock Dividend per Share
March 15, 2018	March 26, 2018	April 5, 2018	\$0.035	\$—
May 9, 2018	June 25, 2018	July 10, 2018	\$0.035	\$—
August 8, 2018	September 18, 2018	October 2, 2018	\$0.035	\$—
November 7, 2018	December 14, 2018	January 4, 2019	\$0.035	\$—
March 11, 2019	April 2, 2019	April 12, 2019	\$0.035	\$—
May 7, 2019	June 11, 2019	July 2, 2019	\$0.035	\$—
August 6, 2019	September 11, 2019	October 2, 2019	\$0.035	\$—
November 12, 2019	December 13, 2019	December 23, 2019	\$0.700	\$—
November 12, 2019	December 13, 2019	January 3, 2020	\$0.035	\$—
March 5, 2020	March 19, 2020	April 2, 2020	\$0.035	\$—
May 7, 2020	June 18, 2020	July 2, 2020	\$0.035	\$—
August 5, 2020	September 18, 2020	October 2, 2020	\$0.035	\$0.035
November 5, 2020	December 21, 2020	January 4, 2021	\$0.035	\$0.035

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

On February 25, 2021, we announced a dividend of \$0.035 per share to holders of Common Stock and Class B Common Stock of record on March 18, 2021, which will be distributed on April 1, 2021.

During 2020, we declared aggregate dividends of \$0.14 per share on Common Stock (\$108 million) and \$0.07 per share on Class B Common Stock (\$4 million). The amount of dividends settled in shares of Common Stock was not material.

During 2019, we declared aggregate dividends of \$0.84 per share on Common Stock (\$633 million), which included a special dividend of \$0.70 per share on Common Stock. The amount of dividends settled in shares of Common Stock was approximately \$68 million, which resulted in the issuance of 11 million shares of Common Stock.

Share Repurchase Program

On February 27, 2019, we approved the Share Repurchase Program, which authorized us to repurchase up to \$150 million of our shares of Common Stock through February 27, 2021. On March 23, 2020, we approved an increase to \$75 million, inclusive of the amount then remaining under the Share Repurchase Program, in the authorized repurchase amount and an extension of the Share Repurchase Program through March 23, 2021.

We may effect these repurchases pursuant to one or more trading plans to be adopted in accordance with Rule 10b5-1 (each, a “10b5-1 plan”) under the Exchange Act, in privately negotiated transactions, in open market transactions, or pursuant to an accelerated share repurchase program. We intend to conduct the Share Repurchase Program in accordance with Rule 10b-18 under the Exchange Act. We are not obligated to repurchase any of our shares of Common Stock and the timing and amount of any repurchases will depend on legal requirements, market conditions, stock price, alternative uses of capital, and other factors.

During 2020, there were no material repurchases of shares of our Common Stock under the Share Repurchase Program. As of December 31, 2020, we had approximately \$75 million remaining under the Share Repurchase Program.

During 2019, we repurchased 24 million shares of Common Stock for approximately \$150 million under the Share Repurchase Program.

Cash Flow Analysis

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

(in thousands)	Years Ended December 31,			\$ Change	
	2020	2019	2018	2020 vs. 2019	2019 vs. 2018
Net cash provided by operating activities	\$ 1,366,749	\$ 1,873,117	\$ 1,787,607	\$ (506,368)	\$ 85,510
Net cash used in investing activities	\$ (1,137,477)	\$ (978,177)	\$ (1,738,210)	\$ (159,300)	\$ 760,033
Net cash (used in) provided by financing activities	\$ (70,261)	\$ (1,214,204)	\$ 193,001	\$ 1,143,943	\$ (1,407,205)

Cash Flows from Operating Activities

The decrease in net cash flows provided by operating activities during 2020 was primarily due to (i) an increase in selling, general and administrative expenses largely due to the Defenders Acquisition, (ii) an increase in the volume of transactions in which equipment was sold outright to residential customers, (iii) the sale of ADT Canada, (iv) \$81 million related to the settlement of a pre-existing relationship in connection with the Defenders Acquisition, and (v) the acceleration of a portion of our 2020 incentive compensation payments into 2020. These decreases were partially offset by the favorable cash flow benefit associated with the deferral of payroll tax payments provided by the CARES Act and a decrease in interest payments of \$35 million due to changes to the timing and amount of interest payments as a result of our recent financing transactions. The remainder of the activity in cash flows provided by operating activities related 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.

We expect our transition to a Company-owned model for our residential transactions to favorably impact net cash provided by operating activities during 2021 due to different accounting policies applicable to each ownership model.

Cash Flows from Investing Activities

The increase in net cash used in investing activities during 2020 was primarily due to the non-recurrence of \$496 million of proceeds received as a result of the sale of ADT Canada during 2019 and an increase in cash used for business acquisitions, net of cash acquired, of \$116 million primarily due to the Defenders Acquisition during 2020. These increases were partially offset by (i) a decrease in the volume of dealer and bulk account purchases primarily due to the Defenders Acquisition, (ii) a decrease in the volume of subscriber system asset expenditures as a result of the Equipment Ownership Model Change and the sale of ADT Canada, and (iii) a decrease as a result of proceeds received associated with the sale of a strategic investment during 2020.

We expect our transition to a Company-owned model for our residential transactions to negatively impact net cash used in investing activities during 2021 due to different accounting policies applicable to each ownership model.

Cash Flows from Financing Activities

During 2020, net cash used in financing activities primarily consisted of (i) \$415 million related to the net repayments of long-term borrowings, including call premiums, (ii) \$109 million related to dividend payments on common stock, (iii) \$38 million related to payments on interest rate swap contracts that included an other-than-insignificant financing element at inception, and (iv) \$29 million related to the payment of deferred financing fees. These cash outflows were partially offset by (i) \$448 million of proceeds, net of expenses, associated with the issuance of Class B Common Stock and (ii) \$76 million of net proceeds under the Receivables Facility.

During 2019, net 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, including call premiums, (iii) \$150 million related to repurchases of common stock, and (iv) \$54 million related to the payment of deferred financing fees.

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, 2020:

(in thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Debt principal ⁽¹⁾	\$ 17,809	\$ 1,018,507	\$ 717,248	\$ 764,035	\$ 8,176	\$ 7,178,812	\$ 9,704,587
Interest payments ⁽²⁾	522,340	514,148	457,458	423,147	388,103	694,663	2,999,859
Operating leases ⁽³⁾	36,440	38,981	33,160	21,541	14,884	21,518	166,524
Finance leases ⁽⁴⁾	29,174	23,218	10,056	2,229	12	—	64,689
Contractual obligations ⁽⁵⁾	177,024	58,714	48,245	17,201	12,324	19,578	333,086
Total	\$ 782,787	\$ 1,653,568	\$ 1,266,167	\$ 1,228,153	\$ 423,499	\$ 7,914,571	\$ 13,268,745

(1) Represents the contractual principal payments of our debt obligations as of December 31, 2020. 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, 2020. Interest payments on our fixed-rate debt are calculated based on the contractual terms. 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, 2020.

(3) Represents lease payments on our operating lease obligations as of December 31, 2020.

(4) Represents the principal and interest payments on our finance lease obligations as of December 31, 2020.

(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, 2020. Excludes contractual obligations related to the Commercial Agreement with Google, which requires us and Google to each contribute \$150 million towards certain joint commercial efforts. Each party is required to contribute such funds in three equal tranches, subject to the attainment of certain milestones. Refer to Note 9 "Equity" for further details.

We have not included in the contractual obligations table approximately \$66 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. Finally, we have not included our off-balance sheet guarantees of \$83 million, which primarily relate to standby letters of credit on our insurance programs.

During the first quarter of 2021, we entered into commitments of approximately \$54 million to purchase certain parts used in the program to replace 3G and CDMA cellular equipment used in our security systems.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2020, our guarantees totaled \$83 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 accompanying consolidated financial statements are prepared in accordance with GAAP, which 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, estimates and judgments 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 one-time non-refundable fees received in connection with the initiation of a monitoring contract that the customer will not be required to pay again upon a renewal of the contract, which is referred to as deferred subscriber acquisition revenue. 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 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 relative standalone selling price, which is determined using observable internal or external pricing and profitability metrics. 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. For revenue recognized over time, progress toward complete satisfaction of the performance obligation is primarily measured using a cost-to-cost measure of progress method. The cost input is based primarily on contract cost incurred to date compared to total estimated contract cost. This measure of progress method includes forecasts based on the best information available and reflects our judgment to faithfully depict the value of the services transferred to the customer. 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.

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 based 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 thirteen 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 fair value of a reporting unit is less than its carrying amount, 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 of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We estimate the fair value of a reporting unit 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 discount rates. The estimated fair value of a reporting unit calculated using the income approach is sensitive to changes in the underlying assumptions. In developing these assumptions, we rely 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 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 tests. During the fourth quarter 2020, and in connection with a reporting unit change, we qualitatively tested our former reporting units immediately prior to the change and quantitatively tested our new reporting units immediately following the change. Based on the results of these tests, the fair values of both reporting units exceeded their carrying amounts.

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 useful lives to certain definite-lived intangible and tangible assets. Accordingly, we may engage third-party valuation specialists to assist in these determinations. The fair value estimates are based on available information as of the acquisition date 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

We file a consolidated federal return for our U.S. entities and separate returns for each Canadian entity.

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. 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. 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. We have interest rate swap contracts to hedge our interest rate exposure on our variable-rate debt. However, certain of our variable-rate debt instruments are subject to a 1.00% floor on interest payments while our interest rate swap contracts do not include a floor. If current LIBOR increases above 1.00%, the increase in our debt service obligations on most of our variable-rate indebtedness will be neutralized as we have entered into interest rate swaps that hedge any increase in current LIBOR above 1.00%. If current LIBOR is below 1.00%, even though the amount borrowed remains the same, our net income and cash flows, including cash available for servicing our indebtedness, will decrease by the impact of the difference between 1.00% and current LIBOR because certain of our variable-rate debt has an interest floor of 1.00% while the corresponding interest rate swap contracts do not have a LIBOR floor. In January 2021, we amended our variable-rate debt and reduced the floor from 1.00% to 0.75%.

As a result of recent changes in the interest rate environment, our interest rate swap contracts designated as cash flow hedges with an aggregate notional amount of \$3 billion were no longer highly effective beginning in March 2020. Accordingly, we de-designated the cash flow hedges and the unrealized gains and losses for the period in which these cash flow hedges were no longer highly effective were recognized in interest expense. Unrealized losses recognized as a component of accumulated other comprehensive (loss) income (“AOCI”) prior to de-designation will be reclassified into interest expense in the same period in which the related interest on variable-rate debt affects earnings through the maturity dates of the interest rate swap contracts as the forecasted cash flows are probable or reasonably possible of occurring.

The unrealized losses on interest rate swap contracts recognized in interest expense, net, in the Consolidated Statements of Operations were \$60 million and \$9 million during 2020 and 2019, respectively. Additionally, we reclassified \$54 million of accumulated unrealized losses in AOCI related to interest rate swap contracts that have been de-designated as cash flow hedges to interest expense, net, during 2020. There were no material reclassification adjustments associated with cash flow hedges during 2019.

As of December 31, 2020, the carrying amount of our debt, excluding finance leases, was \$9.4 billion with a fair value of \$10.1 billion. In addition, we had interest rate swap contracts with aggregate notional amounts of \$3.2 billion with a fair value of \$276 million as a net liability. As of December 31, 2020, a hypothetical 10% change in interest rates would change the fair value of our debt by approximately \$191 million based on the implied yield from broker-quoted market prices on our debt, while a similar change in interest rates would change the fair value of our interest rate swap contracts by approximately \$2 million based on a discounted cash flow analysis. Additionally, any 0.125% decrease in LIBOR below 1.0% would result in an increase of approximately \$4 million in annualized interest expense on our variable-rate debt, including the impact of our interest rate swaps.

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 by approximately \$214 million based on the implied yield from broker-quoted market prices on our debt, while a similar change in interest rates would change the fair value of our interest rate swap contracts by approximately \$34 million based on a discounted cash flow analysis. Additionally, any 0.125% decrease in LIBOR below 1.0% would result in an increase of approximately \$4 million in annualized interest expense on our variable-rate debt, including the impact of our interest rate swaps.

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, 2020, 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, 2020 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, 2020.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an audit report on our internal control over financial reporting as of December 31, 2020 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, 2020 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 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after our fiscal year end of December 31, 2020 (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 shares of the Company's Common Stock, which as of the date of this Annual Report amounted to 608,927,822 shares, 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 February 16, 2021 was equal to approximately 13.86%. 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 were entitled to receive their share of the margin loan proceeds (based on their share ownership of the Apollo Funds). Such persons had 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.

Exhibit Number	Exhibit Description
2.1[^]	Share Purchase Agreement, dated September 30, 2019, among ADT Security Holdings Canada Ltd., ADT Inc., and TELUS Communications Inc.
3.1	Amended and Restated Certificate of Incorporation of ADT Inc.
3.2	Amended and Restated Bylaws of ADT Inc.
4.1	Indenture, dated as of July 5, 2012, by and between The ADT Corporation and Wells Fargo Bank, National Association
4.2	First Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association
4.3	Second Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association
4.4	Third Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association
4.5	Fourth Supplemental Indenture, dated as of January 14, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association
4.6	Fifth Supplemental Indenture, dated as of October 1, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association
4.7	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
4.8	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
4.9	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
4.10	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
4.11	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
4.12	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
4.13	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
4.14	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
4.15	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
4.16	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

4.17	Sixteenth 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	Indenture, dated as of May 2, 2016, by and between Prime Security One MS, Inc. and the Wells Fargo Bank, National Association
4.19	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
4.20	Second Supplemental Indenture, dated as of August 9, 2016, by and between The ADT Corporation, the Notes Guarantors and Wells Fargo Bank, National Association
4.21	Third Supplemental Indenture, dated as of November 15, 2017, by and among The ADT Security Corporation, DataShield, LLC and Wells Fargo Bank, National Association
4.22	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
4.23	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
4.24	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
4.25	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
4.26	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
4.27	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
4.28	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
4.29	Second Lien Notes Indenture, dated as of May 2, 2016, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Prime Guarantors and Wells Fargo Bank, National Association
4.30	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
4.31	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
4.32	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
4.33	Second Lien Notes Fourth Supplemental Indenture, dated as of August 17, 2018, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., MSA Systems Integration, Inc. and Wells Fargo Bank, National Association
4.34	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
4.35	Second Lien Notes Sixth Supplemental Indenture, dated as of January 30, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association
4.36	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
4.37	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
4.38	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 2024.
4.39	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
4.40	Second Supplemental Indenture, dated as of January 31, 2020, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Defender Security Canada, Inc., ADT MS2 LLC, DPL Two LLC, Defenders LLC, Home Defender, Inc. and Wells Fargo Bank, National Association
4.41	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 5.750% first-priority senior secured notes due 2026.
4.42	First Supplemental Indenture, dated as of September 23, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee, relating to the \$600 million aggregate principal amount of 5.750% first-priority senior secured notes due 2026
4.43	Second 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
4.44	Third Supplemental Indenture, dated as of January 31, 2020, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Defender Security Canada, Inc., ADT MS2 LLC, DPL Two LLC, Defenders LLC, Home Defender, Inc. and Wells Fargo Bank, National Association

<u>4.45</u>	<u>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 \$1,300,625,000 Second-Priority Senior Secured Notes due 2028</u>
<u>4.46</u>	<u>First Supplemental Indenture, dated as of January 31, 2020, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Defender Security Canada, Inc., ADT MS2 LLC, DPL, Two LLC, Defenders LLC, Home Defender, Inc. and Wells Fargo Bank, National Association</u>
<u>4.47</u>	<u>Indenture, dated as of August 20, 2020, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party hereto from time to time, and Wells Fargo Bank, National Association, as trustee, relating to \$1,000 million aggregate principle amount of 3.375% first-priority senior secured notes due 2027</u>
<u>4.48*</u>	<u>Description of Securities</u>
<u>10.1</u>	<u>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</u>
<u>10.2</u>	<u>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</u>
<u>10.3</u>	<u>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</u>
<u>10.4</u>	<u>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</u>
<u>10.5</u>	<u>Incremental Assumption and Amendment Agreement No. 9, dated as of September 23, 2019, by and among Prime Security Services Holdings, LLC, Prime Security Services Borrower, LLC, the lenders party thereto, Barclays Bank PLC, as administrative agent and the other parties party thereto</u>
<u>10.6</u>	<u>Incremental Assumption and Amendment Agreement No. 10, dated as of January 27, 2021, by and among Prime Security Services Holdings, LLC, Prime Security Services Borrower, LLC, the lenders party thereto and Barclays Bank PLC, as administrative agent</u>
<u>10.7</u>	<u>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</u>
<u>10.8</u>	<u>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 Securities Services Borrower, LLC and Barclays Bank PLC, as Collateral Agent</u>
<u>10.9</u>	<u>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</u>
<u>10.10</u>	<u>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</u>
<u>10.11</u>	<u>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</u>
<u>10.12</u>	<u>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</u>
<u>10.13</u>	<u>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</u>
<u>10.14</u>	<u>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</u>
<u>10.15</u>	<u>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</u>
<u>10.16</u>	<u>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</u>
<u>10.17</u>	<u>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</u>
<u>10.18</u>	<u>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</u>
<u>10.19</u>	<u>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</u>
<u>10.20</u>	<u>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 hereto relating to Prime Security Services Borrower, LLC</u>

<u>10.21</u>	<u>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</u>
<u>10.22</u>	<u>Receivables Purchase Agreement, dated as of March 5, 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</u>
<u>10.23</u>	<u>Agreement of Amendment to Receivables Purchase Agreement, dated as of April 17, 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</u>
<u>10.24</u>	<u>Second Agreement of Amendment to Receivables Purchase Agreement, dated September 17, 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</u>
<u>10.25*</u>	<u>Third Agreement of Amendment to Receivables Purchase Agreement, dated January 29, 2021, 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</u>
<u>10.26</u>	<u>Receivables Sale and Contribution Agreement, dated as of April 17, 2020, between ADT LLC, as Originator and Servicer and ADT Finance Inc., as Buyer</u>
<u>10.27</u>	<u>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</u>
<u>10.28</u>	<u>Patent Agreement, dated as of September 26, 2012, by and between Tyco International Ltd. and The ADT Corporation</u>
<u>10.29</u>	<u>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</u>
<u>10.30</u>	<u>ADT LLC Supplemental Savings and Retirement Plan, effective as of April 1, 2017</u>
<u>10.31*</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of December 18, 2017</u>
<u>10.32*</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of December 24, 2018</u>
<u>10.33*</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of December 31, 2018</u>
<u>10.34*</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of February 8, 2019</u>
<u>10.35*</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of July 29, 2019</u>
<u>10.36</u>	<u>Stockholders Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</u>
<u>10.37</u>	<u>Registration Rights Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</u>
<u>10.38</u>	<u>Amendment to the Registration Rights Agreement between ADT Inc. and Prime Security Services TopCo Parent, L.P.</u>
<u>10.39</u>	<u>Securities Purchase Agreement, dated as of July 31, 2020, by and between ADT Inc. and Google LLC</u>
<u>10.40</u>	<u>Investor Rights Agreement, dated as of September 17, 2020 by and between ADT Inc. and Google LLC</u>
<u>10.41</u>	<u>Form of Indemnification Agreement by and between the Company and each of its Directors and Executive Officers</u>
<u>10.42+</u>	<u>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 Donald Young</u>
<u>10.43+</u>	<u>Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Jamie Haengi</u>
<u>10.44+</u>	<u>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</u>
<u>10.45+</u>	<u>Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and James D. DeVries</u>
<u>10.46+</u>	<u>Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and Jeffrey Likosar</u>
<u>10.47+</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.48+</u>	<u>First Amendment to ADT Inc. 2018 Omnibus Incentive Plan dated April 25, 2019</u>
<u>10.49+</u>	<u>Form of Restricted Stock Unit Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.50+</u>	<u>Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.51+</u>	<u>Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption)</u>
<u>10.52+</u>	<u>Form of Amendment to Non-Qualified Award Agreement for use under ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption)</u>
<u>10.53+</u>	<u>Form of Common Stock Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.54+</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan Restricted Stock Unit Non-Employee Director Award Agreement</u>
<u>10.55+</u>	<u>Form of Restricted Stock Unit Special Equity Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.56+</u>	<u>Form of Non-Qualified Option Special Equity Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.57+</u>	<u>Second Amended & Restated Employment Agreement with James D. DeVries</u>

<u>10.58+</u>	<u>Amendment to Second Amended & Restated Employment Agreement of James D. DeVries</u>
<u>21*</u>	<u>Subsidiaries of ADT Inc.</u>
<u>23*</u>	<u>Consent of Independent Registered Public Accounting Firm</u>
<u>31.1*</u>	<u>Certification of CEO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)</u>
<u>31.2*</u>	<u>Certification of CFO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)</u>
<u>32.1*</u>	<u>Certification by the CEO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>32.2*</u>	<u>Certification by the CFO, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document

[^] Confidential treatment requested. Confidential portions of this Exhibit 2.1 have been omitted.

^{*} Filed herewith.

⁺ Management contract or compensatory plan or arrangement.

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.

Date: February 25, 2021

ADT Inc.

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 February 25, 2021.

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-2</u>
<u>Consolidated Balance Sheets as of December 31, 2020 and 2019</u>	<u>F-5</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2020, 2019, and 2018</u>	<u>F-6</u>
<u>Consolidated Statements of Comprehensive Loss for the years ended December 31, 2020, 2019, and 2018</u>	<u>F-7</u>
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019, and 2018</u>	<u>F-8</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019, and 2018</u>	<u>F-9</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-10</u>

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, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2020, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 3 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 opinions 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 audits 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment -- Commercial Reporting Unit

As described in Note 5 to the consolidated financial statements, the Company's consolidated goodwill balance was \$5.2 billion as of December 31, 2020. Management tests goodwill 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 the estimated fair value of a reporting unit is less than its carrying amount. 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 estimated fair value is less than its carrying amount. If management 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 fair value of a reporting unit is less than its carrying amount, management proceeds to a quantitative approach. Under a quantitative approach, management 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. Management estimates the fair values of its reporting units 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 discount rates. Subsequent to the annual goodwill impairment tests in the fourth quarter, the Company's reporting units changed and now consist of U.S. and Commercial. Management also reallocated a portion of goodwill from the former U.S. reporting unit to the Commercial reporting unit on a relative fair value basis using a market approach that consisted of the application of earnings before interest, taxes, depreciation and amortization (EBITDA) multiples from a selected peer group of publicly-traded companies to arrive at the estimated fair values. Management qualitatively tested the goodwill associated with the U.S. and former Red Hawk reporting units immediately prior to the change and quantitatively tested the goodwill associated with the U.S. and Commercial reporting units immediately following the change.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Commercial reporting unit is a critical audit matter are (i) the significant judgment by management when estimating the fair value of the reporting unit; (ii) a high degree of auditor judgment, subjectivity, and audit effort in performing procedures and evaluating management's significant assumptions related to forecasted revenue, operating profit margins, and operating expenses; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the fair value estimate of the Company's Commercial reporting unit. These procedures also included, among others, (i) testing management's process for estimating the fair value of the reporting unit; (ii) evaluating the appropriateness of the income approach; (iii) testing the completeness and accuracy of the underlying data used in the discounted cash flow model; and (iv) evaluating the significant assumptions used by management related to forecasted revenue, operating profit margins, and operating expenses. Evaluating management's assumptions related to forecasted revenue, operating profit margins, and operating expenses involved evaluating whether the assumptions used by

management were reasonable considering (i) the current and past performance of the reporting units (ii) the consistency with external market and industry data, and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow model.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
February 25, 2021

We have served as the Company's auditor since 2010.

ADT INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 204,998	\$ 48,736
Accounts receivable, net of allowance for credit losses of \$68,342 and \$44,337, respectively	336,033	287,243
Inventories, net	174,839	104,219
Work-in-progress	41,312	34,183
Prepaid expenses and other current assets	210,212	151,102
Total current assets	967,394	625,483
Property and equipment, net	325,716	328,731
Subscriber system assets, net	2,663,228	2,739,296
Intangible assets, net	5,906,690	6,669,645
Goodwill	5,236,302	4,959,658
Deferred subscriber acquisition costs, net	654,019	513,320
Other assets	363,587	247,519
Total assets	\$ 16,116,936	\$ 16,083,652
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 44,764	\$ 58,049
Accounts payable	321,595	241,954
Deferred revenue	345,582	342,359
Accrued expenses and other current liabilities	584,151	477,366
Total current liabilities	1,296,092	1,119,728
Long-term debt	9,447,780	9,634,226
Deferred subscriber acquisition revenue	832,166	673,625
Deferred tax liabilities	990,899	1,166,269
Other liabilities	510,663	305,435
Total liabilities	13,077,600	12,899,283
Commitments and contingencies (See Note 14)		
Stockholders' equity:		
Preferred stock—authorized 1,000,000 and 250,000 shares of \$0.01 par value as of December 31, 2020 and 2019, respectively; zero issued and outstanding	—	—
Common stock—authorized 3,999,000,000 shares of \$0.01 par value; issued and outstanding shares of 771,013,638 and 753,622,044 as of December 31, 2020 and 2019, respectively	7,710	7,536
Class B common stock—authorized 100,000,000 and zero shares of \$0.01 par value as of December 31, 2020 and 2019, respectively; issued and outstanding shares of 54,744,525 and zero as of December 31, 2020 and 2019, respectively.	547	—
Additional paid-in capital	6,640,763	5,977,402
Accumulated deficit	(3,491,069)	(2,742,193)
Accumulated other comprehensive loss	(118,615)	(58,376)
Total stockholders' equity	3,039,336	3,184,369
Total liabilities and stockholders' equity	\$ 16,116,936	\$ 16,083,652

See Notes to Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended December 31,		
	2020	2019	2018
Monitoring and related services	\$ 4,186,987	\$ 4,307,582	\$ 4,109,939
Installation and other	1,127,800	818,075	471,734
Total revenue	5,314,787	5,125,657	4,581,673
Cost of revenue (exclusive of depreciation and amortization shown separately below)	1,516,528	1,390,284	1,041,336
Selling, general and administrative expenses	1,722,906	1,406,532	1,246,950
Depreciation and intangible asset amortization	1,913,767	1,989,082	1,930,929
Merger, restructuring, integration, and other	120,208	35,882	(3,344)
Goodwill impairment	—	45,482	87,962
Loss on sale of business	738	61,951	—
Operating income	40,640	196,444	277,840
Interest expense, net	(708,189)	(619,573)	(663,204)
Loss on extinguishment of debt	(119,663)	(104,075)	(274,836)
Other income	8,293	5,012	27,582
Loss before income taxes	(778,919)	(522,192)	(632,618)
Income tax benefit	146,726	98,042	23,463
Net loss	\$ (632,193)	\$ (424,150)	\$ (609,155)
Net loss per share - basic:			
Common stock	\$ (0.82)	\$ (0.57)	\$ (0.81)
Class B common stock	\$ (0.72)	\$ —	\$ —
Weighted-average shares outstanding - basic:			
Common stock	760,483	747,238	747,710
Class B common stock	15,855	—	—
Net loss per share - diluted:			
Common stock	\$ (0.82)	\$ (0.57)	\$ (0.81)
Class B common stock	\$ (0.74)	\$ —	\$ —
Weighted-average shares outstanding - diluted:			
Common stock	760,483	747,238	747,710
Class B common stock	17,944	—	—

See Notes to Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Years Ended December 31,		
	2020	2019	2018
Net loss	\$ (632,193)	\$ (424,150)	\$ (609,155)
Other comprehensive (loss) income, net of tax:			
Cash flow hedges	(58,114)	(38,103)	(21,284)
Foreign currency translation	—	51,599	(44,656)
Defined benefit pension plans	(2,125)	(93)	(1,832)
Total other comprehensive (loss) income, net of tax	(60,239)	13,403	(67,772)
Comprehensive loss	\$ (692,432)	\$ (410,747)	\$ (676,927)

See Notes to Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Number of Common Shares	Number of Class B Common Shares	Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of December 31, 2017	641,119	—	\$ 2	\$ —	\$ 4,435,329	\$ (998,212)	\$ (4,007)	\$ 3,433,112
Adoption of accounting standard, net of tax	—	—	—	—	—	34,430	—	34,430
Net loss	—	—	—	—	—	(609,155)	—	(609,155)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(67,772)	(67,772)
Issuance of common stock, net of expenses	105,000	—	1,050	—	1,405,678	—	—	1,406,728
Dividends	—	—	—	—	—	(107,355)	—	(107,355)
Share-based compensation expense	20,756	—	—	—	135,012	—	—	135,012
Other	6	—	6,617	—	(6,672)	(140)	—	(195)
Balance as of December 31, 2018	766,881	—	\$ 7,669	\$ —	\$ 5,969,347	\$ (1,680,432)	\$ (71,779)	\$ 4,224,805
Net loss	—	—	—	—	—	(424,150)	—	(424,150)
Other comprehensive income, net of tax	—	—	—	—	—	—	13,403	13,403
Repurchases of common stock	(23,883)	—	(239)	—	(149,629)	—	—	(149,868)
Dividends, including dividends reinvested in common stock	10,744	—	107	—	67,660	(633,223)	—	(565,456)
Share-based compensation expense	—	—	—	—	85,626	—	—	85,626
Other	(120)	—	(1)	—	4,398	(4,388)	—	9
Balance as of December 31, 2019	753,622	—	\$ 7,536	\$ —	\$ 5,977,402	\$ (2,742,193)	\$ (58,376)	\$ 3,184,369
Adoption of accounting standard, net of tax	—	—	—	—	—	(2,341)	—	(2,341)
Net loss	—	—	—	—	—	(632,193)	—	(632,193)
Other comprehensive income, net of tax	—	—	—	—	—	—	(60,239)	(60,239)
Issuance of common stock, net of expenses	16,279	54,745	163	547	560,871	—	—	561,581
Repurchases of common stock	(1)	—	—	—	(4)	—	—	(4)
Dividends, including dividends reinvested in common stock	2	—	—	—	15	(111,868)	—	(111,853)
Share-based compensation expense	—	—	—	—	96,013	—	—	96,013
Other	1,112	—	11	—	6,466	(2,474)	—	4,003
Balance as of December 31, 2020	<u>771,014</u>	<u>54,745</u>	<u>\$ 7,710</u>	<u>\$ 547</u>	<u>\$ 6,640,763</u>	<u>\$ (3,491,069)</u>	<u>\$ (118,615)</u>	<u>\$ 3,039,336</u>

See Notes to Consolidated Financial Statements

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

	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net loss	\$ (632,193)	\$ (424,150)	\$ (609,155)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and intangible asset amortization	1,913,767	1,989,082	1,930,929
Amortization of deferred subscriber acquisition costs	96,823	80,128	59,928
Amortization of deferred subscriber acquisition revenue	(124,804)	(107,284)	(79,136)
Share-based compensation expense	96,013	85,626	135,012
Deferred income taxes	(173,415)	(117,889)	(27,338)
Provision for losses on receivables and inventory	119,677	55,452	61,026
Loss on extinguishment of debt	119,663	104,075	274,836
Goodwill impairment	—	45,482	87,962
Loss on sale of business	738	61,951	—
Unrealized loss (gain) on interest rate swap contracts	60,363	8,501	(3,226)
Other non-cash items, net	144,534	129,275	23,471
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions:			
Accounts receivable, net	(84,050)	(94,449)	(60,686)
Contract assets, net	(140,920)	(18,683)	(809)
Inventories and work-in-progress	(60,797)	(14,711)	(2,602)
Accounts payable	65,317	19,325	9,007
Deferred subscriber acquisition costs	(239,838)	(189,988)	(184,674)
Deferred subscriber acquisition revenue	179,874	259,844	256,498
Other, net	25,997	1,530	(83,436)
Net cash provided by operating activities	1,366,749	1,873,117	1,787,607
Cash flows from investing activities:			
Dealer generated customer accounts and bulk account purchases	(380,716)	(669,683)	(693,525)
Subscriber system asset expenditures	(418,355)	(542,305)	(576,290)
Purchases of property and equipment	(157,191)	(158,846)	(126,799)
Acquisition of businesses, net of cash acquired	(224,617)	(108,716)	(352,819)
Sale of business, net of cash sold	(2,448)	496,398	—
Other investing, net	45,850	4,975	11,223
Net cash used in investing activities	(1,137,477)	(978,177)	(1,738,210)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net of expenses	447,811	—	1,406,019
Proceeds from long-term borrowings	2,640,000	3,403,022	422,875
Proceeds from receivables facility	82,517	—	—
Repayment of long-term borrowings, including call premiums	(3,054,798)	(3,845,195)	(699,637)
Repayment of mandatorily redeemable preferred securities, including redemption premium	—	—	(852,769)
Repayment of receivables facility	(6,742)	—	—
Dividends on common stock	(109,328)	(564,767)	(79,439)
Repurchases of common stock	(4)	(149,868)	—
Deferred financing costs	(29,496)	(54,382)	(337)
Other financing, net	(40,221)	(3,014)	(3,711)
Net cash (used in) provided by financing activities	(70,261)	(1,214,204)	193,001
Effect of currency translation on cash	—	838	(2,018)
Net increase (decrease) in cash and cash equivalents and restricted cash and restricted cash equivalents	159,011	(318,426)	240,380
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of period	48,736	367,162	126,782
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period	\$ 207,747	\$ 48,736	\$ 367,162

See Notes to Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 affiliates of Apollo Global Management, Inc. (together with its subsidiaries and affiliates, “Apollo” or the “Sponsor”).

Basis of Presentation and 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 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.

COVID-19 Pandemic

During March 2020, the World Health Organization declared the outbreak of a novel coronavirus as a pandemic (the “COVID-19 Pandemic”), which has become increasingly widespread in the U.S. Containment efforts and responses to the COVID-19 Pandemic have varied by individuals, businesses, and state and local municipalities, and in certain areas of the U.S., initial and precautionary measures helped mitigate the spread of the coronavirus. However, subsequent easing of such measures resulted in the re-emergence of the coronavirus. The COVID-19 Pandemic has had a notable adverse impact on general economic conditions, including the temporary closures of many businesses, increased governmental regulations, and reduced consumer spending due to significant unemployment and other effects attributable to the COVID-19 Pandemic. In order to continue to both protect its employees and serve its customers, the Company has adjusted and is continuously evolving certain aspects of its operations, which includes (i) detailed protocols for infectious disease safety for employees, (ii) daily wellness checks for employees, and (iii) certain work from home actions, including for the majority of the Company’s call center professionals.

The Company considered the emergence and pervasive economic impact of the COVID-19 Pandemic in its assessment of its financial position, results of operations, cash flows, and certain accounting estimates as of and for the year ended December 31, 2020. Additional information on the impacted estimates is included in the respective footnotes that follow. Due to the evolving and uncertain nature of the COVID-19 Pandemic, it is possible that the effects of the COVID-19 Pandemic could materially impact the Company’s estimates and consolidated financial statements in future reporting periods.

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 (“CODM”), 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.

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 Restricted 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 restricted 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 restricted 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 restricted 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:

<i>(in thousands)</i>	December 31,		
	2020	2019	2018
Cash and cash equivalents	\$ 204,998	\$ 48,736	\$ 363,177
Restricted cash and restricted cash equivalents	2,749	—	3,985
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period	\$ 207,747	\$ 48,736	\$ 367,162

Supplementary Cash Flow Information

The following is a summary of supplementary cash flow information and material non-cash investing and financing transactions, excluding leases, for the periods presented:

<i>(in thousands)</i>	December 31,		
	2020	2019	2018
Interest paid, net of interest income	\$ 510,185	\$ 545,206	\$ 688,121
Payments (refunds) on income taxes, net	\$ 25,802	\$ (1,001)	\$ 6,346
Issuance of shares in lieu of cash dividends	\$ 15	\$ 67,767	\$ —
Issuance of shares for acquisition of business	\$ 113,841	\$ —	\$ —

Refer to Note 3 “Leases” for cash flows and supplemental information associated with the Company’s leases.

Inventories, net

Inventories are primarily comprised of security system components and parts. 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:

Buildings and related improvements	Up to 40 years
Leasehold improvements	Lesser of remaining term of the lease or economic useful life
Capitalized software	3 to 10 years
Machinery, equipment, and other	Up to 10 years

Depreciation expense is included in depreciation and intangible asset amortization in the Consolidated Statements of Operations and was \$187 million, \$187 million, and \$166 million during 2020, 2019, and 2018, 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 the periods presented were as follows:

<i>(in thousands)</i>	December 31,	
	2020	2019
Land	\$ 13,120	\$ 13,303
Buildings and leasehold improvements	100,654	87,850
Capitalized software	585,251	465,750
Machinery, equipment, and other	189,768	162,611
Construction in progress	35,971	35,181
Finance leases	121,061	110,289
Accumulated depreciation	(720,109)	(546,253)
Property and equipment, net	\$ 325,716	\$ 328,731

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 \$502 million, \$558 million, and \$549 million during 2020, 2019, and 2018, respectively.

The gross carrying amount, accumulated depreciation, and net carrying amount of subscriber system assets as of the periods presented were as follows:

(in thousands)	December 31,	
	2020	2019
Gross carrying amount	\$ 4,815,286	\$ 4,597,908
Accumulated depreciation	(2,152,058)	(1,858,612)
Subscriber system assets, net	\$ 2,663,228	\$ 2,739,296

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 \$97 million, \$80 million, and \$60 million during 2020, 2019, and 2018, 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 2020, 2019, or 2018.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of the periods presented:

(in thousands)	December 31,	
	2020	2019
Accrued interest	\$ 123,935	\$ 115,070
Payroll-related accruals	99,771	91,944
Other accrued liabilities	360,445	270,352
Accrued expenses and other current liabilities	\$ 584,151	\$ 477,366

Advertising

Advertising costs are expensed when incurred and are included in selling, general and administrative expenses in the Consolidated Statements of Operations and were \$264 million, \$160 million, and \$143 million during 2020, 2019, and 2018, respectively.

Radio Conversion Costs

During 2018, the Company completed a program to replace 2G cellular technology used in many of its security systems. In 2019, the providers of 3G and Code-Division Multiple Access ("CDMA") cellular networks 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 CDMA cellular equipment used in many of its security systems. The Company estimates the range of net costs for this replacement program at \$225 million to \$300 million through 2022. The Company expects to incur approximately \$145 million to \$220 million of net costs during 2021. These ranges are 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. During November 2020, the Company acquired Cell Bounce, a technology company with proprietary radio conversion technology in the form of a user-installable device, which is expected to allow for the transition of customers on 3G networks in a cost efficient and timely manner. The replacement program and pace of replacement are subject to change and may be influenced by the Company's ability to access customer sites due to the COVID-19 Pandemic; cost-sharing opportunities with suppliers, carriers, and customers; and new and innovative technologies.

Radio conversion revenue associated with the replacement program is included in monitoring and related services revenue in the Consolidated Statements of Operations, while radio conversion costs are included in selling, general and administrative expenses in the Consolidated Statements of Operations. The Company incurred \$89 million, \$30 million, and \$5 million of radio conversion costs during 2020, 2019, and 2018, respectively. The Company recognized \$37 million and \$5 million of incremental radio conversion revenue during 2020 and 2019, respectively. The Company did not recognize incremental radio conversion revenue during 2018.

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 2020 and 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.

Concentration of Credit Risks

The majority of the Company's cash and cash equivalents and restricted cash and restricted 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 restricted 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 restricted cash equivalents, accounts receivable, retail installment contract receivables, 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. Cash equivalents totaled \$143 million as of December 31, 2020. The Company had no cash equivalents as of December 31, 2019. These investments are classified as Level 1 fair value measurements, which represent unadjusted quoted prices in active markets for identical assets or liabilities.

Retail Installment Contract Receivables, net - The fair value of the Company's retail installment contract receivables was determined using a discounted cash flow model. The resulting fair value is classified as a Level 3 fair value measurement.

The following table presents the net carrying amount and fair value of retail installment contract receivables as of the periods presented:

(in thousands)	December 31, 2020		January 1, 2020 ⁽¹⁾	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Retail installment contract receivables, net	\$ 141,591	\$ 112,676	\$ 9,743	\$ 8,946

(1) Balances reflected are subsequent to the adoption of CECL (as defined below) on January 1, 2020.

Long-Term Debt Instruments - The fair value of the Company's debt instruments was determined using broker-quoted market prices, which represent prices based on quoted prices for similar assets or liabilities as well as other observable market data. The carrying amounts of debt outstanding, if any, under the Company's revolving credit facility and receivables facility approximate fair value as interest rates on these borrowings approximate current market rates. The resulting fair value is classified as a Level 2 fair value measurement.

The following table presents the carrying amount and fair value of the Company's long-term debt instruments that are subject to fair value disclosures as of the periods presented:

(in thousands)	December 31,			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt instruments, excluding finance lease obligations	\$ 9,431,216	\$ 10,127,291	\$ 9,617,491	\$ 10,177,751

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 models that utilize 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 resulting fair value is classified as a Level 2 fair value measurement.

Guarantees

In the normal course of business, the Company is liable for contract completion and product performance. The Company's guarantees primarily relate to standby letters of credit related to its insurance programs and totaled \$83 million and \$47 million as of December 31, 2020 and 2019, respectively. The Company does not believe such obligations will materially affect its financial position, results of operations, or cash flows.

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instrument*, and related amendments, introduces new guidance which makes substantive changes to the accounting for credit losses. This guidance introduces the current expected credit losses model ("CECL") 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 adopted this guidance as of January 1, 2020 using the modified retrospective approach and recognized a cumulative effect adjustment to the opening balance of accumulated deficit with no restatement of comparative periods. The impact of adoption was not material.

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 adopted the guidance as of January 1, 2020 on a prospective basis, which will result in capitalized implementation costs being classified in the same line item as the fees associated with the cloud computing service agreement in the Consolidated Balance Sheets, Statements of Operations, and Statements of Cash Flows.

ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, provides optional guidance for a limited period of time to ease the potential burden of accounting for reference rate reform. The guidance was effective for the Company beginning on March 12, 2020, and the Company will apply the amendments prospectively through December 31, 2022.

Recently Issued Accounting Pronouncements

ASU 2020-06, *Debt with Conversion and Other Options and Derivatives and Hedging - Contracts in Entity's Own Equity*, provides guidance to ease the potential burden of accounting for convertible instruments, derivatives related to an entity's own equity, and the related earnings per share considerations. This guidance is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company intends to early adopt this guidance in the first quarter of 2021, and the impact of adoption is not anticipated to be material.

2. Revenue and Receivables

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 one-time non-refundable fees received in connection with the initiation of a monitoring contract that the customer will not be required to pay again upon a renewal of the contract, which is referred to as deferred subscriber acquisition revenue. 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 associated with the transaction. Amortization of deferred subscriber acquisition revenue was \$125 million, \$107 million, and \$79 million in 2020, 2019, and 2018, 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 relative standalone selling price, which is determined using observable internal or external pricing and profitability metrics. 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. For revenue recognized over time, progress toward complete satisfaction of the performance obligation is primarily measured using a cost-to-cost measure of progress method. The cost input is based primarily on contract cost incurred to date compared to total estimated contract cost. This measure of progress method includes forecasts based on the best information available and reflects the Company's judgment to faithfully depict the value of the services transferred to the customer. 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. Revenue from product sales related to the sale and installation of security systems was \$998 million, \$709 million, and \$393 million during 2020, 2019, and 2018, respectively. Cost of revenue from product sales related to the sale and installation of security systems was \$727 million, \$574 million, and \$318 million during 2020, 2019, and 2018, respectively.

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 for the periods presented:

(in thousands)	Years Ended December 31,		
	2020	2019	2018
Monitoring and related services	\$ 4,186,987	\$ 4,307,582	\$ 4,109,939
Installation and other	1,127,800	818,075	471,734
Total revenue	\$ 5,314,787	\$ 5,125,657	\$ 4,581,673

On January 1, 2018, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, 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. Accordingly, the Company recorded a net increase to the opening balance of stockholders' equity of \$34 million, which is net of tax of \$12 million.

Equipment Ownership Model Change

During February 2020, the Company launched a new revenue model initiative for certain residential customers, which (i) revised the amount and nature of fees due at installation, (ii) introduced a 60 month monitoring contract option, and (iii) introduced a new retail installment contract which allows qualifying residential customers to repay the fees due at installation over the course of a 24, 36, or 60 month interest-free period. Due to the requirements of the Company's initial third-party consumer financing program, the Company also transitioned its security system ownership model from a predominately Company-owned model to a predominately customer-owned model (the "Equipment Ownership Model Change"). During May 2020, the Company started to transition its security system ownership model to a predominately Company-owned model as a result of an amendment to its uncommitted receivables securitization financing agreement (the "Receivables Facility"). Refer to Note 6 "Debt" for further discussion regarding the Receivables Facility.

Accounts Receivable, net

Accounts receivable represent unconditional rights to consideration due from customers in the ordinary course of business and are generally due in one year or less. Accounts receivable are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The allowance for credit losses is recognized at inception and is reassessed each reporting period.

The Company's allowance for credit losses is evaluated on a pooled basis based on customer type. For each pool of customers, the allowance for credit losses is estimated based on the delinquency status of the underlying receivables and the related historical loss experience, as adjusted for current and expected future conditions, if applicable. The allowance for credit losses was not material for the individual pools of customers for the periods presented.

The changes in the allowance for credit losses during the periods presented were as follows:

(in thousands)	Years Ended December 31,		
	2020	2019	2018
Beginning balance	\$ 44,337	\$ 39,765	\$ 34,042
Adoption of CECL	(1,377)	—	—
Provision for credit losses	81,713	56,060	54,558
Write-offs, net of recoveries ⁽¹⁾	(56,331)	(51,488)	(48,835)
Ending balance	\$ 68,342	\$ 44,337	\$ 39,765

(1) The amount of recoveries was not material for the periods presented, as such, the Company presented write-offs, net of recoveries.

Retail Installment Contract Receivables, net

During February 2020, the Company launched a new retail installment contract program, which allows qualifying residential customers to repay the fees due at installation over a 24, 36, or 60 month interest-free period. The financing component of the Company's retail installment contract receivables is not significant.

Retail installment contracts are available for residential transactions occurring under either a Company-owned model or a customer-owned model. When originating a retail installment contract, the Company utilizes external credit scores to assess credit quality of a customer and to determine eligibility for the retail installment contract. In addition, a customer is required to enroll in the Company's automated payment process in order to enter into a retail installment contract. Subsequent to

origination, the Company monitors the delinquency status of retail installment contract receivables as the key credit quality indicator. As of December 31, 2020, the current and delinquent billed retail installment contract receivables were not material.

Retail installment contract receivables are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The allowance for credit losses is recognized at inception and reassessed each reporting period. The allowance for credit losses on retail installment contract receivables was not material for the periods presented.

The following is a summary of unbilled retail installment contract receivables, net, recognized in the Consolidated Balance Sheets as of the periods presented below:

<i>(in thousands)</i>	December 31, 2020	January 1, 2020⁽¹⁾
Retail installment contract receivables, gross	\$ 145,957	\$ 9,971
Allowance for credit losses	(4,366)	(228)
Retail installment contract receivables, net	\$ 141,591	\$ 9,743
Classification:		
Accounts receivable, net	\$ 47,023	\$ 5,867
Other assets	94,568	3,876
Retail installment contract receivables, net	\$ 141,591	\$ 9,743

(1) Balances reflected are subsequent to the adoption of CECL on January 1, 2020.

As of December 31, 2020, \$109 million of the Company's retail installment contract receivables, net, were used as collateral for borrowings under the Receivables Facility.

Contract Assets, net

Contract assets represent rights to consideration in which the Company has transferred goods or services to the customer in the ordinary course of business, however, the Company does not have an unconditional right to such consideration. The contract asset is reclassified to accounts receivable as services are performed and billed, which results in the Company's unconditional right to the consideration. The Company has the right to bill the customer as service is provided over time, which generally occurs over the course of a 24, 36, or 60 month period. The financing component of contract assets is not significant.

The Company records an allowance for credit losses against its contract assets for expected credit losses that are not expected to be recovered. The allowance for credit losses is recognized at inception and is reassessed each reporting period. The allowance for credit losses on contract assets was not material for the periods presented.

The following is a summary of contract assets, net, related to residential transactions recognized in the Consolidated Balance Sheets as of the periods presented below:

<i>(in thousands)</i>	December 31, 2020	January 1, 2020⁽¹⁾
Contract assets, gross	\$ 161,563	\$ 24,411
Allowance for credit losses	(29,558)	(3,228)
Contract assets, net	\$ 132,005	\$ 21,183
Classification:		
Prepaid expenses and other current assets	\$ 59,382	\$ 9,036
Other assets	72,623	12,147
Contract assets, net	\$ 132,005	\$ 21,183

(1) Balances reflected are subsequent to the adoption of CECL on January 1, 2020.

The Company recognized approximately \$183 million of gross contract assets during 2020. Contract assets recognized during 2019 and 2018 were not material.

3. Leases

On January 1, 2019, the Company adopted ASU 2016-02, *Leases*, and related amendments, which requires 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 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. The adoption did not have a material effect on the Consolidated Statements of Operations or Cash Flows.

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 counterparties 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 periods presented below:

Leases (in thousands)	Classification	December 31, 2020	December 31, 2019
Assets			
Current			
Operating	Prepaid expenses and other current assets	\$ 684	\$ 1,191
Non-current			
Operating	Other assets	138,408	122,464
Finance	Property and equipment, net ^(a)	54,414	66,001
Total right-of-use assets		\$ 193,506	\$ 189,656
Liabilities			
Current			
Operating	Accrued expenses and other current liabilities	\$ 30,689	\$ 29,745
Finance	Current maturities of long-term debt	26,955	26,949
Non-current			
Operating	Other liabilities	115,694	99,999
Finance	Long-term debt	34,373	47,835
Total lease liabilities		\$ 207,711	\$ 204,528

(a) Finance right-of-use assets are recorded net of accumulated depreciation of approximately \$67 million and \$44 million as of December 31, 2020 and 2019, respectively.

The following is a summary of the Company's lease cost for the presented periods:

Lease Cost (in thousands)	Years Ended December 31,	
	2020	2019
Operating lease cost	\$ 56,680	\$ 58,579
Finance lease cost		
Amortization of right-of-use assets	24,509	22,957
Interest on lease liabilities	3,122	3,770
Variable lease costs	47,013	48,325
Total lease cost	\$ 131,324	\$ 133,631

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

Other information (in thousands)	Years Ended December 31,	
	2020	2019
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 56,235	\$ 57,212
Operating cash flows from finance leases	3,122	3,770
Financing cash flows from finance leases	27,956	24,918
Right-of-use assets obtained in exchange for new:		
Operating lease liabilities	47,870	51,909
Finance lease liabilities	\$ 15,326	\$ 52,611

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

Lease Term and Discount Rate	December 31, 2020		December 31, 2019	
Weighted-average remaining lease term (years)				
Operating leases		4.8		5.0
Finance leases		2.5		3.0
Weighted-average discount rate				
Operating leases	5.4	%	6.1	%
Finance leases	4.8	%	5.0	%

The following is a maturity analysis related to the Company's operating and finance leases as of December 31, 2020:

Maturity of Lease Liabilities (in thousands)	Operating Leases		Finance Leases	
2021	\$	36,440	\$	29,174
2022		38,981		23,218
2023		33,160		10,056
2024		21,541		2,229
2025		14,884		12
Thereafter		21,518		—
Total lease payments	\$	166,524	\$	64,689
Less interest		20,141		3,361
Total	\$	146,383	\$	61,328

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 useful lives to certain definite-lived intangible and tangible assets. Accordingly, the Company may engage third-party valuation specialists to assist in these determinations. The fair value estimates are based on available information as of the acquisition date 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 2020, 2019, and 2018.

Red Hawk Acquisition

In December 2018, the Company acquired all of the issued and outstanding capital stock of Fire & Security Holdings, LLC ("Red Hawk") (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. As a result of the Red Hawk Acquisition, the Company recognized approximately \$122 million of goodwill, the majority of which is deductible for tax purposes, and assigned it to the Red Hawk reporting unit at the time of acquisition. In addition, the Company recognized \$110 million of contracts and related customer relationships.

Defenders Acquisition

In January 2020, the Company acquired its largest independent dealer, Defender Holdings, Inc. ("Defenders") (the "Defenders Acquisition"), for total consideration of approximately \$290 million, which consisted of cash paid of \$173 million, net of cash acquired, and the issuance of approximately 16 million shares of the Company's common stock, par value of \$0.01 per share, ("Common Stock") with a fair value of \$114 million.

The following table summarizes the purchase price allocation of the estimated fair values as of the date of acquisition of the assets acquired and liabilities assumed:

Fair value of assets acquired and liabilities assumed (in thousands):

Cash	\$	3,437
Accounts receivable		15,269
Inventories		17,950
Prepaid expenses and other current assets		17,807
Property and equipment		16,486
Goodwill		252,239
Contracts and related customer relationships		17,400
Other assets		18,520
Accounts payable		(14,937)
Deferred revenue		(1,170)
Accrued expenses and other current liabilities		(29,223)
Deferred tax liabilities		(7,655)
Other liabilities		(15,760)
Total consideration transferred	\$	290,363

The purchase price allocation reflects fair value estimates based on management analysis, including work performed by third-party valuation specialists. The acquired contracts and related customer relationships are amortized over 14 years. The

Company recorded \$252 million of goodwill as a result of the Defenders Acquisition, none of which is deductible for tax purposes, and allocated the goodwill to the U.S. reporting unit at the time of acquisition. The goodwill recognized as a result of the Defenders Acquisition reflects the strategic value and expected synergies of Defenders to the Company.

In connection with the Defenders Acquisition, the Company recorded a loss in the amount of \$81 million during the first quarter of 2020 from the settlement of a pre-existing relationship with Defenders related to customer accounts purchased from Defenders prior to the Defenders Acquisition. The Company included the loss in merger, restructuring, integration, and other in the Consolidated Statements of Operations, and the associated cash payment is reflected as cash flows from operating activities in the Consolidated Statements of Cash Flows during 2020.

Other Acquisitions

During 2020, excluding the Defenders Acquisition, total consideration related to business acquisitions was approximately \$80 million, including \$52 million of cash, net of cash acquired. This resulted in the recognition of \$24 million of goodwill, \$13 million of contracts and related customer relationships, and \$43 million of other intangible assets related to developed technology.

During 2019, total consideration related to business acquisitions was approximately \$114 million, including \$109 million of cash, net of cash acquired. This resulted in the recognition of \$47 million of goodwill and \$39 million of contracts and related customer relationships.

During 2018, excluding the Red Hawk Acquisition, total consideration related to business acquisitions was approximately \$54 million, including \$49 million of cash, net of cash acquired. This resulted in the recognition of \$24 million of goodwill and \$20 million of contracts and related customer relationships.

Disposition of Canadian Operations

During November 2019, the Company sold ADT Security Services Canada, Inc. (“ADT Canada”) to TELUS Corporation (“TELUS”) for a selling price of \$514 million (CAD \$676 million). In connection with the sale of ADT Canada, the Company and TELUS entered into a transition services agreement whereby the Company provides 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 (i) the use of the Company’s patents in Canada to TELUS for a period of seven years, and (ii) exclusive use of the Company’s trademarks in Canada for a period of five years and non-exclusive use for an additional two years thereafter.

The sale of ADT Canada did not represent a strategic shift that will 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, which included the reclassification of foreign currency translation from AOCI of approximately \$39 million. Additionally, 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 impact in connection with the sale of ADT Canada was not material during 2020.

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

(in thousands)	Years Ended December 31,	
	2019	2018
Loss before income taxes	\$ (39,326)	\$ (91,760)

5. Goodwill and Other Intangible Assets

Goodwill

Changes in the carrying amount of goodwill during the periods presented were as follows:

(in thousands)	Years Ended December 31,	
	2020	2019
Beginning balance	\$ 4,959,658	\$ 5,081,887
Acquisitions	276,340	47,196
Goodwill impairment	—	(45,482)
Disposition	—	(161,652)
Currency translation and other	304	37,709
Ending balance	\$ 5,236,302	\$ 4,959,658

As a result of the sale of ADT Canada during 2019, the Company had no accumulated goodwill impairment losses as of December 31, 2020 and 2019. There were no material measurement period adjustments to purchase price allocations during 2020 or 2019.

Other Intangible Assets

The gross carrying amounts, accumulated amortization, and net carrying amounts of the Company's other intangible assets as of December 31, 2020 and 2019 were as follows:

(in thousands)	December 31, 2020			December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Definite-lived intangible assets:						
Contracts and related customer relationships	\$ 8,306,746	\$ (4,932,590)	\$ 3,374,156	\$ 7,889,864	\$ (3,798,319)	\$ 4,091,545
Dealer relationships	1,518,020	(379,475)	1,138,545	1,518,020	(299,459)	1,218,561
Other	247,536	(186,547)	60,989	210,775	(184,236)	26,539
Total definite-lived intangible assets	10,072,302	(5,498,612)	4,573,690	9,618,659	(4,282,014)	5,336,645
Indefinite-lived intangible assets:						
Trade name	1,333,000	—	1,333,000	1,333,000	—	1,333,000
Intangible assets	\$ 11,405,302	\$ (5,498,612)	\$ 5,906,690	\$ 10,951,659	\$ (4,282,014)	\$ 6,669,645

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 thirteen 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 \$381 million, \$670 million, and \$694 million for contracts with customers under the ADT Authorized Dealer Program and from other third parties during 2020, 2019, and 2018, respectively. In 2020, in connection with the Defenders Acquisition, the Company received an advance payment of \$39 million for the estimated future dealer charge-backs related to accounts purchased from Defenders prior to the Defenders Acquisition. This amount is included in dealer generated customer accounts and bulk account purchases in the Consolidated Statement of Cash Flows, and it has been materially realized in 2020 as a reduction to contracts and related customer relationships over the course of a 13-month charge-back period.

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.

Changes in the net carrying amount of contracts and related customer relationships for the periods presented were as follows:

(in thousands)	Years Ended December 31,	
	2020	2019
Beginning balance	\$ 4,091,545	\$ 4,752,377
Acquisition of customer relationships	29,986	38,529
Customer contract additions, net of dealer charge-backs	386,696	669,424
Amortization	(1,134,271)	(1,146,191)
Disposition	—	(208,688)
Currency translation and other	200	(13,906)
Ending balance	\$ 3,374,156	\$ 4,091,545

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 2020 and 2019.

In February 2021, the Company purchased customer accounts from a third-party for a total purchase price of \$91 million, subject to adjustment based on customer retention, and paid initial cash at closing of \$73 million.

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

(in thousands)	Years Ended December 31,		
	2020	2019	2018
Definite-lived intangible asset amortization expense	\$ 1,222,398	\$ 1,238,064	\$ 1,206,536

As of December 31, 2020, the estimated aggregate amortization expense for definite-lived intangible assets over the next five years is expected to be as follows:

(in thousands)	
2021	\$ 1,147,773
2022	764,140
2023	395,516
2024	320,066
2025	\$ 283,667

Indefinite-Lived Intangible Assets

The Company's indefinite-lived intangible assets as of December 31, 2020 and 2019 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 fair value of a reporting unit is less than its carrying amount, 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 of a reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company estimates the fair values of its reporting units 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 discount rates. The estimated fair value of a reporting unit calculated using the income approach is sensitive to changes in the underlying assumptions. In developing these assumptions, the Company 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 tests.

As a result of the macroeconomic decline due to the ongoing COVID-19 Pandemic, the Company quantitatively tested the goodwill associated with its U.S and Red Hawk reporting units for impairment as of March 31, 2020. Based on the results of these tests, the Company did not record any goodwill impairment losses associated with its reporting units.

On October 1, 2020, the Company completed its annual goodwill impairment tests by qualitatively testing the goodwill associated with the U.S. and Red Hawk reporting units. Based on the results of these tests, the Company did not record any impairment losses associated with the U.S. and Red Hawk reporting units.

Subsequent to the annual goodwill impairment tests, the Company's reporting units changed in connection with the recent integration of Red Hawk and other commercial acquisitions and now consist of U.S. and Commercial. The change in reporting units reflects the finalization and integration of financial information and internal reporting structure, as well as changes in the review and availability of discrete financial information. The Commercial reporting unit is comprised of the former Red Hawk reporting unit as well as assets and liabilities and accompanying financial results related to operations associated with commercial customers that were previously assigned to the U.S. reporting unit. The Company also reallocated a portion of goodwill from the former U.S. reporting unit to the Commercial reporting unit on a relative fair value basis using a market approach that consisted of the application of earnings before interest, taxes, depreciation, and amortization ("EBITDA") multiples from a selected peer group of publicly-traded companies to arrive at the estimated fair values.

During the fourth quarter, the Company qualitatively tested the goodwill associated with the U.S. and former Red Hawk reporting units immediately prior to the change and quantitatively tested the goodwill associated with the U.S. and Commercial reporting units immediately following the change. Based on the results of these tests, the Company did not record any goodwill impairment losses associated with its reporting units. Following the quantitative impairment tests performed as a result of the reporting unit change, the fair values of the new reporting units exceeded their respective carrying amounts, and the Company does not deem there to be a risk of impairment associated with the new reporting units.

The CODM's evaluation of performance and allocation of resources on a company-wide basis did not change as a result of the change in reporting units during the fourth quarter of 2020.

During 2019, the Company recorded a goodwill impairment loss of \$45 million related to the Canada reporting unit in connection with the sale of ADT Canada. 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.

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, 2020 and 2019, the Company quantitatively tested the ADT trade name for impairment. Based on the results of the tests, the Company did not record any impairment losses associated with the ADT trade name, and the estimated fair value of the trade name significantly exceeded its carrying amount.

6. Debt

Debt as of December 31, 2020 and 2019 was comprised of the following:

Debt Description	Issued	Maturity	Interest Rate	Interest Payable	Balance as of December 31,	
					2020	2019
First Lien Term Loan due 2026	9/23/2019	9/23/2026	Adj. LIBOR +3.25%	Quarterly	\$ 2,778,900	\$ 3,102,225
Second Lien Notes due 2028	1/28/2020	1/15/2028	6.250%	1/15 and 7/15	1,300,000	—
Prime Notes	5/2/2016	5/15/2023	9.250%	5/15 and 11/15	—	1,246,000
First Lien Notes due 2024	4/4/2019	4/15/2024	5.250%	2/15 and 8/15	750,000	750,000
First Lien Notes due 2026	4/4/2019	4/15/2026	5.750%	3/15 and 9/15	1,350,000	1,350,000
First Lien Notes due 2027	8/20/2020	8/31/2027	3.375%	6/15 and 12/15	1,000,000	—
ADT Notes due 2021	10/1/2013	10/15/2021	6.250%	4/15 and 10/15	—	1,000,000
ADT Notes due 2022	7/5/2012	7/15/2022	3.500%	1/15 and 7/15	1,000,000	1,000,000
ADT Notes due 2023	1/14/2013	6/15/2023	4.125%	6/15 and 12/15	700,000	700,000
ADT Notes due 2032	5/2/2016	7/15/2032	4.875%	1/15 and 7/15	728,016	728,016
ADT Notes due 2042	7/5/2012	7/15/2042	4.875%	1/15 and 7/15	21,896	21,896
Receivables Facility	3/5/2020	11/20/2025	LIBOR + 1.00%	Monthly	75,775	—
Finance lease obligations	N/A	N/A	N/A	N/A	61,328	74,784
Less: Unamortized debt discount, net					(19,993)	(26,840)
Less: Unamortized deferred financing costs					(64,638)	(58,075)
Less: Unamortized purchase accounting fair value adjustment and other					(188,740)	(195,731)
Total debt					9,492,544	9,692,275
Less: Current maturities of long-term debt					(44,764)	(58,049)
Long-term debt					\$ 9,447,780	\$ 9,634,226

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 subsequent amendments and restatements, the “First Lien Credit Agreement”), which includes a term loan facility (the “First Lien Term Loan due 2026”) and a first lien revolving credit facility (the “First Lien Revolving Credit Facility”).

The Company was required to make scheduled quarterly payments equal to 0.25% of the aggregate outstanding principal amount of the First Lien Term Loan due 2026, or approximately \$8 million per quarter, with the remaining balance payable at maturity. The Company may make voluntary prepayments on the First Lien Term Loan due 2026 at any time prior to maturity at par. In December 2020, the Company made a \$300 million prepayment on the First Lien Term Loan due 2026, which was applied to the remaining required quarterly principal payments.

Additionally, 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. As of December 31, 2020, the Company was not required to make an annual prepayment based on the Company’s excess cash flow.

The First Lien Term Loan due 2026 has an interest rate 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 3.25% for Adjusted LIBOR loans and 2.25% for Base Rate loans and is payable on each interest payment date, at least quarterly, in arrears. The applicable margin for borrowings under the First Lien Revolving Credit Facility is 2.75% for Adjusted LIBOR loans and 1.75% for Base Rate loans, in each case, subject to adjustment pursuant to a leverage-based pricing grid.

As of December 31, 2020 and 2019, the Company had \$400 million in available borrowing capacity under the First Lien Revolving Credit Facility. In addition, the Company is 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.

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.

Significant terms of the First Lien Credit Agreement that were in effect during the presented periods were as follows:

Amendment and Restatement dated as of June 29, 2017

In June 2017, the applicable margin utilized in the calculation of interest for the then outstanding \$3.4 billion term loan (the "First Lien Term B-1 Loan," which was replaced in September 2019 by the First Lien Term Loan due 2026 as discussed below) was 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, certain existing revolving credit facilities with an aggregate capacity of \$350 million were replaced with the First Lien Revolving Credit Facility, which had 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. 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 were 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.

Amendment and Restatement dated as of December 3, 2018

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.

Amendment and Restatement dated as of March 15, 2019 (effective April 4, 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.

Amendment and Restatement dated as of September 23, 2019

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 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.

Subsequent Event: Amendment and Restatement dated as of January 27, 2021

In January 2021, the Company amended the First Lien Credit Agreement to refinance the First Lien Term Loan due 2026, which reduced the applicable margin for Adjusted LIBOR loans from 3.25% to 2.75% and reduced the floor from 1.00% to 0.75%. Additionally, the amendment requires the Company to make quarterly payments equal to 0.25% of the aggregate outstanding principal amount of the First Lien Term Loan due 2026, or approximately \$7 million per quarter. 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.

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.

Second Lien Notes due 2028

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 (as defined below) and pay any related fees and expenses, including the call premium.

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.

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 were due at maturity, however, could be redeemed prior to maturity at the Company’s option, subject to certain call premiums.

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. In January 2020, the indenture underlying the Prime Notes was discharged, and in February 2020, the outstanding \$1.2 billion aggregate principal amount was redeemed for a total redemption price of approximately \$1.3 billion, which included the related call premium.

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.

First Lien Notes due 2027

During August 2020, the Company issued \$1 billion aggregate principal amount of 3.375% first-priority senior secured notes due 2027 (the “First Lien Notes due 2027”). The proceeds from the First Lien Notes due 2027, along with cash on hand, were used to redeem the outstanding \$1 billion aggregate principal amount of the 6.250% notes due 2021 issued by The ADT Corporation (the “ADT Notes due 2021”), pay accrued and unpaid interest on the ADT Notes due 2021, and pay any related fees and expenses, including the call premium on the ADT Notes due 2021. The deferred financing costs incurred in connection with the issuance of the First Lien Notes due 2027 were not material.

The First Lien Notes due 2027 are due at maturity and may be redeemed at the Company’s option as follows:

- Prior to August 31, 2026, in whole at any time or in part from time to time, at a make-whole premium plus accrued and unpaid interest, if any, thereon to the redemption date.
- On or after August 31, 2026, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the First Lien Notes due 2027 redeemed plus accrued and unpaid interest, if any, thereon to the redemption date.

The Company’s obligations relating to the First Lien Notes due 2027 are guaranteed, jointly and severally, on a senior secured first-priority basis, by each of the Company’s domestic subsidiaries that guarantees its First Lien Credit Agreement and by each of the Company’s future domestic subsidiaries that guarantees certain of the Company’s debt. The First Lien Notes due 2027 and the related guarantees are secured by first-priority security interests in substantially all of the tangible and intangible assets owned by the issuers and each guarantor, subject to certain permitted liens and exceptions. Additionally, upon the occurrence of specified change of control events, the Company must offer to repurchase the First Lien Notes due 2027 at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date. The indenture governing the First Lien Notes due 2027 also provides for customary events of default.

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 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.

In September 2020, the Company redeemed \$1 billion aggregate principal amount of the ADT Notes due 2021 for a total repurchase price of approximately \$1.1 billion, 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.

Receivables Facility

During March 2020, the Company entered into the Receivables Facility. Under the terms of the Receivables Facility, the Company may receive up to \$200 million of financing secured by retail installment contract receivables from transactions involving security systems that were sold under a customer-owned model. During April 2020, the Company amended the Receivables Facility to also permit financing secured by retail installment contract receivables from transactions occurring under a Company-owned model. The Receivables Facility has a one year revolving period until March 5, 2021, which may be extended, and bears interest at a variable rate. If the revolving period is not extended, the Company is required to repay the Receivables Facility in a manner consistent with the contractual collections of the underlying retail installment contract receivables. The Company may make voluntary prepayments on the Receivables Facility at any time prior to maturity at par.

The Company obtains financing by selling or contributing certain retail installment contract receivables to the Company’s wholly-owned consolidated bankruptcy-remote special purpose entity (the “SPE”), which, pursuant to the Receivables Facility, borrows funds secured by the transferred retail installment contract 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 (other than the SPE). Accordingly, the assets of the SPE are not available to pay creditors of the Company (other than the SPE), although collections from the transferred retail installment contract 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 Receivables Facility. The SPE’s creditors have legal recourse to the transferred retail installment contract receivables owned by the SPE, but do not have any recourse to the Company (other than the SPE) for the payment of principal and interest on the SPE’s financing.

The Company services the transferred retail installment contract receivables and is responsible for ensuring that amounts collected from the transferred retail installment contract receivables are remitted to the SPE. The Company is required to deposit payments received from the transferred retail installment contract receivables into a segregated account subject to the control of the creditors under the Receivables Facility. On a monthly basis, the segregated account is utilized to make required principal, interest, and other payments due under the Receivables Facility. The segregated account is considered restricted cash and is reflected in prepaid expenses and other current assets in the Company’s Consolidated Balance Sheets.

Borrowings under the Receivables Facility along with the transferred retail installment contract receivables are included in the Consolidated Balance Sheets. Borrowings and repayments under the Receivables Facility are reflected as cash flows from financing activities in the Consolidated Statements of Cash Flows.

During 2020, the Company received proceeds of \$83 million under the Receivables Facility and repaid \$7 million. As of December 31, 2020, the Company had an outstanding balance of \$76 million and an uncommitted available borrowing capacity of \$124 million under the Receivables Facility. The Receivables Facility did not have a material impact to the Consolidated Statements of Operations.

Variable Interest Entity

The SPE, as described above, meets the definition of a variable interest entity (“VIE”) for which the Company is the primary beneficiary as it has the power to direct the SPE’s activities and the obligation to absorb losses or the right to receive benefits of the SPE. As such, the assets, liabilities, and financial results of operations of the SPE are consolidated in the Company’s consolidated financial statements. As of December 31, 2020, the SPE’s assets and liabilities primarily consisted of unbilled retail installment contract receivables, net, of \$109 million and borrowings under the Receivables Facility of \$76 million.

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 2020, loss on extinguishment of debt totaled \$120 million and included (i) \$66 million associated with the call premium and write-off of unamortized deferred financing costs in connection with the \$1.2 billion redemption of the Prime Notes in February 2020, (ii) \$49 million associated with the call premium and write-off of unamortized fair value adjustments in connection with the \$1 billion redemption of the ADT Notes due 2021 in September 2020, and (iii) \$5 million associated with the partial write-off of unamortized deferred financing costs and discount in connection with the \$300 million repayment of the First Lien Term Loan due 2026 in December 2020.

During 2019, loss on extinguishment of debt totaled \$104 million and included (i) \$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, (ii) \$61 million associated with the call premium and partial write-off of unamortized deferred financing costs in connection with the \$1 billion partial redemption of the Prime Notes in April 2019, (iii) \$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 (iv) \$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.

Additional fees and costs associated with financing transactions include (i) \$5 million in 2020 primarily related to the February 2020 redemption of the Prime Notes, (ii) \$23 million in 2019 primarily related to the September 2019 amendment and restatement of the Company’s First Lien Credit Agreement, (iii) and \$9 million in 2018 related to the 2018 amendments and restatements of the Company’s First Lien Credit Agreement.

Other

As of December 31, 2020, the aggregate annual maturities of debt, including finance lease obligations, were as follows:

(in thousands)

2021	\$	46,983
2022		1,041,725
2023		727,304
2024		766,264
2025		8,188
Thereafter		7,178,812
Total maturities of debt		9,769,276
Less: Unamortized debt discount, net		(19,993)
Less: Unamortized deferred financing costs		(64,638)
Less: Unamortized purchase accounting fair value adjustment and other		(188,740)
Less: Amount representing interest on finance leases		(3,361)
Total debt		9,492,544
Less: Current maturities of long-term debt		(44,764)
Long-term debt	\$	9,447,780

Interest expense on the Company's debt and interest rate swap contracts was \$710 million, \$623 million, and \$620 million during 2020, 2019, and 2018, respectively.

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 quarterly dividend obligation on these securities was reflected in interest expense, net in the Consolidated Statements of Operations and totaled \$51 million in 2018.

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 cash flow hedges, unrealized gains and losses are recognized in interest expense, net, in the Consolidated Statements of Operations. For the interest rate swap contracts that are designated as cash flow hedges, unrealized gains and losses are recognized as a component of AOCI in the Consolidated Balance Sheets and are reclassified into interest expense, net, in the same period in which the related interest on debt affects earnings. For interest rate swap contracts that have been de-designated as cash flow hedges and for which the forecasted cash flows are probable or reasonably possible of occurring, unrealized gains and losses previously recognized as a component of AOCI are 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 related interest rate swap contracts. For interest rate swap contracts that have been de-designated as cash flow hedges and for which the forecasted cash flows are probable of not occurring, unrealized gains and losses previously recognized as a component of AOCI are immediately reclassified into interest expense, net. The cash flows associated with interest rate swap contracts that included an other-than-insignificant financing element at inception are reflected as cash flows from financing activities in the Consolidated Statements of Cash Flows.

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, and in connection with the refinancing of variable-rate debt under the First Lien Credit Agreement in September 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. As a result, the amount of the unfavorable positions recognized as a component of AOCI related to the terminated cash flow hedges are 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 as the forecasted cash flows are probable or reasonably possible of occurring. Additionally, the new interest rate swap terms represented a blend of the current interest rate environment and the unfavorable positions of the terminated interest rate swap contracts, which resulted in an other-than-insignificant financing element at inception of the new cash flow hedges due to off-market terms.

As of December 31, 2019, the Company had interest rate swap contracts with an aggregate notional amount of \$3.2 billion, of which \$3 billion were designated as cash flow hedges. As a result of recent changes in the interest rate environment, the Company's interest rate swap contracts designated as cash flow hedges with an aggregate notional amount of \$3 billion were no longer highly effective beginning in March 2020. Accordingly, the Company de-designated the cash flow hedges, and the unrealized gains and losses for the period in which these cash flow hedges were no longer highly effective were recognized in interest expense, net. Unrealized losses previously recognized as a component of AOCI prior to de-designation will be reclassified into interest expense, net, in the same period in which the related interest on variable-rate debt affects earnings through the maturity dates of the interest rate swap contracts as the forecasted cash flows are probable or reasonably possible of occurring.

The impact associated with interest rate swap contracts that have been de-designated as cash flow hedges and for which the forecasted cash flows are no longer probable of occurring was not material during 2020, 2019, and 2018.

Below is a summary of the Company's interest rate swap contracts as of December 31, 2020 (in thousands):

Execution	Maturity	Designation	Notional Amount
January 2019	April 2022	Not designated	\$ 125,000
February 2019	April 2022	Not designated	300,000
October 2019	September 2026	Not designated	2,800,000
Total notional amount			\$ 3,225,000

The unrealized impact of interest rate swap contracts recognized in interest expense, net, in the Consolidated Statements of Operations was a loss of \$60 million and \$9 million during 2020 and 2019, respectively, and a gain of \$3 million during 2018. During 2020, the Company paid \$38 million related to settlements on interest rate swap contracts that included an other-than-insignificant financing element at inception, which is reflected in cash flows from financing activities in the Consolidated Statement of Cash Flows. The interest rate swap contracts did not have a material impact to the Consolidated Statements of Cash Flows during 2019 and 2018.

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:

<i>(in thousands)</i>	December 31, 2020	December 31, 2019
Liabilities		
Accrued expenses and other current liabilities	\$ 65,462	\$ 15,334
Other liabilities	210,378	68,884
Fair value of interest rate swaps	\$ 275,840	\$ 84,218

9. Equity

During September 2020, the Company amended its articles of incorporation to authorize the issuance of 100,000,000 shares of Class B common stock, par value of \$0.01 per share, ("Class B Common Stock") as well as to increase the number of authorized shares of preferred stock, par value of \$0.01 per share, to 1,000,000. Accordingly, the Company has two classes of common stock, Common Stock and Class B Common Stock, both of which entitle stockholders to one vote for each share of common stock.

Each share of Class B Common Stock has equal status and rights to dividends with a share of Common Stock. The holders of Class B Common Stock have one vote for each share of Class B Common Stock held of record by such holder on all matters on which stockholders are entitled to vote generally; provided, however, that holders of Class B Common Stock, as such, are not entitled to vote on the election, appointment, or removal of directors of the Company. Additionally, each share of Class B Common Stock will immediately become convertible into one share of Common Stock, at the option of the holder thereof, at any time following the earlier of (i) the expiration or early termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Clearance"), required prior to such holder's conversion of all such shares of Class B Common Stock, and (ii) to the extent HSR Clearance is not required prior to such holder's conversion of such shares of Class B Common Stock, the date that such holder owns such shares of Class B Common Stock.

Issuance of Common Stock

During January 2020, the Company issued approximately 16 million shares of Common Stock with a fair value of \$114 million in connection with the Defenders Acquisition.

During 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.

Issuance of Class B Common Stock

During September 2020, the Company issued and sold 54,744,525 shares of Class B Common Stock for an aggregate purchase price of \$450 million to Google LLC (“Google”) in a private placement pursuant to a securities purchase agreement dated July 31, 2020 (the “Securities Purchase Agreement”). As of the date of closing, Google held approximately 6.6% of the issued and outstanding Common Stock of the Company on an as-converted basis. Prior to closing, the Securities Purchase Agreement provided Google with the option to purchase additional shares of Class B Common Stock, for the same price per share, up to 9.9% of the issued and outstanding Common Stock of the Company on an as-converted basis. Google did not exercise this option.

In connection with the issuance of the Class B Common Stock, the Company and Google entered into an Investor Rights Agreement (the “Investor Rights Agreement”), pursuant to which Google agreed to be bound by customary transfer restrictions and drag-along rights, and be afforded customary registration rights with respect to shares of Class B Common Stock held directly by Google. Under the terms of the Investor Rights Agreement, Google is prohibited, subject to certain exceptions, from transferring any shares of Class B Common Stock or any shares of Common Stock issuable upon conversion of the Class B Common Stock beneficially owned by Google until the earlier of (i) the three-year anniversary of issuance, (ii) the date on which the Commercial Agreement (as defined below) has been terminated under certain specified circumstances, and (iii) June 30, 2022 if the Company breaches certain of its obligations under the Commercial Agreement.

The Company estimated the fair value of the issued Class B Common Stock to be approximately \$450 million, which represents a Level 3 fair value measurement. The estimation of the fair value included the following inputs: (i) the price per share of Common Stock, (ii) the length of the holding period restriction, (iii) an expected dividend-yield of 1.5% during the holding period restriction, which was based on the projected dividend run-rate and dividing by the stock price, and (iv) an expected share price volatility of 30% during the holding period restriction period, which was implied based upon an average of historical volatility of publicly traded companies in industries similar to the Company, as the Company did not have sufficient trading history to use as a basis for actual stock price volatility, as well as consideration for the Company’s debt to equity ratio. The intrinsic value of the contingently exercisable beneficial conversion feature related to the ability to convert Class B Common Stock to Common Stock as well as the fair value of Google’s option to purchase additional shares of Class B Common Stock were not material.

Commercial Agreement

In addition to the issuance and sale of Class B Common Stock to Google, the Company and Google entered into a Master Supply, Distribution, and Marketing Agreement (the “Commercial Agreement”), pursuant to which Google has agreed to supply the Company with certain Google devices as well as certain Google video and analytics services (“Google Services”), for sale to the Company’s customers. Subject to customary termination rights related to breach and change of control, the Commercial Agreement has an initial term of seven years from the date that the Google Service is successfully integrated into the Company’s end-user security and automation platform, which is targeted for no later than June 30, 2022. Further, subject to certain carve-outs, the Company has agreed to exclusively sell Google end-user video and sensing analytics services and smart-home, security and safety devices to the Company’s customers. The exclusivity restriction does not apply to, among others, sales of Blue by ADT DIY products and services, providing services to customers on certain of the Company’s legacy platforms, sales to large commercial customers, and sales of certain devices that Google does not supply to the Company.

The Commercial Agreement specifies that each party will contribute \$150 million towards the joint marketing of devices and services, customer acquisition, training of the Company’s employees for the sales, installation, customer service, and maintenance for the product and service offerings, and technology updates for products included in such offerings. Each party is required to contribute such funds in three equal tranches, subject to the attainment of certain milestones.

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.

During 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 in accordance with its terms on February 27, 2021. 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 declared the following cash dividends on common stock during 2020, 2019, and 2018:

Declared Date	Record Date	Payment Date	Common Stock Dividend per Share	Class B Common Stock Dividend per Share
March 15, 2018	March 26, 2018	April 5, 2018	\$0.035	\$—
May 9, 2018	June 25, 2018	July 10, 2018	\$0.035	\$—
August 8, 2018	September 18, 2018	October 2, 2018	\$0.035	\$—
November 7, 2018	December 14, 2018	January 4, 2019	\$0.035	\$—
March 11, 2019	April 2, 2019	April 12, 2019	\$0.035	\$—
May 7, 2019	June 11, 2019	July 2, 2019	\$0.035	\$—
August 6, 2019	September 11, 2019	October 2, 2019	\$0.035	\$—
November 12, 2019	December 13, 2019	December 23, 2019	\$0.700	\$—
November 12, 2019	December 13, 2019	January 3, 2020	\$0.035	\$—
March 5, 2020	March 19, 2020	April 2, 2020	\$0.035	\$—
May 7, 2020	June 18, 2020	July 2, 2020	\$0.035	\$—
August 5, 2020	September 18, 2020	October 2, 2020	\$0.035	\$0.035
November 5, 2020	December 21, 2020	January 4, 2021	\$0.035	\$0.035

Apollo 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.

On February 25, 2021, the Company announced a dividend of \$0.035 per share to holders of Common Stock and Class B Common Stock of record on March 18, 2021, which will be distributed on April 1, 2021.

During 2020, the Company declared aggregate dividends of \$0.14 per share on Common Stock (\$108 million) and \$0.07 per share on Class B Common Stock (\$4 million). The amount of dividends settled in shares of Common Stock was not material.

During 2019, the Company declared aggregate dividends of \$0.84 per share on Common Stock (\$633 million), which included a special dividend of \$0.70 per share on Common Stock. The amount of dividends settled in shares of Common Stock was approximately \$68 million, which resulted in the issuance of 11 million shares of Common Stock.

During 2018, the Company declared aggregate dividends of \$0.14 per share on Common Stock (\$107 million).

Share Repurchase Program

During February 2019, the Company approved a share repurchase program (the “Share Repurchase Program”), which authorized the Company to repurchase up to \$150 million of the Company’s shares of Common Stock through February 27, 2021. During March 2020, the Company approved an increase to \$75 million, inclusive of the amount then remaining under the Share Repurchase Program, in the authorized repurchase amount and an extension of the Share Repurchase Program through March 23, 2021.

The Company may effect these repurchases pursuant to one or more trading plans to be adopted in accordance with Rule 10b5-1 (each, a “10b5-1 plan”) under the Securities Exchange Act of 1934 (the “Exchange Act”), in privately negotiated transactions, in open market transactions, or pursuant to an accelerated share repurchase program. The Company intends to conduct the Share Repurchase Program in accordance with Rule 10b-18 under the Exchange Act.

During 2020, there were no material repurchases of shares of Common Stock under the Share Repurchase Program. As of December 31, 2020, the Company had approximately \$75 million remaining under the Share Repurchase Program.

During 2019, the Company repurchased 24 million shares of Common Stock for approximately \$150 million under the Share 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 changes in AOCI during the periods presented were as follows:

<i>(in thousands)</i>	Cash Flow Hedges	Foreign Currency Translation	Defined Benefit Pension Plans	Accumulated Other Comprehensive Loss
Balance as of December 31, 2017	\$ —	\$ (6,943)	\$ 2,936	\$ (4,007)
Pre-tax current period change	(28,030)	(51,502)	(2,478)	(82,010)
Income tax benefit	6,746	6,846	646	14,238
Balance as of December 31, 2018	(21,284)	(51,599)	1,104	(71,779)
Pre-tax current period change	(52,093)	59,541	(247)	7,201
Income tax benefit (expense)	13,990	(7,942)	154	6,202
Balance as of December 31, 2019	(59,387)	—	1,011	(58,376)
Pre-tax current period change	(76,807)	—	(2,844)	(79,651)
Income tax benefit	18,693	—	719	19,412
Balance as of December 31, 2020	<u>\$ (117,501)</u>	<u>\$ —</u>	<u>\$ (1,114)</u>	<u>\$ (118,615)</u>

During 2020, the Company reclassified \$54 million and \$13 million of AOCI related to accumulated unrealized losses of interest rate swap contracts that have been de-designated as cash flow hedges to interest expense, net, and income tax benefit, respectively.

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, as a result of the sale of ADT Canada.

There were no other material reclassifications of AOCI during 2020, 2019, and 2018.

As of December 31, 2020, approximately \$61 million of AOCI related to accumulated unrealized losses of interest rate swap contracts that have been de-designated as cash flow hedges is estimated to be reclassified to interest expense, net, within the next twelve months.

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 \$96 million, \$86 million, and \$135 million during 2020, 2019, and 2018, respectively.

2016 Plan

As of December 31, 2020, the Company is authorized to issue no more than approximately 5 million shares of Common Stock by the exercise or vesting of granted awards under the 2016 Plan. The Company does not expect to issue additional awards under the 2016 Plan. Unrecognized share-based compensation expense as of December 31, 2020 and share-based compensation expense during 2020, 2019, and 2018 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.

There were no issuances of Class B Units during 2018. Prior to redemption of the Class B Units 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 their 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 2020:

	Performance Tranche	
	Number of Distributed Shares	Weighted-Average Grant Fair Value
Unvested as of December 31, 2019	9,988,582	\$ 13.11
Granted	—	—
Vested	—	—
Forfeited	(404,828)	13.21
Unvested as of December 31, 2020	9,583,754	\$ 13.10

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 \$32 million, \$47 million, and \$46 million during 2020, 2019, and 2018, respectively.

As of December 31, 2020, unrecognized compensation cost related to the Distributed Shares Performance Tranche was not material.

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 of Common Stock by the exercise or vesting of granted awards, which are generally stock options and restricted stock units (“RSUs”). During 2019, the Company amended the 2018 Plan to increase the number of authorized shares of Common Stock to be issued under the 2018 Plan to approximately 88 million shares. Awards issued under the 2018 Plan include retirement provisions that 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 of Common Stock. The exercise price of all options granted under the 2018 Plan prior to the payment of the special dividend 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 shares of Common Stock.

Top-up Options

In connection with the Class B Unit Redemption, the Company granted 12.7 million options to holders of Class B Units (the “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 trading 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 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 2020:

	Service Tranche		Performance Tranche		Aggregate Intrinsic Value ^(a)	Weighted-Average Remaining Contractual Term (Years)
	Number of Top-up Options	Weighted-Average Exercise Price	Number of Top-up Options	Weighted-Average Exercise Price		
Outstanding as of December 31, 2019	5,974,369	\$ 13.30	6,165,146	\$ 13.30		
Granted	—	—	—	—		
Exercised	—	—	—	—		
Forfeited	—	—	(241,173)	13.30		
Outstanding as of December 31, 2020	5,974,369	\$ 13.30	5,923,973	\$ 13.30	—	7.0
Exercisable as of December 31, 2020	5,974,369	\$ 13.30	—	\$ —	—	7.0

(a) The intrinsic value represents the amount by which the fair value of the Company's Common Stock exceeds the option exercise price as of December 31, 2020.

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 \$7 million, \$11 million, and \$11 million during 2020, 2019, and 2018, respectively.

As of December 31, 2020, unrecognized compensation cost related to the Top-up Options Performance Tranche was not material.

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:

	Years Ended December 31,		
	2020	2019	2018
Risk-free interest rate	0.51% - 1.40%	1.58% - 2.51%	2.52% - 2.85%
Expected exercise term (years)	6	6.0 - 6.5	6.5
Expected dividend yield	2.2% - 2.7%	2.0% - 2.7%	1.0% - 2.1%
Expected volatility	45% - 46%	41% - 42%	30% - 39%

The risk-free interest rate was based on U.S. Treasury bonds with a zero-coupon rate. The Company did not have sufficient historical exercise data, and, as such, the Company estimated the expected exercise term based on factors such as vesting period, contractual period, and other share-based compensation awards with similar terms and conditions. The dividend yield was calculated by taking the annual dividend run-rate and dividing by the stock price at date of grant. The stock price volatility was implied based upon an average of historical volatility of publicly traded companies in industries similar to the Company, as the Company did not have sufficient trading history to use as a basis for actual stock price volatility, as well as consideration for the Company's debt to equity ratio.

The weighted-average grant date fair values of options granted during 2020, 2019, and 2018 were \$1.77, \$2.20, and \$3.92, respectively.

The following table summarizes activity related to options granted under the 2018 Plan during 2020:

	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value ^(a)	Weighted-Average Remaining Contractual Term (Years)
Outstanding as of December 31, 2019	16,511,587	\$ 7.28		
Granted	8,576,746	5.31		
Exercised	(349,287)	5.55		
Forfeited	(547,926)	7.83		
Outstanding as of December 31, 2020	24,191,120	\$ 6.60	\$ 45,935	8.4
Exercisable as of December 31, 2020	2,771,380	\$ 5.82	\$ 5,742	8.1

(a) The intrinsic value represents the amount by which the fair value of the Company's Common Stock exceeds the option exercise price as of December 31, 2020. Amounts are presented in thousands.

Share-based compensation expense associated with options granted under the 2018 Plan was \$16 million, \$12 million, and \$7 million during 2020, 2019, and 2018, respectively. The cash flow and the intrinsic value of options exercised were not material during 2020, 2019, and 2018.

As of December 31, 2020, unrecognized compensation cost related to options granted under the 2018 Plan was \$23 million, which will be recognized over a period of 2.0 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 2020:

	Number of RSUs	Weighted-Average Grant Date Fair Value
Unvested as of December 31, 2019	7,259,086	\$ 7.51
Granted	12,321,542	5.97
Vested	(1,759,331)	6.55
Forfeited	(1,058,023)	6.18
Unvested as of December 31, 2020	16,763,274	\$ 6.56

Share-based compensation expense associated with RSUs granted under the 2018 Plan was \$39 million, \$14 million, and \$6 million during 2020, 2019, and 2018, respectively. The fair value of RSUs that vested and converted to shares of Common Stock was not material during 2020, 2019, and 2018.

As of December 31, 2020, unrecognized compensation cost related to RSUs granted under the 2018 Plan was \$57 million, which will be recognized over a period of 2.1 years.

11. Net Loss per Share

The Company applies the two-class method for computing and presenting net loss per share for each class of common stock. The two-class method allocates current period net loss to each class of common stock and participating securities based on (i) dividends declared and (ii) participation rights in the remaining undistributed losses.

Basic net loss per share is computed by dividing the net loss allocated to each class of common stock using the two-class method by the related weighted-average number of shares outstanding during the period.

Diluted net loss per share gives effect to all securities representing potential common shares that were dilutive and outstanding during the period for each class of common stock. Potential shares of Common Stock include (i) incremental shares of Common Stock calculated using the treasury stock method for share-based compensation awards, (ii) incremental shares of Common Stock issuable upon the conversion of Class B Common Stock, and (iii) incremental shares of Common Stock calculated using the treasury stock method for warrants to purchase additional shares of Common Stock that were issued in connection with a business combination. Potential shares of Class B Common Stock include (i) incremental shares of Class B Common Stock calculated using the treasury stock method for the period in which the Securities Purchase Agreement was outstanding prior to closing and (ii) incremental shares of Class B Common Stock calculated using the treasury stock method for Google's option to purchase additional shares of Class B Common Stock prior to closing.

For purposes of the diluted net loss per share of Common Stock computation, all potential shares of Common Stock that would be dilutive were excluded because their effect would be anti-dilutive. As a result, basic net loss per share of Common Stock is equal to diluted net loss per share of Common Stock for the periods presented. Accordingly, the potential shares of Common Stock that were excluded from the computation of diluted loss per share of Common Stock were (i) share-based compensation awards of approximately 66 million, 50 million, and 33 million during 2020, 2019, and 2018, respectively, (ii) shares of Class B Common Stock of 55 million during 2020, and (iii) warrants to purchase additional shares of Common Stock of 2 million during 2020.

The computations of basic and diluted net loss per share for each class of common stock for the periods presented are as follows:

	Years Ended December 31,					
	2020		2019		2018	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
<i>(in thousands, except per share amounts)</i>						
Allocation of net loss - basic	\$ (620,856)	\$ (11,337)	\$ (424,150)	\$ —	\$ (609,155)	\$ —
Effect of dilutive potential shares of Class B common stock on allocated net loss	—	(1,952)	—	—	—	—
Allocation of net loss - diluted	<u>\$ (620,856)</u>	<u>\$ (13,289)</u>	<u>\$ (424,150)</u>	<u>\$ —</u>	<u>\$ (609,155)</u>	<u>\$ —</u>
Weighted-average shares outstanding - basic	760,483	15,855	747,238	—	747,710	—
Dilutive potential shares of Class B common stock	—	2,089	—	—	—	—
Diluted weighted-average shares outstanding	<u>760,483</u>	<u>17,944</u>	<u>747,238</u>	<u>—</u>	<u>747,710</u>	<u>—</u>
Net loss per share - basic	\$ (0.82)	\$ (0.72)	\$ (0.57)	\$ —	\$ (0.81)	\$ —
Net loss per share - diluted	\$ (0.82)	\$ (0.74)	\$ (0.57)	\$ —	\$ (0.81)	\$ —

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.

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

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
United States	\$ (782,256)	\$ (422,674)	\$ (510,251)
Foreign	3,337	(99,518)	(122,367)
Loss before income taxes	\$ (778,919)	\$ (522,192)	\$ (632,618)

Significant components of income tax benefit for the periods presented were as follows:

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ 370	\$ (2,503)	\$ (837)
State	(27,059)	(14,501)	(6,511)
Foreign	—	(2,843)	3,473
Current income tax expense	(26,689)	(19,847)	(3,875)
Deferred:			
Federal	133,646	89,495	23,872
State	39,842	24,924	(4,401)
Foreign	(73)	3,470	7,867
Deferred income tax benefit	173,415	117,889	27,338
Income tax benefit	\$ 146,726	\$ 98,042	\$ 23,463

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

	Years Ended December 31,		
	2020	2019	2018
Statutory federal tax rate	21.0 %	21.0 %	21.0 %
Statutory state tax rate, net of federal benefits	2.9 %	1.4 %	1.4 %
Non-deductible and non-taxable charges	(3.1)%	0.5 %	(10.3)%
Valuation allowance	(1.5)%	(9.4)%	1.0 %
Non-deductible share-based compensation	(0.1)%	(0.3)%	(5.8)%
Prior year tax return adjustments	(0.3)%	(0.6)%	3.8 %
Legislative changes	— %	(1.2)%	(3.2)%
Non-deductible goodwill impairment	— %	(2.3)%	(3.7)%
Amended returns	0.1 %	1.9 %	— %
Net capital losses from sale of business	0.4 %	6.8 %	— %
Other	(0.6)%	1.0 %	(0.5)%
Effective tax rate	18.8 %	18.8 %	3.7 %

The components of the Company's net deferred tax liabilities as of December 31, 2020 and 2019 were as follows:

<i>(in thousands)</i>	December 31, 2020	December 31, 2019
Deferred tax assets:		
Accrued liabilities and reserves	\$ 114,950	\$ 109,000
Tax loss and credit carryforwards	652,690	669,777
Disallowed interest carryforward	57,043	136,029
Postretirement benefits	10,221	10,096
Deferred revenue	104,791	107,617
Other	113,586	78,913
Total deferred tax assets	<u>1,053,281</u>	<u>1,111,432</u>
Valuation allowance	(68,013)	(56,841)
Deferred tax assets, net of valuation allowance	<u>\$ 985,268</u>	<u>\$ 1,054,591</u>
Deferred tax liabilities:		
Subscriber system assets	\$ (684,110)	\$ (709,908)
Intangible assets	(1,271,722)	(1,427,221)
Other	(18,610)	(81,934)
Total deferred tax liabilities	<u>(1,974,442)</u>	<u>(2,219,063)</u>
Net deferred tax liabilities	<u>\$ (989,174)</u>	<u>\$ (1,164,472)</u>

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 its deferred tax assets, net of valuation allowance.

The changes in the valuation allowance for deferred tax assets for the periods presented were as follows:

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
Beginning balance	\$ (56,841)	\$ (9,558)	\$ (16,730)
Income tax (expense) benefit	(11,999)	(49,291)	5,696
Write-offs and other	827	2,008	1,476
Ending balance	<u>\$ (68,013)</u>	<u>\$ (56,841)</u>	<u>\$ (9,558)</u>

As of December 31, 2020, the Company had approximately \$2.4 billion of U.S. federal net operating loss ("NOL") carryforwards with expiration periods between 2021 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.

As of December 31, 2020, the Company's valuation allowance for deferred tax assets was primarily related to capital loss carryforwards in both the U.S. and Canada primarily generated in connection with the sale of ADT Canada during 2019. The remainder of the Company's valuation allowance related to other tax attributes not expected to be realized prior to expiration or due to limitations.

The Tax Cuts and Jobs Act of 2017 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, 2020, 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 were not material to the Company's consolidated financial statements for the periods presented.

As of December 31, 2020 and 2019, the Company had unrecognized tax benefits, exclusive of interest and penalties, of \$66 million and \$65 million, respectively. The following is a rollforward of unrecognized tax benefits for the periods presented:

(in thousands)	Years Ended December 31,		
	2020	2019	2018
Beginning balance	\$ 65,117	\$ 80,201	\$ 71,330
Gross increase related to prior year tax positions	1,348	5,666	17,738
Gross decrease related to prior year tax positions	(732)	(5,237)	(1,977)
Increases related to current year tax positions	—	1,000	228
Increases related to acquisitions	400	1,145	—
Decreases related to dispositions	—	(14,043)	—
Decrease related to settlements with taxing authorities	—	(3,717)	(3,662)
Decreases related to lapse of statute of limitation	(143)	(460)	(2,178)
Other changes not impacting the statement of operations	—	562	(1,278)
Ending balance	<u>\$ 65,990</u>	<u>\$ 65,117</u>	<u>\$ 80,201</u>

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 unrecognized tax benefits to be resolved in the next twelve months.

The Company files a consolidated return for its U.S. entities and separate returns for each Canadian entity. 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:

Jurisdiction	Years Open to Audit
Federal	2017 - 2019
State	2010 - 2019
Canada	2016 - 2019

COVID-19 Pandemic

In response to the COVID-19 Pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law during March 2020 and included significant corporate income tax and payroll tax provisions intended to provide economic relief to address the impact of the COVID-19 Pandemic. The Company is continuing to assess these corporate tax provisions and has recognized favorable cash flow impacts related to the accelerated refund of previously generated alternative minimum tax credits, as well as from the deferral of remittance of certain 2020 payroll taxes, with 50% of the deferred amount due by the end of 2021, and the remainder due by the end of 2022. The Company also recognized a benefit from an increase in the interest expense limitation from 30% to 50% for tax years 2019 and 2020.

In addition, states have begun proposing and enacting legislation to address the unfavorable financial impacts of the COVID-19 Pandemic, which includes tax rate changes, decoupling from favorable federal legislation under the CARES Act (such as an

increased interest expense limitation from 30% to 50%), and limiting the use of NOLs. As of December 31, 2020, there has been no material impact to the Company from these state legislative changes. However, the Company expects the trend to continue and these changes could have material impacts to the Company's results of operations and cash flows. The Company will continue to assess the impacts as states finalize and enact these legislative changes.

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 \$40 million, \$34 million, and \$28 million during 2020, 2019, and 2018, 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, 2020 and 2019, the fair values of pension plan assets were \$87 million and \$72 million, respectively, and the fair values of projected benefit obligations were \$99 million and \$91 million, respectively. As a result, the plans were underfunded by approximately \$12 million and \$18 million as of December 31, 2020 and 2019, 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 2020, 2019, and 2018.

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 \$28 million and \$21 million as of December 31, 2020 and 2019, respectively, and were recorded in other liabilities in the Consolidated Balance Sheets. Deferred compensation expense was not material during 2020, 2019, and 2018.

14. Commitments and Contingencies

Contractual 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, 2020 (in thousands):

2021	\$	177,024
2022		58,714
2023		48,245
2024		17,201
2025		12,324
Thereafter		19,578
Total	\$	333,086

In addition to the contractual obligations shown above, the Commercial Agreement with Google requires the Company and Google to each contribute \$150 million towards certain joint commercial efforts. Each party is required to contribute such funds in three equal tranches, subject to the attainment of certain milestones. Refer to Note 9 "Equity" for further details.

During the first quarter of 2021, the Company entered into commitments of approximately \$54 million to purchase certain parts used in the program to replace 3G and CDMA cellular equipment used in the Company's security systems.

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 \$89 million and \$105 million as of December 31, 2020 and 2019, 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.

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 shareholder 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 in October 2019. The parties agreed to a Stipulation of Settlement in September 2020. In January 2021, the State Court entered an order granting final approval of the settlement.

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 the plaintiffs' first amended complaint

and filed a cross-complaint against the plaintiffs' 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 was documented and received preliminary approval from the court in July 2020. The court granted final approval of the settlement in January 2021.

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 case settled in January 2020, and the settlement received preliminary approval from the court in February 2021.

Wage and Hour Class Action

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. The plaintiffs seek to represent a nationwide class for unpaid wages. The parties are actively engaged in discovery.

Unauthorized Access by a Former Technician

In April 2020, after investigating a customer inquiry, the Company self-disclosed that a former technician based in Dallas, Texas had, during service visits, added his personal email address to approximately 200 of the Company's customers' accounts, which provided this employee with varying levels of unauthorized personal access to such customers' in-home security systems. In response, the Company initiated an affirmative outreach effort to notify all customers affected by this activity and to address their concerns. Since the disclosure, three lawsuits have been filed against the Company, and the Company intervened in a fourth lawsuit filed against the former technician.

In May 2020, the Company was served with a class action complaint in a case captioned *Shana Doty v. ADT LLC* and filed in the U.S. District Court for the Southern District of Florida. By an amended complaint, the plaintiff asserts causes of action on behalf of herself and other Company customers similarly situated, and seeks to recover damages for breach of contract, negligence, intrusion upon seclusion, violation of the Computer Fraud and Abuse Act, negligent hiring, supervision and retention, and intentional infliction of emotional distress. The Company moved to dismiss the plaintiff's amended complaint. In December 2020, the federal district court dismissed the causes of action for Intrusion Upon Seclusion and violation of the Computer Fraud and Abuse Act, and further ruled that plaintiff may not seek to hold the Company vicariously liable for any intentional torts committed by the former technician. The Company's motion was denied on plaintiff's other claims.

In June 2020, the Company was served with a class action complaint in a case captioned *Alexia Preddy v. ADT LLC* and filed in the U.S. District Court for the Southern District of Florida. By an amended complaint, the plaintiff asserts causes of action on behalf of herself and others similarly situated as individuals residing in homes of Company customers, and seeks to recover damages for negligence, intrusion upon seclusion, violation of the Computer Fraud and Abuse Act, negligent hiring, supervision and retention, and intentional infliction of emotional distress. The Company moved to dismiss the plaintiff's amended complaint and to compel arbitration. In December 2020, the federal district court granted the Company's motion to compel arbitration. The case is stayed and administratively closed pending arbitration. The Company's motion to dismiss was denied as moot.

The Company was also served with a complaint filed in Texas state court by an individual Company customer, intervened in a putative Texas state court class action filed against the former technician and may be subject to future legal claims.

15. Geographic Data

Revenue by geographic area for the periods presented was follows:

(in thousands)	Years Ended December 31,		
	2020	2019	2018
United States	\$ 5,314,787	\$ 4,936,121	\$ 4,352,570
Canada	—	189,536	229,103
Total revenue	\$ 5,314,787	\$ 5,125,657	\$ 4,581,673

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, 2020 and 2019.

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

There were no significant related party transactions with Apollo during 2020 and 2018. During 2019, the Company incurred fees to Apollo of approximately \$5 million related to the Company's financing transactions.

Rackspace

During October 2020, the Company entered into a master services agreement with Rackspace US, Inc., a related party controlled by Apollo, for the provision of cloud storage, equipment, and services to facilitate the implementation of the Company's cloud migration strategy for certain applications. The master services agreement includes a minimum purchase commitment of \$50 million over a seven-year term. Purchases under this agreement were not material during 2020.

17. Quarterly Financial Data (Unaudited)

Selected unaudited quarterly financial data for the periods presented below was as follows:

(in thousands, except per share data)	For the Three Months Ended			
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Total revenue	\$ 1,369,752	\$ 1,331,387	\$ 1,298,924	\$ 1,314,724
Operating (loss) income	\$ (89,356)	\$ 50,422	\$ 62,886	\$ 16,688
Net loss	\$ (300,293)	\$ (106,741)	\$ (113,098)	\$ (112,061)
Net (loss) income per share - basic:				
Common stock	\$ (0.40)	\$ (0.14)	\$ (0.15)	\$ (0.14)
Class B common stock	\$ —	\$ —	\$ 0.05	\$ (0.14)
Net loss per share - diluted:				
Common stock	\$ (0.40)	\$ (0.14)	\$ (0.15)	\$ (0.14)
Class B common stock	\$ —	\$ —	\$ (0.07)	\$ (0.14)

	For the Three Months Ended			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
<i>(in thousands, except per share data)</i>				
Total revenue	\$ 1,243,060	\$ 1,283,744	\$ 1,300,570	\$ 1,298,283
Operating income (loss)	\$ 90,436	\$ 93,137	\$ (51,234)	\$ 64,105
Net loss	\$ (66,470)	\$ (104,057)	\$ (181,630)	\$ (71,993)
Net loss per share - basic:				
Common stock	\$ (0.09)	\$ (0.14)	\$ (0.25)	\$ (0.10)
Net loss per share - diluted:				
Common stock	\$ (0.09)	\$ (0.14)	\$ (0.25)	\$ (0.10)

Revenue—Total revenue for all quarters of 2020 includes incremental revenue associated with the Defenders Acquisition. In addition, total revenue for 2019 includes the revenue of ADT Canada up until its sale in November 2019. Both events impact quarter over quarter and year over year comparability.

Merger, restructuring, integration, and other—Operating loss and net loss for the first quarter of 2020 were impacted by the settlement of a pre-existing relationship in connection with the Defenders Acquisition of \$81 million, which impacts quarter over quarter and year over year comparability.

Goodwill impairment—Operating loss and net loss for the third quarter of 2019 were impacted by the recognition of a goodwill impairment loss of \$45 million, 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, third, and fourth quarters of 2020 and the first three quarters of 2019 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)**

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 139,092	\$ 354
Total current assets	139,092	354
Investment in subsidiaries and other assets	3,472,397	3,722,500
Total assets	<u>\$ 3,611,489</u>	<u>\$ 3,722,854</u>
Liabilities and stockholders' equity		
Current liabilities:		
Dividends payable and other current liabilities	\$ 34,084	\$ 26,218
Total current liabilities	34,084	26,218
Long-term debt	518,335	509,718
Other liabilities	19,734	2,549
Total liabilities	<u>572,153</u>	<u>538,485</u>
Total stockholders' equity	<u>3,039,336</u>	<u>3,184,369</u>
Total liabilities and stockholders' equity	<u>\$ 3,611,489</u>	<u>\$ 3,722,854</u>

The accompanying notes are an integral part of these condensed financial statements

ADT INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except per share data)

	Years Ended December 31,		
	2020	2019	2018
Selling, general and administrative expenses	\$ 807	\$ 477	\$ 515
Merger, restructuring, integration, and other	4,532	130	—
Operating loss	5,339	607	515
Loss on extinguishment of debt	—	—	(213,239)
Interest expense, net	(8,342)	(211)	(47,585)
Equity in net loss of subsidiaries	(618,512)	(423,332)	(347,816)
Net loss	(632,193)	(424,150)	(609,155)
Other comprehensive (loss) income, net of tax	(60,239)	13,403	(67,772)
Comprehensive loss	\$ (692,432)	\$ (410,747)	\$ (676,927)
Net loss per share - basic:			
Common stock	\$ (0.82)	\$ (0.57)	\$ (0.81)
Class B common stock	\$ (0.72)	\$ —	\$ —
Weighted-average shares outstanding - basic:			
Common stock	760,483	747,238	747,710
Class B common stock	15,855	—	—
Net loss per share - diluted:			
Common stock	\$ (0.82)	\$ (0.57)	\$ (0.81)
Class B common stock	\$ (0.74)	\$ —	\$ —
Weighted-average shares outstanding - diluted:			
Common stock	760,483	747,238	747,710
Class B common stock	17,944	—	—

The accompanying notes are an integral part of these condensed financial statements

ADT INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net loss	\$ (632,193)	\$ (424,150)	\$ (609,155)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Equity in net loss of subsidiaries	618,512	423,332	347,816
Loss on extinguishment of debt	—	—	213,239
Other, net	30,687	39,910	(72,932)
Net cash provided by (used in) operating activities	17,006	39,092	(121,032)
Cash flows from investing activities:			
Contributions to subsidiaries	(275,000)	—	(648,945)
Distributions from subsidiaries	260,852	167,203	296,355
Acquisition of businesses	(201,453)	—	—
Other investing, net	750	(750)	—
Net cash (used in) provided by investing activities	(214,851)	166,453	(352,590)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net of related expenses	447,811	—	1,406,019
Proceeds from long-term borrowings	—	509,460	—
Repayment of mandatorily redeemable preferred securities, including redemption premium	—	—	(852,769)
Dividends on common stock	(109,328)	(564,767)	(79,439)
Repurchases of common stock	(4)	(149,868)	—
Other financing, net	(1,896)	(24)	(181)
Net cash provided by (used in) financing activities	336,583	(205,199)	473,630
Net increase in cash and cash equivalents	138,738	346	8
Cash and cash equivalents at beginning of period	354	8	—
Cash and cash equivalents at end of period	<u>\$ 139,092</u>	<u>\$ 354</u>	<u>\$ 8</u>
Supplementary cash flow information:			
Issuance of shares in lieu of cash dividends	\$ 15	\$ 67,767	\$ —
Issuance of shares for acquisition of business	\$ 113,841	\$ —	\$ —

The accompanying notes are an integral part of these condensed financial statements

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(e)(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.

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.

2. Transactions with Subsidiaries

The majority of ADT Inc.'s transactions with its subsidiaries are related to (i) the receipt of distributions from subsidiaries in order to fund equity transactions, such as the payment of dividends and the repurchase of Common Stock, (ii) the contribution of proceeds received from equity transactions to subsidiaries for operating and financing purposes, or (iii) the integration of business acquisitions into the Company's organizational structure.

During 2020, ADT Inc. acquired Defenders and Cell Bounce. In addition, ADT Inc. received a non-cash distribution of \$43 million related to intangible assets from a subsidiary and made non-cash contributions to subsidiaries of approximately \$434 million related to the transfer of net assets of certain subsidiaries and share-based compensation.

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 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 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.

**DESCRIPTION OF CAPITAL STOCK OF ADT INC.
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2020, 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 (the “Act”): common stock, par value \$0.01 per share. We also have class B common stock, par value \$0.01 per share, which is not registered under Section 12 of the Act. The following description of ADT’s capital stock summarizes certain provisions of our amended and restated certificate of incorporation (the “Certificate of Incorporation”) and our amended and restated bylaws (the “Bylaws”). The description is intended as a summary, and is qualified in its entirety by reference to our Certificate of Incorporation and our 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 affiliates of Apollo Global Management Inc., their subsidiaries and their 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 Certificate of Incorporation, our capital stock consists of 4,100,000,000 authorized shares, of which 3,999,000,000 shares are designated as “common stock”, 100,000,000 shares are designated as “Class B common stock” and 1,000,000 shares, par value \$0.01 per share, are designated as “preferred stock”. As of December 31, 2020, we had 770,433,609 shares of common stock issued and outstanding. Shares of common stock and Class B common stock shall have the same rights and privileges and rank equally, share ratably, and be identical in all respects as to all matters.

Common Stock

Voting Rights. Except as otherwise required by applicable law or our 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. The common stock and the Class B common stock have the same rights and privileges and rank equally, share ratably, and are identical in all respects with respect to dividend rights; provided, however, that in the event that a dividend is paid in the form of shares of common stock, Class B common stock or rights to acquire common stock and Class B common stock, the holders of common stock shall receive common stock or rights to acquire common stock, as the case may be, and the holders of Class B common stock shall receive an equal number of shares on a per share basis, of Class B common stock or rights to acquire Class B common stock, as the case may be.

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. The common stock and the Class B common stock have the same rights and privileges and rank equally, share ratably, and are identical in all respects with respect to liquidation rights.

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.

Class B Common Stock

Voting Rights. Except as otherwise required by applicable law or the Certificate of Incorporation, the holders of our Class B common stock are entitled to one vote per share on all matters submitted to a vote of our stockholders generally, except holders of Class B common stock shall not be entitled to vote on the election, appointment or removal of directors of the Company.

Dividend Rights. Subject to applicable law and the rights of holders of any outstanding series of preferred stock, all shares of our Class B common stock are entitled to share equally in any dividends the board of directors may declare from legally available sources. The common stock and the Class B common stock have the same rights and privileges and rank equally, share ratably, and are identical in all respects with respect to dividend rights; provided, however, that in the event that a dividend is paid in the form of shares of common stock, Class B common stock or rights to acquire common stock and Class B common stock, the holders of common stock shall receive common stock or rights to acquire common stock, as the case may be, and the holders of Class B common stock shall receive an equal number of shares on a per share basis, of Class B common stock or rights to acquire Class B common stock, as the case may be.

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 Class B common stock are entitled to share equally in the assets available for distribution to stockholders. The common stock and the Class B common stock have the same rights and privileges and rank equally, share ratably, and are identical in all respects with respect to liquidation rights.

Conversion Right. Holders of our Class B common stock are entitled to convert their shares of Class B common stock into common stock following the earlier of (x) the expiration or early termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (“HSR Clearance”), prior to such holder’s conversion of all such shares of Class B common stock, and (y) to the extent HSR Clearance is not required prior to such holder’s conversion of such shares of Class B common stock, the date that such holder owns such shares of Class B common stock.

Other Matters. Holders of our Class B common stock have no preemptive rights, and our Class B common stock is not subject to further calls or assessments by us.

Preferred Stock

Pursuant to our 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.

Warrants

Warrants were issued pursuant to a warrant agreement in connection with the acquisition of Cell Bounce and will vest in three equal tranches each consisting of 666,667 warrants, subject to certain performance criteria as described in the warrant agreement. Assuming that all warrants will vest in full, the warrants will be exercisable for 2,000,000 shares of common stock. The exercise price per whole share of common stock purchasable upon exercise of the warrants is \$7.77 per share of common stock. We do not intend to list the warrants on any securities exchange or nationally recognized trading system.

Composition of Board of Directors; Election and Removal of Directors

In accordance with our Certificate of Incorporation and our 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, and (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 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 Certificate of Incorporation and 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 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 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 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 Certificate of Incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our 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 Certificate of Incorporation does not provide stockholders the right to cumulate votes in the election of directors.

Special Meetings of Stockholders

Our 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 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 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 Certificate of Incorporation and 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 also may 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 Certificate of Incorporation provides that we are not governed by Section 203 of the DGCL. In the absence of the provision of our 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 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 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 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 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 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 Certificate of Incorporation or our 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 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 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, or the federal district courts of the United States of America, as applicable, 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 own at least 50.1% in voting power of our outstanding common stock, amendments to specified provisions of our 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 own at least 50.1% of our outstanding common stock, amendments by the stockholders to our 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 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 Certificate of Incorporation provides that, from and after the time Apollo ceases to beneficially own at least 50.1% in voting power of our outstanding common stock, in addition to any vote required under our 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 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 Certificate of Incorporation or our Bylaws; or
- any action asserting a claim against us or any of our directors or officers governed by the internal affairs doctrine.

In addition, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.

This exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. 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. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions. 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." We do not intend to list our Class B common stock on any national securities exchange.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock and Class B common stock is American Stock Transfer & Trust Company, LLC.

THIRD AGREEMENT OF AMENDMENT

Dated as of January 29, 2020

Reference is made to that certain Receivables Purchase Agreement dated as of March 5, 2020, as amended by the Agreement of Amendment dated as of April 17, 2020, as further amended by the Second Agreement of Amendment dated September 17, 2020 (as amended, supplemented, waived or modified from time to time prior to the date hereof, the "Agreement") among ADT LLC, individually (in such capacity, "ADT") and as servicer (in such capacity, the "Servicer"), ADT Finance LLC, as seller (the "Seller"), the various purchasers (the "Purchasers") and purchaser agents (the "Purchaser Agents") from time to time party thereto, and Mizuho Bank, Ltd., as administrative agent, arranger, collateral agent (in such capacity, the "Collateral Agent") and structuring agent. Capitalized terms used herein but not defined shall have the meaning assigned to such terms in the Agreement.

The parties to the Agreement hereby agree that, effective as of the Amendment Effective Date (as defined below), the Agreement is hereby amended as reflected in the document comparison attached hereto as Annex A, with deleted text being struck through and added text being double underlined.

The parties to the Agreement hereby agree that, other than for the period from the Closing Date until the Amendment Effective Date, each Payment Direction shall no longer constitute Transaction Documents.

As used herein, the term "Amendment Effective Date" shall mean the first date upon which the Collateral Agent shall have executed and delivered one or more counterparts of this third agreement of amendment (the "Third Agreement of Amendment") and shall have received one or more counterparts of this Third Agreement of Amendment executed by the other parties hereto.

Each of the Servicer and the Seller represents and warrants to each of the Collateral Agent, the Purchasers and the Purchaser Agents that (i) immediately after the Amendment Effective Date, its representations and warranties set forth in the Agreement are true and correct in all material respects, (ii) no Event of Termination or Unmatured Event of Termination has occurred and is continuing or will result from the amendment contemplated by this Third Agreement of Amendment, and (iii) this Third Agreement of Amendment has been duly and validly executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable insolvency, bankruptcy, or other laws affecting creditor's rights generally, or general principles of equity, whether such enforceability is considered in a proceeding in equity or at law.

This Third Agreement of Amendment may be executed in any number of counterparts and by 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. By its

signature hereto, each Purchaser and Purchaser Agent hereby authorizes and directs the Collateral Agent to execute and deliver this Third Agreement of Amendment.

The terms of Section 13.7 of the Agreement shall apply to this Third Agreement of Amendment *mutatis mutandis* as if fully set forth herein.

The words “execution,” “signed,” “signature,” and words of like import in this Third Agreement of Amendment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

THIS THIRD AGREEMENT OF AMENDMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF).

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Third Agreement of Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

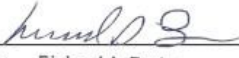
ADT FINANCE LLC,
as Seller

By: Deepika Rao
Name: Deepika Yelamanchi
Title: VP & Treasurer

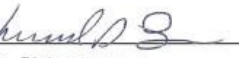
ADT LLC,
as Servicer

By: Deepika Rao
Name: Deepika Yelamanchi
Title: VP & Treasurer

MIZUHO BANK, LTD.,
as Collateral Agent

By: 
Name: Richard A. Burke
Title: Managing Director

MIZUHO BANK, LTD.,
as Administrative Agent, Arranger, and Structuring Agent

By: 
Name: Richard A. Burke
Title: Managing Director

MIZUHO BANK, LTD.,
as a Purchaser Agent for Mizuho Bank, Ltd., as Purchaser

By: 
Name: Richard A. Burke
Title: Managing Director

MIZUHO BANK, LTD.,
as a Purchaser

By: 
Name: Richard A. Burke
Title: Managing Director

ANNEX A
AGREEMENT

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

and as amended by the

Agreement of Amendment dated as of April 17, 2020

Second Agreement of Amendment dated as of September 17, 2020

[Third Agreement of Amendment dated as of January 29, 2021](#)

TABLE OF CONTENTS

Page

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	23 24
SECTION 4.1	Fees	23 24
SECTION 4.2	Yield Protection	23 24
SECTION 4.3	Funding Losses	26
SECTION 4.4	Mitigation; Replacement of Purchasers	26 27
ARTICLE V	CONDITIONS OF PURCHASES	27 28
SECTION 5.1	Conditions Precedent to Effectiveness	27 28
SECTION 5.2	Conditions Precedent to All Purchases	29
SECTION 5.3	Condition Subsequent	30
ARTICLE VI	REPRESENTATIONS AND WARRANTIES	30 31
SECTION 6.1	Representations and Warranties of the Seller	30 31
SECTION 6.2	Representations and Warranties of ADT	36 37

TABLE OF CONTENTS
(continued)

Page

ARTICLE VII	GENERAL COVENANTS	41 <u>42</u>
SECTION 7.1	Affirmative Covenants of the Seller	41 <u>42</u>
SECTION 7.2	Reporting Requirements of the Seller	45 <u>46</u>
SECTION 7.3	Negative Covenants of the Seller	46 <u>47</u>
SECTION 7.4	Affirmative Covenants of ADT	49 <u>50</u>
SECTION 7.5	Reporting Requirements of ADT	54 <u>55</u>
SECTION 7.6	Negative Covenants of ADT	56 <u>57</u>
SECTION 7.7	Nature of Obligations	58 <u>59</u>
SECTION 7.8	Corporate Separateness; Related Matters and Covenants	58 <u>59</u>
ARTICLE VIII	ADMINISTRATION AND COLLECTION	61 <u>62</u>
SECTION 8.1	Designation of the Servicer	61 <u>62</u>
SECTION 8.2	Duties of the Servicer	62 <u>63</u>
SECTION 8.3	Rights of the Collateral Agent	64 <u>65</u>
SECTION 8.4	Responsibilities of the Servicer	65 <u>66</u>
SECTION 8.5	Further Action Evidencing Purchases	66 <u>67</u>
SECTION 8.6	Application of Collections	66 <u>67</u>
ARTICLE IX	SECURITY INTEREST	66 <u>67</u>
SECTION 9.1	Grant of Security Interest	66 <u>67</u>
SECTION 9.2	Waiver	67 <u>68</u>
ARTICLE X	EVENTS OF TERMINATION	67 <u>68</u>
SECTION 10.1	Events of Termination	67 <u>68</u>
SECTION 10.2	Remedies	70 <u>71</u>
ARTICLE XI	PURCHASER AGENTS; COLLATERAL AGENT; ADMINISTRATIVE AGENT; CERTAIN RELATED MATTERS	71 <u>72</u>
SECTION 11.1	Limited Liability of Purchasers, Purchaser Agents, Collateral Agent, and the Administrative Agent	71 <u>72</u>
SECTION 11.2	Authorization and Action of each Purchaser Agent	72 <u>73</u>
SECTION 11.3	Authorization and Action of the Administrative Agent and Collateral Agent	72 <u>73</u>
SECTION 11.4	Delegation of Duties of each Purchaser Agent	72 <u>73</u>

TABLE OF CONTENTS

(continued)

	Page
SECTION 11.5 Delegation of Duties of the Administrative Agent and the Collateral Agent.....	72 <u>74</u>
SECTION 11.6 Successor Administrative Agent and Collateral Agent.....	73 <u>74</u>
SECTION 11.7 Indemnification.....	74 <u>75</u>
SECTION 11.8 Reliance, etc.....	74 <u>76</u>
SECTION 11.9 Purchasers and Affiliates.....	74 <u>76</u>
SECTION 11.10 Sharing of Recoveries.....	75 <u>76</u>
SECTION 11.11 Non-Reliance.....	75 <u>77</u>
ARTICLE XII INDEMNIFICATION.....	75 <u>77</u>
SECTION 12.1 Indemnities by the Seller.....	75 <u>77</u>
SECTION 12.2 Indemnities by ADT and the Servicer.....	78 <u>80</u>
ARTICLE XIII MISCELLANEOUS.....	79 <u>81</u>
SECTION 13.1 Amendments, Etc.....	79 <u>81</u>
SECTION 13.2 Notices, Etc.....	80 <u>82</u>
SECTION 13.3 Successors and Assigns; Participations; Assignments.....	80 <u>82</u>
SECTION 13.4 No Waiver; Remedies; Set-Off.....	83 <u>85</u>
SECTION 13.5 Binding Effect; Survival.....	84 <u>85</u>
SECTION 13.6 Costs and Expenses.....	84 <u>86</u>
SECTION 13.7 No Proceedings; Limited Recourse.....	85 <u>87</u>
SECTION 13.8 Confidentiality.....	87 <u>89</u>
SECTION 13.9 Captions and Cross References.....	91 <u>93</u>
SECTION 13.10 Integration.....	91 <u>93</u>
SECTION 13.11 Governing Law.....	91 <u>93</u>
SECTION 13.12 Waiver of Jury Trial.....	91 <u>93</u>
SECTION 13.13 Consent to Jurisdiction; Waiver of Immunities.....	91 <u>93</u>
SECTION 13.14 Execution in Counterparts.....	92 <u>94</u>
SECTION 13.15 Pledge to a Federal Reserve Bank.....	92 <u>94</u>
SECTION 13.16 Severability.....	92 <u>94</u>
SECTION 13.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions.....	93 <u>94</u>
SECTION 13.18 PATRIOT Act Notice.....	93 <u>95</u>

TABLE OF CONTENTS

(continued)

Page

APPENDIX A	Definitions
EXHIBIT A	Purchase Request
EXHIBIT B	Paydown Notice
EXHIBIT C	Form of Compliance Certificate
EXHIBIT D	Form of Information Package
EXHIBIT E-1	Form of Customer-Owned Equipment Contract Originated on or prior to December 15, 2019
EXHIBIT E-2	Form of Customer-Owned Equipment Contract Originated after
December 15, 2019	
EXHIBIT E-3	Form of ADT-Owned Equipment Contract Originated after April 17,
2020	
EXHIBIT F	Credit and Collection Policy
EXHIBIT G-1G	Form of Lock-Box Account Payment Direction Control Agreement
EXHIBIT G-2	Form of Collection Account Payment Direction
EXHIBIT G-3	Form of Omnibus Account Payment Direction
EXHIBIT H	Form of Joinder
SCHEDULE I	Addresses for Notices
SCHEDULE II	Payment Instructions
SCHEDULE III	Advance Rate Matrix
SCHEDULE IV	Pool Limits
SCHEDULE V	Lock-box and related Collection Account Information
SCHEDULE VI	Certain UCC Details

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 1.2 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 (or in the case of the initial Purchase Date, such 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 specified in such Purchase Request which shall also contain the pro forma information regarding such proposed Purchase 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 Purchasers 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~~ Payment 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 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 Payment 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~~ Payment 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:

(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

(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 Purchaser 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 (or in the case of the initial Settlement Date, such 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 the loan level data tape set forth in Exhibit D shall only be required to be provided in connection with the Settlement Dates occurring in March, June, September and December, and upon request thereof by Mizuho, within ten (10) Business Days of such request; provided further, 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~~Servicer shall, on each Settlement Date, to the extent funds are available in the ~~Collateral Agent's~~Payment 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 account bank(s) maintaining any Collection Account or Payment Account, any fees, returned item amounts or other amounts due and owing to such account bank(s) in respect of such accounts or the related Control Agreements that remain unpaid;

(viii) ~~(vii)~~ to the Seller, for its own account, amounts in respect of payment of the RPA Deferred Purchase Price; and

(ix) ~~(viii)~~ to the Seller, for its own account, any remaining amounts.

(e) Priority for Investments Reductions. The ~~Collateral Agent~~Servicer shall apply Monthly Collections in the ~~Collateral Agent's Payment~~ 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 Payment 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, ADT 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~~Servicer 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 ADT, 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 from and after the date of the Level 1 Ratings Trigger which constitutes or constituted a Conditional Service Guaranty Receivable while the Level 1 Ratings Trigger is in effect; 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 Payment~~ Account (and the Servicer shall have provided notice thereof to the Collateral Agent), 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 Payment~~ 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~~ Payment 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 6:00 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~~ applicable account ~~as the Collateral Agent shall designate~~ of such Person as designated 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 6:00 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~~ Payment 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.

(B) 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 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-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 therefor from 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 limited 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).

(xi) 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~~ Payment 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.

(a) ~~The Servicer acknowledges, represents and agrees that it has established each of the Lock-box Accounts caused the Seller to establish the Payment Account and~~ each of the Collection Accounts ~~and the Omnibus Account~~ and further acknowledges, represents and agrees that each such Collection Account and Payment 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~~ Payment Account ceases to be with an Eligible Bank, the Servicer, ~~and the Seller~~ shall, as promptly as practicable and in any event within thirty (30) days after the Servicer or the Seller has knowledge thereof, (i) establish or cause to be established a new ~~Lock-box Account~~, Collection Account ~~or Omnibus~~ and Payment Account, ~~as the case may be~~, with a depository institution that is an Eligible Bank, (ii) transfer any amounts held in such Collection Account and Payment Account to such new ~~Lock-box Account~~, Collection Account or ~~Omnibus~~ Payment Account, as ~~the case may be~~ applicable, and (iii) cause a ~~Payment Direction or Control~~ Agreement to be in full force and effect in respect of such Eligible Bank. ~~The~~ Neither the Servicer nor the Seller shall ~~not~~ terminate any Collection Account or the ~~Omnibus~~ Payment Account except as contemplated by this Section 3.6 and without the prior written consent of the Collateral Agent. Neither the Servicer nor the Seller shall cause or instruct any account bank maintaining any Collection Account or Payment Account to incur fees, costs and expenses other than the ordinary course fees, costs and expenses (including relating to Returned Items) relating to maintaining such Collection Account or Payment Account.

~~(b) The Collateral Agent hereby agrees that it shall (i) not deliver a Remittance Notice unless an Event of Termination shall have occurred and be continuing, (ii) deliver a Remittance Notice to ADT simultaneously with delivery of such Remittance Notice to the applicable account bank, and (iii) promptly rescind such Remittance Notice upon the cure or waiver of such Event of Termination, so long as no other Event of Termination or the Acceleration Date shall have occurred. ADT and the Collateral Agent hereby acknowledge and agree that the Daily Remittance Amount is intended to reflect the estimated amount of Collections. Accordingly, (i) ADT hereby agrees that after the delivery of the Remittance Notice, it shall not direct the account bank in respect of the Omnibus Account to distribute, apply or otherwise transfer any amounts to an account other than the Collateral Agent's Account or the Reserve Account unless it has certified to the Collateral Agent that such amounts do not constitute Collections, together with reasonably detailed evidence supporting such certification and (ii) the Collateral Agent hereby agrees, and the parties hereto hereby acknowledge, that the Collateral Agent shall (A) promptly (following a two Business Day reconciliation period), cause an amount equal to the amount of Collections actually deposited to the Collateral Agent's Account from the Omnibus Account since the date of delivery of such Remittance Notice, to be remitted (without duplication of any such amounts previously remitted) from the Reserve Account, to the extent funds are available therein, to the Omnibus Account, (B) remit amounts on deposit in the Reserve Account to the Collateral Agent's Account in an amount equal to Collections (including Deemed Collections) that it reasonably determines in good faith (based upon ADT's certification set forth in clause (i) above, the evidence supporting such certification, and the other reports, documents, certification and other information received by the Collateral Agent hereunder or under the other Transaction Documents) should have been deposited into the Collateral Agent's Account~~

~~but were not so deposited other than by reason of bankruptcy or insolvency, financial or credit condition or financial default, of the applicable Obligor (the “Missing Collections”); provided, that to the extent any such Missing Collections are otherwise subsequently deposited to the Collateral Agent’s Account with notice from ADT to the Collateral Agent that such amounts constitute Missing Collections and evidence reasonably satisfactory to the Collateral Agent that such amounts constitute such Missing Collections, the Collateral Agent shall promptly credit such received Missing Collections (without any interest) to the Reserve Account to avoid duplication of Collections, and (C) notwithstanding any security interest in the Reserve Account, no amount from the Reserve Account may be applied towards the payment of Obligations other than as set forth in subclause (B) above, and the Collateral Agent shall cause any amounts that remain in the Reserve Account (less any amounts owed to the applicable account bank) after the Final Payout Date to be distributed to or at the direction of ADT promptly following the Final Payout Date.~~

~~(e) In addition, the Collateral Agent agrees that in the event any Lock-box Account, any Collection Account or the Omnibus Account is subject to a Payment Direction, and such account subsequently becomes subject to a Control Agreement or ADT certifies to the Collateral Agent, Administrative Agent and each Purchaser and Purchaser Agent, with evidence reasonably satisfactory to the Collateral Agent, that no Collections are on deposit in such account and no further Collections on Pool Receivables can be deposited in such account, the Collateral Agent shall promptly terminate the Payment Direction relating to such account.~~

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~~Payment Account 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~~Payment 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

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 Lock-box Account, each Collection Account and the Omnibus Account (as each such term was defined herein on such Initial Purchase Date) 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):

(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) immediately after giving effect to such Purchase on such Purchase Date, the Daily Remittance Amount shall be an amount at least equal to (i) the Purchasers' Pool Investment divided by (ii) 1000; and~~

(e) ~~(f)~~ 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.**~~

~~(a) 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; and~~

~~(b) Each of ADT and the Seller hereby covenants and agree that as promptly as practicable after April 17, 2020, but in no event later than 30 days thereafter, the Seller shall enter into a Control Agreement in respect of the Reserve Account, in form and scope reasonably satisfactory to the Collateral Agent, and deliver such certifications and opinions of counsel as the Collateral Agent shall reasonably request, in each case in form, scope and manner reasonably satisfactory to the Collateral 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~~related Collection 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 Payment Account, 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. 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 Control Agreement in the form of Exhibit G-1 is in full force and effect in respect of each Loek-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 Control Agreement 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 Loek-Box Account, Collection Account or the Omnibus Account is subject to a Control Agreement Payment Account.

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 (j) 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 (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, 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 hereto 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~~Collection 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 Payment Account, 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 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 any 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 DirectionsControl. A Payment-DirectionControl Agreement 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~~G is in full force and effect in respect of each Collection Account; and a Payment-DirectionControl Agreement in the form of Exhibit ~~G-3~~G 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~~Payment Account.

(w) 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, other than in respect of Other Collections, immediately remit such amounts within one (1) Business Day of the date of withdrawal, debit or credit, directly to a Collection Account subject to a Control Agreement, 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 (other than Other 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~~ Collection Account covered by a ~~Payment Direction or~~ Control

Agreement without any commingling of such amounts with any other funds. Cause the Servicer to as promptly as practicable and in any event within one (1) Business Day of receipt in any Lock-box Collection 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 Payment 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 Other Collections in the Omnibus Account, segregate such Other Collections on Pool Receivables from any Other Permitted Amounts~~ other amounts, and remit or cause to be remitted directly to the Collateral Agent's Payment Account, without any intervening commingling, all amounts which constitute Other 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~~Payment 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~~Accounts. (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~~Collection 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 at the proper forms of Control Agreement~~Agreements duly executed by the parties thereto, (ii) terminate any Lock-box Bank, or related Lock-box, ~~or Lock-box~~Collection Account or the Payment Account without the prior written consent of the Collateral Agent, the Administrative Agent and, in each case, only if all of the payments ~~from Obligor~~s that were being sent to such Lock-box Bank or Collection Account will, upon termination of such Lock-box Bank or Collection Account and at all times thereafter, be deposited in a ~~Lock-box~~Collection Account ~~with another Lock-box Bank~~ covered by a Payment ~~Direction~~Account in the

form ~~of Exhibit G-1 or~~ a Control Agreement duly executed by the parties thereto, 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 (other than Other 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 Payment~~ Account other than Collections in respect of Pool Receivables ~~and Other Permitted Amounts. Except for the Collateral Agent's Account, permit~~ Permit any Collections (other than Other 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, other than in respect of Other Collections, 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 (other than Other 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 Collection Account covered by a Payment Direction or Control Agreement without any commingling of such amounts with any other funds. As promptly as practicable and in any event within one (1) Business Day of receipt in any Lock-box Collection 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 Payment 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) three (3)~~ three (3) Business Days of receipt of any Other Collections ~~in the Omnibus Account, segregate such Other Collections on the Pool Receivables from any Other Permitted Amounts other amounts, and remit or cause to be remitted directly to the Collateral Agent's Payment Account, without any intervening commingling, all amounts which constitute Other 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.~~

(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(k) 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~~Payment 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. 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. Maintain in place all policies and procedures, and take and continue to take all actions, applicable to it described in the assumptions as to the facts set forth in, and forming the basis of, the opinions set forth in the opinion letters delivered by Paul, Weiss, Rifkind, Wharton & Garrison LLP to the Collateral Agent, Administrative Agent, Purchasers and Purchaser Agent on April 17, 2020, except to the extent that any failure to maintain in place such policies and procedures or failure to continue to take all such actions could not materially and adversely affect the conclusions set forth in such opinion letters.

(q) Permitted Securitization. Cause the trustee, administrative agent and/or collateral agent, as applicable, in respect of the ADT Indentures, ADT Credit Agreement, ADT Intercreditor and the ADT Collateral Agreements to promptly take any actions from time to time, as may be reasonably requested by the Collateral Agent, to facilitate or cause the transfer of any Pool Receivables and the Related Assets or proceeds thereof to the extent then in the possession or control of such trustee, administrative agent and/or collateral agent, as applicable, to or at the direction of ADT or the Collateral Agent.

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).

(ii) 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).

(iii) 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~~ Collection 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 at the proper forms of~~ Control ~~Agreement~~ Agreements, duly executed by the parties thereto, (ii) terminate any Lock-box Bank, or related Lock-box, or ~~Lock-box~~ Collection Account or the Payment 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 or Collection Account will, upon termination of such Lock-box Bank or Collection Account and at all times thereafter, be deposited in a ~~Lock-box~~ Collection Account ~~with another Lock-box Bank~~ covered by a ~~Payment Direction in the form of Exhibit G-1 or at the proper~~ 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 (other than Other 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~~ Permit any Collections (other than Other 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.

(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, (I) 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, (i) any Pool Receivable, (ii) any other Receivable the proceeds of which are commingles with the proceeds of any Pool Receivable, (iii) any Service Charge Receivable related to any Pool

Receivable, (iv) any Contract or Related Assets, the related Equipment, ~~or~~ any proceeds, in each case, in respect of any of the foregoing or any interest therein, (v) any Collection Account, the ~~Omnibus Account or any Lock-box~~ Payment Account or any other account to which any Collections of any Pool Receivable are sent, or (vi) any right to receive income or proceeds from or in respect of any of the foregoing or (II) 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. 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;

(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 Independent Manager set forth in this Agreement and the limited liability company agreement of the Seller; and

(viii) The Seller will maintain in place all policies and procedures, and take and continue to take all actions, applicable to it described in the assumptions as to the facts set forth in, and forming the basis of, the opinions set forth in the opinion letters delivered by Paul, Weiss, Rifkind, Wharton & Garrison LLP to the Collateral Agent, Administrative Agent, Purchasers and Purchaser Agent on April 17, 2020, except to the extent that any failure to maintain in place such policies and procedures or failure to continue to take all such actions could not materially and adversely affect the conclusions set forth in such opinion letters.

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 continuation 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 fees payable to account banks with respect to any Collection Account, the Payment Account or related Control Agreements and all costs and expenses of enforcement of the Receivables against the Obligors and all Collection Agent Fees.

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~~Payment Account. The ~~Collateral Agent may~~Servicer may cause the Seller to invest and reinvest, in its own name or in the name of its nominee, amounts on deposit in the ~~Collateral Agent's~~Payment 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~~ Payment Account. The ~~Collateral Agent may~~ Servicer may cause the Seller to liquidate Cash Equivalents from time to time to the extent necessary or appropriate, in the sole discretion of the ~~Collateral Agent~~ Servicer, 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), or (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, or except solely to the extent necessary to accomplish a segregation of Collections from proceeds of other Receivables or assets of the Originator through a different coding mechanism implemented through software changes, be applied using the same systems, practices, and procedures as the Servicer uses for the application of payments on all of the residential 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 right, 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) ~~the Reserve~~each Collection Account and the Payment Account; (XVIII) 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 (XIX) to the extent not otherwise included, all products and Proceeds (the capitalized term in clauses (I) through (XIX) not otherwise defined in this Agreement, as defined in the UCC) of the of the foregoing clauses (I) through (XIX) 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;~~ (i) any Collection Account or the ~~Omnibus Payment Account to which Collections are remitted~~ shall cease to be subject to ~~the proper Payment Direction or~~ a Control Agreement, or any ~~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 which is in full force and effect or with the consent of the Administrative Agent, the Collateral Agent and each Purchaser Agent; ~~or, (ii) without the prior written consent of the Collateral Agent, cause or permit any amounts on deposit in any Collection Account to be remitted to an account other than the Payment Account, or (iii) in the event any party to a Control Agreement (other than the Collateral Agent) has provided notice of termination of such Control Agreement, by no later than (1) the 15th calendar day following notice of a termination for cause and (2) the 30th calendar day following notice of termination without cause, fail to (a) establish a replacement Collection Account or Payment Account, as the case may be, with a new depository institution that is an Eligible Bank, (b) enter into new Control Agreement(s) with respect to such replacement account(s), (c) cause all amounts held in the accounts for which Control Agreements are being terminated to be transferred to such replacement account(s), and (d) take all other actions necessary for such replacement accounts to comply with the requirements and covenants hereunder that are applicable to Collections, any Collection Account or the Payment Account, as the case may be, including without limitation, the actions required pursuant to Section 7.1(l) and instructing any applicable Obligor to make payments on the applicable Pool Receivables to new Collection Account(s); 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, (A) 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 Obligor in respect of each Pool Receivables to, or direct ADT to instruct such Obligor to, pay all amounts payable under the Contracts related to the Pool Receivables directly to such account as the Administrative Agent shall designate, and (B) subject to Section 3.6(b), the Collateral Agent may deliver a Consent Notice. 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)~~ (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.

(b) ~~(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, or 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.

(c) ~~(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.

(d) ~~(e)~~ The appointment and authorization of ~~any~~the 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~~the Payment Account, any 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; (ix) the existence or assertion of any Adverse Claim in favor of any Governmental Authority or any other Person against ~~any Omnibus~~the Payment 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~~the Payment Account, any such Collection Account, Lock-box, ~~Lock-box Account~~, Collections, Receivable, Service Charge Receivable, or any related Contract being attributable to governmental fees, surcharges, or taxes and (x) Mizuho's entry into ~~the Payment Direction with respect to the Omnibus Account and the~~any Control Agreement~~with respect to the Reserve Account~~, and the arrangements and transactions contemplated thereby; 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.

(e) 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 Payment~~ Account or other account (as set forth in the applicable Fee Letter) 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's 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 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 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 (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, including any Borrower Information (and to the extent applicable, any Non-Public Borrower Data, which shall remain subject to the applicable provisions of Section 13.8(f)), 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, Mizuho, as Administrative Agent, the Collateral Agent, Purchaser and Purchaser Agent agrees that it is, and will remain, in compliance with the Privacy Requirements, will not utilize, and will not permit any affiliate or any representative to utilize, Non-Public Borrower Data for any purpose not in connection with the transactions contemplated under this Agreement or the related Transaction Documents, and will maintain reasonable and adequate safeguards for the protection of all Non-Public Borrower Data, in accordance with its internal privacy policies and as required by the Privacy Requirements and other applicable Law. Mizuho has provided ADT with a true and correct copy of its information security policies and procedures as in effect on March 12, 2020. None of the Administrative Agent, the Collateral Agent, any Purchaser or any Purchaser Agent shall provide any Non-Public Borrower Data to any other Purchaser, Purchaser Agent, successor Collateral Agent or Administrative Agent, or any other prospective participant or assignee thereof, unless ADT shall have provided its consent thereto to the Administrative Agent. For the avoidance of doubt, once ADT

provides its consent in respect of a Person, no additional ADT consent shall be required for future disclosure of Non-Public Borrower Data to such Person. Upon receipt of such consent, the Administrative Agent shall forward a copy thereof to the Purchasers and the Purchaser Agents. In respect of each such Person, ADT shall provide the consent contemplated above if such Person has agreed to maintain reasonable and adequate safeguards for the protection of all Non-Public Borrower Data in a manner reasonably satisfactory to ADT. Notwithstanding anything to the contrary herein or in any other Transaction Document, (i) subject to clause (iii) below, each ADT Entity shall be entitled to remove any Non-Public Borrower Data from any report, document or information required to be delivered hereunder, including the Information Package, and shall not be liable to any Person by reason thereof, (ii) delivery by the Administrative Agent or the Collateral Agent of any notice or information required to be provided by it under this Agreement or the other Transaction Documents, including the Information Package, shall not be deemed to be a breach of this Section 13.8(f), and (iii) upon request by the Collateral Agent or the Administrative Agent, each ADT Entity shall separately provide to the Collateral Agent and the Administrative Agent with each report, document and information from which any Non-Public Borrower Data has been removed, without such Non-Public Borrower Data removed; provided, that neither the Collateral Agent nor the Administrative Agent shall provide (and shall not be deemed to be required to provide) such Non-Public Borrower Data to any other Purchaser, Purchaser Agent, successor Collateral Agent or Administrative Agent, or any other prospective participant or assignee thereof except in accordance with this Section 13.8(f) or with ADT's consent, and in no event shall Mizuho, as the Collateral Agent or the Administrative Agent, be obligated to provide (or be liable for not providing) any Non-Public Borrower Data to any other Person. Each of the Administrative Agent, Collateral Agent, each Purchaser and each Purchaser Agent also agree that it will not, and will not permit any affiliate or representative other than the Servicer or its authorized delegates to, contact any Obligor for any purpose; provided, however, that such it (or its agents) may contact an Obligor following an Event of Termination, to the extent expressly set forth herein, or if ADT is terminated as the Servicer and a successor servicer is acting as servicer or a collection agent in respect of the applicable Pool Receivables. Except to the extent expressly set forth herein following an Event of Termination, each the Administrative Agent, Collateral Agent, each Purchaser and each Purchaser Agent (or its agents) shall not take any action to service, collect or administer any Pool Receivable during the period that ADT has the right to act as the Servicer under this Agreement.

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 13.11 Governing Law. THIS AGREEMENT, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BUT WITHOUT REGARD TO ANY OTHER CONFLICTS OF LAW PROVISIONS THEREOF, EXCEPT TO THE EXTENT THAT THE PERFECTION, THE EFFECT OF PERFECTION OR PRIORITY OF THE INTERESTS OF THE COLLATERAL AGENT, THE ADMINISTRATIVE AGENT, OR ANY PURCHASER IN THE POOL RECEIVABLES, OR RELATED ASSETS IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK).

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.

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: _____
Name:
Title:

ADT FINANCE LLC, as Seller

By: _____
Name:
Title:

MIZUHO BANK, LTD.,
as Administrative Agent, Arranger, and Structuring
Agent

By: _____
Name:
Title:

MIZUHO BANK, LTD.,
as Collateral Agent

By: _____
Name:
Title:

MIZUHO BANK, LTD.,
as a Purchaser Agent for Mizuho Bank, Ltd., as
Purchaser

By: _____
Name:
Title:

MIZUHO BANK, LTD.,
as a Purchaser

By: _____
Name:
Title:

|

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:

“1934 Act” means the Securities Exchange Act of 1934.

“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 the special account of the Administrative Agent (Account No. H79-740-005344, ABA No. 026 004 307) maintained at Mizuho Bank, Ltd. or such other account as the Administrative Agent shall designate to the Seller and ADT.

“ADT” is defined in the preamble.

~~“ADT Certification” is defined in the Payment Direction in respect of the Omnibus Account.~~

“ADT Credit Agreement” means the Ninth Amended and Restated First Lien Credit Agreement dated as of September 23, 2019 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 indentures 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 Intercreditor” means the First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016, among Barclays Bank PLC and Wells Fargo Bank, National Association.

“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.

“ADT Website Receivable” means any Pool Receivable that was originated on ADT.com.

“ADT Website Receivable Transfer Date” means the date that is the earlier to occur of (x) March 1, 2021, and (y) the date upon which the Seller has established policies and procedures (including via coding mechanisms) such that all Collections relating to ADT Website Receivables from and after such date are deposited directly from the respective Obligor in

respect of such ADT Website Receivables, without any intermittent commingling, into one or more Collection Accounts.

“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.

“Average Life” means, as of any date of determination, with respect to any Receivable in the Receivable Pool which is an Eligible Receivable, the quotient obtained by dividing (i) the sum of the products of (a) the number of months (rounded to the nearest one hundredth thereof) from such date of determination to the respective dates of each successive unpaid monthly installment owed in respect of such Receivable for the Remaining Term by the applicable Obligor under the Contract giving rise to such Receivable, and (b) the respective monthly installment amounts on such monthly installment dates, by (ii) the Financed Unpaid Balance in respect of such Receivable.

“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.

“Bankruptcy Code” means Title 11 of the United States Code.

“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 spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement 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 Rate announcing that the LIBO Rate is no longer representative.

“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 Obligor 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 in Law” means the occurrence, after the Closing Date, of any of the following: (a) the adoption or implementation of any Law, or (b) any change in any Law; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, or directives thereunder or issued in connection therewith, and (y) all requests, rules, guidelines, or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority), or the United States or foreign regulatory authorities, in each case pursuant to the agreements reached by the Basel Committee on Banking Supervision in “Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems”, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted, or issued.

“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.

“Code” means the Internal Revenue Code of 1986, as amended.

“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 the special account of the Collateral Agent (Account No. H10-740-032774, ABA No. 026-004-307) maintained at Mizuho Bank Ltd., New York Branch or such other account 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 ~~Servicee~~Seller 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~~ Payment 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 effected 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, the ~~Omnibus~~ Payment Account; or any other account of the Seller ~~(including the Reserve 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 (in the case of a securities account) and/or 9 (in the case of a deposit account) 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 or the applicable Purchaser Agent 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 be 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.

~~“Daily Remittance Amount” is defined in the Payment Direction in respect of the Omnibus Account.~~

“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 repossession 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 from the original due date for such payment (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-1, Exhibit E-2, or Exhibit E-3 hereto, as applicable based on the date of origination of such Contract, 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 (or in respect of an Eligible Contract in the form of Exhibit E-3, 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~~Collection Account that is subject to a ~~Payment Direction~~Control Agreement in the form of Exhibit ~~G-1~~G 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", or (z) has an ADT Credit Score of "N", "X", or "Y", (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;

(aa) 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);

(bb) the Financed Unpaid Balance of which does not exceed \$20,000;

(cc) 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));

(dd) 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;

(ee) 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;

(ff) 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;

(gg) the Unpaid Balance of which is payable by the related Obligor in up to 60 equal monthly installments under the related Contract; and

(hh) 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” means the U.S. Employee Retirement Income Security Act of 1974.

“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, N, Q, W, X, Y, 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”, “N”, “Q”, “W”, “X”, “Y”, “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, N, Q, W, X, Y, 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 Obligor with an ADT Credit Score of “C”, “N”, “Q”, “W”, “X”, “Y”, “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 ADT Website Receivables Concentration Amount” means, until the ADT Website Receivable Transfer Date, 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 that constitute ADT Website Receivable, as of such date of determination, exceeds (b) 2.00% 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 Credit Score B Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (f) the Excess ADT Credit Score C Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (g) the Excess N, Q, W, X, Y, 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 Credit Score B, C, N, Q, W, X, Y, Z and Null Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, (i) the Excess ADT Credit Score C, N, Q, W, X, Y, Z and Null Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, ~~and~~ (j) the Excess Financed Unpaid Balance Over \$5,000 Concentration Amount, as determined as of the last day of the most recently ended Settlement Period, and (k) the Excess ADT Website Receivables 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 Financed Unpaid Balance Over \$5,000 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 Obligor with a Financed

Unpaid Balance over \$5,000, as of such date of determination, exceeds (b) 5.00% of the aggregate Financed Unpaid Balances of all Eligible Receivables in the Receivable Pool, as of such date of determination.

“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 N, Q, W, X, Y, 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 “N”, “Q”, “W”, “X”, “Y”, “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 by any jurisdiction (or political subdivision thereof) described in clause (i) or in which any of the Seller, ADT or the Servicer is located, (iii) with regard to any Affected Party, any withholding Tax to the extent it is (a) imposed on amounts payable to such Affected Party because such Affected Party designates a new lending office, except to the extent that such Affected Party was entitled, at the time of designation of a new lending office, to receive amounts in respect of such Taxes from any of the Seller, ADT or the Servicer, as applicable, pursuant to Section 3.3, (b) attributable to such Affected Party's failure to comply with Section 3.3(e)(v), or (c) imposed on amounts payable to such Affected Party with respect to an applicable interest in Pool Receivables or Related Assets pursuant to a law in effect on the date on which such Affected Party acquires such interest, except to the extent that, in the case of an assignment to such Affected Party, such Affected Party's assignor was entitled, 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.

“Federal Reserve Bank of New York’s Website” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org>, or any successor source.

“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 Obligor 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 “B+” with negative outlook or “B” or less by S&P, (iv) has a long-term “corporate family rating” of “Caa1” 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 of 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” means a post office box maintained by a Lock-box Bank relating to a Lock-box Account.

~~“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 (other than any Defaulted Receivables that have been written off) 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.

"Missing Collections" is defined in Section 3.6(b).

"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~~Payment Account during the immediately preceding Settlement Period, plus any Deemed Collections with respect to such Settlement Period deposited to the ~~Collateral Agent's~~Payment Account three (3) Business Days prior to such Settlement Date as required pursuant to Section 3.2.

"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 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” means all Borrower Information that may constitute nonpublic and/or personal information protected under the Privacy Requirements.

“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 Collections”~~ 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)~~ ADT Website Receivable Transfer Date, all Collections relating to the ADT Website Receivables, and (ii) as of any date of determination after the ~~Accounts Amendment Effective~~ ADT Website Receivable Transfer 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.~~

“Payment Account” means the segregated account of the Seller (Account No. 910-0956, ABA No. 043000261) maintained with an Eligible Bank.

“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.

“Privacy Requirements” means (i) Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. § 6801 et seq.; (ii) federal regulations implementing such act and codified at 12 C.F.R. Part 1016 and 16 C.F.R. Part 313; (iii) Interagency Guidelines Establishing Standards For Safeguarding Obligor Information and codified at 12 C.F.R. Parts 30, 208, 211, 225, 263, 308, 364, 568, and 570, and 16 C.F.R. Part 314; (iv) the Health Insurance Portability and Accountability Act of 1996, 29 U.S.C. § 1181 et seq.; (v) the California Consumer Privacy Act of 2018, CAL. CIV. CODE § 1798.100 et seq. and implementing regulations, and (vi) other applicable federal, state and local laws, rules, regulations, and orders relating to the privacy and security of Borrower Information including, but not limited to, information security requirements promulgated by the Massachusetts Office of Consumer Affairs and Business 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 Purchaser 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 any Contract giving rise to such Pool Receivable in respect of which such Equipment is sold or purported to be sold by ADT, including without limitation, 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.

~~“Remittance Notice” is defined in the Payment Direction in respect of the Omnibus Account.~~

“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.

~~“Reserve Account” means the segregated account of the Seller (Account No. 910-0956, ABA No. 043000261) maintained at The Bank of New York Mellon.~~

“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 Obligor with Billing Addresses in such state (or commonwealth) relate.

“Securities Act” means the Securities Act of 1933.

“Securitization Regulation” means Regulation (EU) 2017/2402.

“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~~ Payment 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 first Settlement Date shall be April 22, 2020; provided, further, 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.

“S&P” means Standard & Poor’s Ratings Services.”

“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 Obligor 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, each Collection Account and any other account of the Seller (including the Reserve 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 Life” means, as of any date of determination, with respect to all Receivables in the Receivable Pool which are Eligible Receivables, the number of months obtained by:

- (a) summing the products obtained by multiplying (i) the Average Life as of such date of determination of each 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 = the Yield Rate for such Rate Tranche on such day;
- PTI = Purchasers’ Tranche Investment in such Rate Tranche on such day; and
- LF = 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 Life 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” means “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.

EXHIBIT A

FORM OF PURCHASE REQUEST

_____, 20____

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, and 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____]¹, effective on the Cut-off Date that occurred on [●], [20____]² with a proposed aggregate Cash Purchase Price of \$_____³. 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:

¹Must be at least five (5) Business Days from the date of this Purchase Request.

² Must be last day of immediately preceding calendar month.

³Unless such purchase constitutes a Non-Cash Purchase, such amount shall not be less than \$5,000,000 and shall be in integral multiples of \$100,000 in excess thereof.

Address:
Account Number:
ABA Number:]

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: _____

Receivables

<u>Obligor Name & Billing Address⁴</u>	<u>Account Number</u>	<u>ADT Credit Score of Obligor</u>	<u>Date of Originatio n</u>	<u>Unpaid Balanc e</u>	<u>Financed Unpaid Balance</u>	<u>Remaining Term⁵ For Payment of Unpaid Balance</u>	<u>Remaining Term For Payment of Financed Unpaid Balance</u>	<u>Product Type; Credit Check (Y/N)</u>
---	---------------------------	--	-------------------------------------	--------------------------------	--	---	--	---

- 1.
- 2.
- 3.
- 4.
- 5.

⁴ Or identification number or code of Obligor.

⁵ The number of remaining installments at the time such Eligible Receivable is acquired by the Seller.

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], _____⁶ by \$_____⁷. Subsequent to such reduction, the Purchasers' Pool Investment in the Receivable Pool will be \$_____.

⁶Notice must be given at least five (5) Business Days prior to the requested date of such reduction. Each Seller shall use reasonable efforts to choose a reduction amount, and the date of commencement thereof, so that such reduction shall commence and conclude in the same Settlement Period.

⁷Such reduction shall not be less than \$10,000,000 and shall be in integral multiples of \$100,000 in excess thereof.

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: _____

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__.

By: _____
Name:
Title:

EXHIBIT D

FORM OF INFORMATION PACKAGE
(attached)

Exhibit D

EXHIBIT E-1

FORM OF CUSTOMER-OWNED EQUIPMENT CONTRACT ORIGINATED ON OR PRIOR
TO DECEMBER 15, 2019
(attached)

Exhibit E-1

EXHIBIT E-2

FORM OF CUSTOMER-OWNED EQUIPMENT CONTRACT ORIGINATED AFTER
DECEMBER 15, 2019

Exhibit E-2

EXHIBIT E-3

FORM OF ADT-OWNED EQUIPMENT CONTRACT ORIGINATED AFTER APRIL 17,
2020

Exhibit E-3

EXHIBIT F

CREDIT AND COLLECTION POLICY
(attached)

Exhibit F

EXHIBIT ~~G-1~~G

FORM OF ~~LOCK-BOX ACCOUNT PAYMENT DIRECTION~~CONTROL AGREEMENT

Exhibit G-1

EXHIBIT G-2

FORM OF COLLECTION ACCOUNT PAYMENT DIRECTION

Exhibit G-2

EXHIBIT G-3

FORM OF OMNIBUS ACCOUNT PAYMENT DIRECTION

Exhibit G-3

EXHIBIT H

FORM OF JOINDER
[see attached]

Exhibit H

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.comJohan.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 II

SCHEDULE III

ADVANCE RATE MATRIX

Advance Rate ¹⁾				
Remaining Term ⁽²⁾	Tier 1-3 w/ Credit Check	Tier 1-3 wo/ Credit Check ⁽³⁾	Burglar Alarm w/ Credit Check	Burglar Alarm wo/ Credit Check ⁽³⁾
60	71.55%			
59	72.14%			
58	72.73%			
57	73.32%			
56	73.90%			
55	74.49%			
54	75.08%			
53	75.67%			
52	76.25%			
51	76.84%			
50	77.43%			
49	78.02%			
48	78.60%			
47	79.19%			
46	79.78%			
45	80.37%			
44	80.95%			
43	81.54%			
42	82.13%			
41	82.72%			
40	83.30%			
39	83.89%			
38	84.48%			
37	85.07%			
36	85.67%	69.59%	84.29%	64.64%
35	85.70%	69.65%	84.39%	64.77%
34	85.74%	69.72%	84.48%	64.90%
33	85.79%	69.78%	84.56%	65.06%
32	85.83%	69.86%	84.67%	65.20%
31	85.88%	70.01%	85.22%	65.44%
30	86.24%	71.01%	85.61%	66.63%
29	86.61%	72.01%	86.00%	67.81%
28	86.97%	73.01%	86.39%	68.99%

Schedule III

27	87.34%	74.01%	86.78%	70.17%
26	87.70%	75.01%	87.17%	71.36%
25	88.07%	76.00%	87.56%	72.54%
24	88.43%	77.00%	87.96%	73.72%
23	88.80%	78.00%	88.35%	74.90%
22	89.16%	79.00%	88.74%	76.08%
21	89.53%	80.00%	89.13%	77.27%
20	89.89%	81.00%	89.52%	78.45%
19	90.26%	82.00%	89.91%	79.63%
18	90.62%	83.00%	90.30%	80.81%
17	90.99%	84.00%	90.70%	82.00%
16	91.35%	85.00%	91.09%	83.18%
15	91.72%	86.00%	91.48%	84.36%
14	92.08%	87.00%	91.87%	85.54%
13	92.45%	88.00%	92.26%	86.72%
12	92.81%	89.00%	92.65%	87.91%
11	93.18%	90.00%	93.04%	89.09%
10	93.54%	91.00%	93.43%	90.27%
9	93.91%	92.00%	93.83%	91.45%
8	94.27%	93.00%	94.22%	92.64%
7	94.64%	94.00%	94.61%	93.82%
6	95.00%	95.00%	95.00%	95.00%
5	95.00%	95.00%	95.00%	95.00%
4	95.00%	95.00%	95.00%	95.00%
3	95.00%	95.00%	95.00%	95.00%
2	95.00%	95.00%	95.00%	95.00%
1	95.00%	95.00%	95.00%	95.00%

(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

(3) Any Eligible Receivable with an ADT Credit Score "N", "X", or "Y", or that has not been the Obligor under a Delinquent Receivable during the twelve (12) months immediately preceding the date of Purchase but does not have a minimum Telco98 score of 625 or an ADT Credit Score of "A", "B" or "C", shall be deemed to be "wo/ Credit Check".

SCHEDULE IV

POOL LIMITS

	<u>Pool Limit</u>	
Mizuho Bank, Ltd.	\$200,000,000	

SCHEDULE V

LOCK-BOX AND ACCOUNT INFORMATION

<u>Bank</u>	<u>Address</u>	<u>Lock-box #</u>	<u>Related Collection Account #(s)</u>
BNY Mellon	ADT LLC, PO Box 371878, Pittsburgh, PA 15250 <u>PO Box</u> <u>223465</u> <u>Pittsburgh PA 10286</u> <u>Overnight/Courier</u> <u>Mail:</u> <u>MIZUHO CASH</u> <u>RECEIPTS</u> <u>Attn: 223465</u> <u>500 Ross St</u> <u>Suite 154-0455</u> <u>Pittsburgh PA 15251-</u> <u>2465</u>	371878 <u>223465</u>	+92910-5363 <u>6434</u>
BNY Mellon	BNY Mellon 240 Greenwich Street New York, NY 10007	Virtual LB #66	022-2615
BNY Mellon	BNY Mellon 240 Greenwich Street New York, NY 10007	Virtual LB #20 and #55	008-8452

COLLECTION ACCOUNT INFORMATION

<u>Bank</u>	<u>Address</u>	<u>Account #(s)</u>
BNY Mellon	BNY Mellon 240 Greenwich Street New York, NY 10007	+92910-5865 <u>4615</u>
BNY Mellon	BNY Mellon 240 Greenwich Street New York, NY 10007	+92910-6243 <u>1887</u>

OMNIBUS PAYMENT ACCOUNT

<u>Bank</u>	<u>Address</u>	<u>Account #(s)</u>
BNY Mellon	BNY Mellon 240 Greenwich Street New York, NY 10007	+32 <u>916</u> - 3080 <u>0956</u>

SCHEDULE VI

UCC DETAILS

<u>Legal Name</u>	<u>Other Names</u>	<u>Location of Physical Records</u>	<u>Jurisdiction of Organization / Entity Type</u>	<u>FEIN</u>	<u>Organizational ID</u>
ADT FINANCE LLC	None	1501 Yamato Road, Boca Raton, FL 33431	DE	45-4517261	7705696

ADT LLC Administrative Committee

Certificate of Committee Action

Pursuant to the authority granted to the Administrative Committee in accordance with the Administrative Committee Charter, which gives the Administrative Committee plan sponsor authority to adopt amendments to the retirement plans and programs sponsored by ADT LLC (the "Company"), so long as the aggregate cost with respect to each amendment that is adopted does not exceed \$200,000, and by acting in their capacity as members of the Administrative Committee, do hereby take the following actions:

1. Adopt Amendment 2017-1 to the ADT LLC Supplemental Savings and Retirement Plan (the "Plan"). Certify and adopt Amendment 2017-1 to the Plan in substantially the same form as attached hereto as of the effective date set forth in Amendment 2017-1 to include an employee in career band 0 in the definition of an Eligible Employee under the Plan.

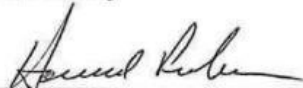
Executed as of this 18th day of DECEMBER, 2017.

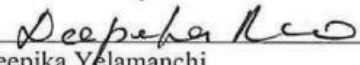
12-18-2017
Date

12/18/17
Date

12/21/17
Date


Brian Casey


Howard Perlman


Deepika Yelamanchi

**AMENDMENT 2017-1
TO THE
ADT LLC SUPPLEMENTAL SAVINGS AND RETIREMENT PLAN**

The ADT LLC Supplemental Savings and Retirement Plan, as amended and restated as of April 1, 2017 (the "Plan"), is hereby amended effective December 21, 2017 as follows:

1. The first sentence of Section 2.25 (Eligible Employee) is hereby amended and restated in its entirety to read as follows:

"Eligible Employee" for all purposes under this Plan (other than eligibility for a Company Credit prior to January 1, 2014 under Section 6.3) includes any employee of the Company who is (i) a U.S. citizen or a resident alien permanently assigned to work in the United States, (ii) paid on the United States payroll (other than Puerto Rico), (iii) either (a) subject to the requirements of Section 16(a) of the Exchange Act, (b) included in career band 0, 1, 2 or 3 of the Company's pay scale, or (c) included in career band 4 of the Company's pay scale and participated in this Plan during the 2013 Plan Year, (iv) expected to be paid a Base Salary for the next relevant Plan Year for which the individual is completing an Enrollment and Payment Agreement that equals or exceeds the "highly compensated employee" dollar threshold under Section 414(q)(1)(B) in effect during the Plan Year in which the individual enrolls and (v) has management responsibility.

ADT LLC Administrative Committee

Certificate of Committee Action

Pursuant to the authority granted to the Administrative Committee in accordance with the Administrative Committee Charter, which gives the Administrative Committee plan sponsor authority to adopt amendments to the retirement plans and programs sponsored by ADT LLC (the "Company"), so long as the aggregate cost with respect to each amendment that is adopted does not exceed \$200,000, and by acting in their capacity as members of the Administrative Committee, do hereby take the following actions:

1. Adopt Amendment 2018-1 to the ADT LLC Supplemental Savings and Retirement Plan (the "SSRP"). Certify and adopt Amendment 2018-1 to the SSRP in substantially the same form as attached hereto as of the effective date set forth in Amendment 2018-1 to include Bonus Compensation when determining whether an employee is expected to meet the highly compensated employee dollar threshold for the definition of an Eligible Employee under the SSRP.

Executed as of this 24th day of December, 2018.

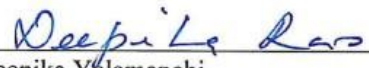
1-24-2018
Date

1/24/18
Date

1/31/18
Date


Brian Casey


Howard Perlman


Deepika Yelamanchi

**AMENDMENT 2018-1
TO THE
ADT LLC SUPPLEMENTAL SAVINGS AND RETIREMENT PLAN**

The ADT LLC Supplemental Savings and Retirement Plan, as amended and restated as of April 1, 2017 (the "Plan"), is hereby amended effective January __, 2018 as follows:

1. The first sentence of Section 2.25 (Eligible Employee) is hereby amended and restated in its entirety to read as follows:

"Eligible Employee" for all purposes under this Plan (other than eligibility for a Company Credit prior to January 1, 2014 under Section 6.3) includes any employee of the Company who is (i) a U.S. citizen or a resident alien permanently assigned to work in the United States, (ii) paid on the United States payroll (other than Puerto Rico), (iii) either (a) subject to the requirements of Section 16(a) of the Exchange Act, (b) included in career band 0, 1, 2 or 3 of the Company's pay scale, or (c) included in career band 4 of the Company's pay scale and participated in this Plan during the 2013 Plan Year, (iv) expected to be paid a Base Salary plus Bonus Compensation, if any, for the next relevant Plan Year for which the individual is completing an Enrollment and Payment Agreement that equals or exceeds the "highly compensated employee" dollar threshold under Section 414(q)(1)(B) in effect during the Plan Year in which the individual enrolls and (v) has management responsibility.

ADT LLC Administrative Committee

Certificate of Committee Action

Pursuant to the authority granted to the Administrative Committee in accordance with the Administrative Committee Charter, which gives the Administrative Committee plan sponsor authority to adopt amendments to the retirement plans and programs sponsored by ADT LLC (the "Company"), so long as the aggregate cost with respect to each amendment that is adopted does not exceed \$200,000, and by acting in their capacity as members of the Administrative Committee, do hereby take the following actions:

1. Adopt Amendment 2018-2 to the ADT LLC Supplemental Savings and Retirement Plan (the "SSRP"). Certify and adopt Amendment 2018-2 to the SSRP in substantially the same form as attached hereto as of the effective date set forth in Amendment 2018-2 to include employees working under a H1-B1 visa to the definition of an Eligible Employee allowing such employees to participate in the SSRP.

Executed as of this 31st day of December, 2018.

12/31/2018
Date

12/31/2018
Date

12/31/2018
Date



Brian Casey



Howard Perlman



Deepika Yelamanchi

**AMENDMENT 2018-2
TO THE
ADT LLC SUPPLEMENTAL SAVINGS AND RETIREMENT PLAN**

The ADT LLC Supplemental Savings and Retirement Plan, as amended and restated as of April 1, 2017 (the "SSRP"), is hereby amended effective January 1, 2019 as follows:

1. The first sentence of Section 2.25 (Eligible Employee) of the SSRP is hereby amended and restated in its entirety to read as follows:

"Eligible Employee" for all purposes under this Plan (other than eligibility for a Company Credit prior to January 1, 2014 under Section 6.3) includes any employee of the Company who is (i) a U.S. citizen, a resident alien permanently assigned to work in the United States, or an employee working in the United States under a H1-B1 visa, (ii) paid on the United States payroll (other than Puerto Rico), (iii) either (a) subject to the requirements of Section 16(a) of the Exchange Act, (b) included in career band 0, 1, 2 or 3 of the Company's pay scale, or (c) included in career band 4 of the Company's pay scale and participated in this Plan during the 2013 Plan Year, (iv) expected to be paid a Base Salary plus Bonus Compensation, if any, for the next relevant Plan Year for which the individual is completing an Enrollment and Payment Agreement that equals or exceeds the "highly compensated employee" dollar threshold under Section 414(q)(1)(B) in effect during the Plan Year in which the individual enrolls and (v) has management responsibility.

ADT LLC Administrative Committee

Certificate of Committee Action

Pursuant to the authority granted to the Administrative Committee in accordance with the Administrative Committee Charter, which gives the Administrative Committee plan sponsor authority to adopt amendments to the retirement plans and programs sponsored by ADT LLC (the "Company"), so long as the aggregate cost with respect to each amendment that is adopted does not exceed \$200,000, and by acting in their capacity as members of the Administrative Committee, do hereby take the following actions:

1. Adopt Amendment 2019-1 to the ADT LLC Supplemental Savings and Retirement Plan (the "SSRP"). Certify and adopt Amendment 2019-1 to the SSRP in substantially the same form as attached hereto as of the effective date set forth in Amendment 2019-1 to:
 - (a) Eligible Employee Definition. Amend the definition of Eligible Employee to accurately reflect those employees who may participate in the Plan.
 - (b) Maximum Matching Percentage Definition. Amend the definition of Maximum Matching Percentage to accurately reflect the percentage of match available to Participants.
 - (c) Update Matching Credits. Amend and restate the formula used when determining a Participants Matching Credits under the Plan.

Executed as of this 8th day of February, 2019.

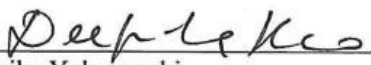
2-8-2019
Date

2/8/19
Date

2/8/19
Date


Brian Casey


Howard Perlman


Deepika Yelamanchi

**AMENDMENT 2019-1
TO THE
ADT LLC SUPPLEMENTAL SAVINGS AND RETIREMENT PLAN**

The ADT LLC Supplemental Savings and Retirement Plan, as amended and restated as of April 1, 2017 (the "SSRP"), is hereby amended effective February 8, 2019 as follows:

1. The first sentence of Section 2.25 (Eligible Employee) of the SSRP is hereby amended and restated in its entirety to read as follows:

"Eligible Employee" for all purposes under this Plan (other than eligibility for a Company Credit prior to January 1, 2014 under Section 6.3) includes any employee of the Company who is (i) a U.S. citizen, a resident alien permanently assigned to work in the United States or is a United States visa holder and is selected by the Company to participate in the Plan, (ii) paid on the United States payroll (other than Puerto Rico), (iii) either (a) subject to the requirements of Section 16(a) of the Exchange Act, (b) included in career band 0, 1, 2 or 3 of the Company's pay scale, or (c) included in career band 4 of the Company's pay scale and participated in this Plan during the 2013 Plan Year or otherwise permitted by the Plan Administrator to participate in the Plan, (iv) expected to be paid a Base Salary plus Bonus Compensation, if any, for the next relevant Plan Year for which the individual is completing an Enrollment and Payment Agreement that equals or exceeds the "highly compensated employee" dollar threshold under Section 414(q)(1)(B) in effect during the Plan Year in which the individual enrolls and (v) has management responsibility.

2. Section 2.31 (Maximum Matching Percentage) of the SSRP is hereby amended and restated in its entirety to read as follows:

"Maximum Matching Percentage" for any Plan Year means the actual matching contribution percentage determined in the same manner as such matching contribution percentage is determined under the RSIP for such Plan Year (disregarding any limit on the amount of matching contributions to the RSIP imposed as a result of the operation of the limitations in Sections 401(a)(17), 402(g) or 415(c) of the Code, or any other limit imposed by this Plan or the Plan Administrator in its sole discretion), based on the percentage of Compensation actually deferred into the SSRP for that Plan Year; provided, that for any Participant who is employed by ADT or an ADT business unit, the Maximum Matching Percentage hereunder for any Plan Year shall be the maximum matching contribution percentage applicable to such Participant under the plan formula of the RSIP in which he or she participates.

3. Section 6.2 (Matching Credits) of the SSRP is hereby amended and restated in its entirety to read as follows:

An Eligible Employee who has elected to make Compensation Deferrals for a Plan Year shall receive Matching Credits, equal to the Participant's Maximum Matching Percentage multiplied by (i) the dollar amount of the Participant's Compensation for such Plan Year,

and (ii) the amount of Compensation for such Plan Year from which Spillover Deferrals (if any) are made under Section 6.1. Matching Credits shall be credited to a Participant's Account at such time or times as may be determined by the Plan Administrator in its sole discretion, but in no event less frequently than annually.

ADT LLC Administrative Committee

Certificate of Committee Action

Pursuant to the authority granted to the Administrative Committee in accordance with the Administrative Committee Charter, which gives the Administrative Committee plan sponsor authority to adopt amendments to the retirement plans and programs sponsored by ADT LLC (the "Company"), so long as the aggregate cost with respect to each amendment that is adopted does not exceed \$200,000, and by acting in their capacity as members of the Administrative Committee, the Administrative Committee hereby takes the following actions:

1. Adopt Amendment 2019-2 to the ADT LLC Supplemental Savings and Retirement Plan (the "SSRP"). Certify and adopt Amendment 2019-2 to the SSRP in substantially the same form as attached hereto as of the effective date set forth in Amendment 2019-2 to:
 - (a) Maximum Matching Percentage Definition. Amend the definition of Maximum Matching Percentage to accurately reflect the percentage of match available to Participants.
 - (b) Amount of Deferral Election. Changing the limit of Bonus Compensation deferrals to 90%.
 - (c) Update Matching Credits. Amend and restate the formula used when determining a Participants Matching Credits under the Plan.
2. Approve the participation of ADT Commercial LLC in the ADT Security Corporation Retirement Savings and Investment Plan (the "RSIP") as a participating employer on behalf of the Plan Sponsor.
3. Adopt Amendment 2019-2 to the RSIP. Certify and adopt Amendment 2019-2 to the RSIP in substantially the same form as attached hereto as of the effective dates set forth in Amendment 2019-2 to:
 - (a) Payment of Contributions. To clarify the process that occurs in the event the Participant's Compensation is not sufficient to make the applicable Contributions.
 - (b) Participating Employer. Add ADT Commercial LLC as a participating employer in the Plan.
4. Update Schedule A to the RSIP. Update Schedule A to the RSIP to reflect the most recent employee groups and associated contribution levels as of January 1, 2020.

Executed as of this 29th day of July, 2019.

7-24-2019
Date



Brian Casey

7-29-2019
Date

7-29-2019
Date

Deepika Yelamanchi
Deepika Yelamanchi

Amanda Babb
Amanda Babb

**AMENDMENT 2019-2
TO THE
ADT LLC SUPPLEMENTAL SAVINGS AND RETIREMENT PLAN**

The ADT LLC Supplemental Savings and Retirement Plan, as amended and restated as of April 1, 2017 (the "SSRP"), is hereby amended effective January 1, 2019 as follows:

1. Section 2.31 (Maximum Matching Percentage) of the SSRP is hereby amended and restated in its entirety to read as follows:

"Maximum Matching Percentage" for any Plan Year means the actual matching contribution percentage determined in the same manner as such matching contribution percentage is determined under the RSIP for such Plan Year (disregarding any limit on the amount of matching contributions to the RSIP imposed as a result of the operation of the limitations in Sections 401(a)(17), 402(g) or 415(c) of the Code, or any other limit imposed by this Plan or the Plan Administrator in its sole discretion), based on the percentage of ~~Compensation~~ "eligible wages" (as defined in the RSIP) actually deferred into the SSRP for that Plan Year; provided, that for any Participant who is employed by ADT or an ADT affiliate or business unit, the Maximum Matching Percentage hereunder for any Plan Year shall be the maximum matching contribution percentage applicable to such Participant under the plan formula of the RSIP in which he or she participates.

2. Section 5.2 (Amount of Deferral Election) of the SSRP is hereby amended and restated in its entirety to read as follows:

Pursuant to each Enrollment and Payment Agreement for a Plan Year a Participant shall irrevocably elect to defer as a whole percentage: (i) up to 50% of his or her Base Salary for the applicable Plan Year (or remainder of the year, as the case may be) and/or (ii) up to ~~90%~~ 400% of his or her Bonus Compensation (net of required withholding) for the applicable Fiscal Year, provided that no election to defer Bonus Compensation that is made on or after the first day of the applicable Fiscal Year will be effective unless (i) the Bonus Compensation qualifies as "performance-based compensation" under Section 409A of the Code, (ii) there are at least six months left in the performance period at the time the election is made, (iii) the Eligible Employee performs, or has performed, services for the Company continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date of such election and (iv) the Bonus Compensation is not readily ascertainable at the time of such election.

3. Section 6.2 (Matching Credits) of the SSRP is hereby amended and restated in its entirety to read as follows:

An Eligible Employee who has elected to make Compensation Deferrals for a Plan Year shall receive Matching Credits, equal to the Participant's Maximum Matching Percentage multiplied by the amount deferred into the Plan during such Plan Year that qualifies as

"eligible wages" (as defined in the RSIP) for such Plan Year, (i) the dollar amount of the Participant's Compensation for such Plan Year, and (ii) the amount of Compensation for such Plan Year from which Spillover Deferrals (if any) are made under Section 6.1. An Eligible Employee must defer their base salary at the minimum of the Maximum Matching Percentage and defer their bonus compensation at the minimum of the Maximum Matching Percentage during a Plan Year to qualify for the maximum Matching Credits available aggregated between the RSIP and SSRP. Matching Credits shall be credited to a Participant's Account at such time or times as may be determined by the Plan Administrator in its sole discretion, but in no event less frequently than annually.

**AMENDMENT 2019-2
TO THE
ADT SECURITY CORPORATION RETIREMENT
SAVINGS AND INVESTMENT PLAN**

The ADT Security Corporation Retirement Savings and Investment Plan, as amended and restated as of January 1, 2017 (the "RSIP"), is hereby amended effective January 1, 2019 unless otherwise set forth below, as follows:

1. Effective January 1, 2020, Appendix A is hereby amended and restated in its entirety as attached hereto.
2. Section 3.9 (Payment of Contributions) of the RSIP is hereby amended to add the following at the end of the paragraph to read as follows:

To the extent that a Participant's Compensation is not sufficient to make the otherwise applicable Tax-Deferred Contributions and Participant Contributions for a particular pay period, only the available amount (if any) shall be contributed for that pay period and any shortfall shall not be made up in any subsequent pay period.

APPENDIX A

Division Name	Division #	Eligibility	EE Contrib Limits	EE Contrib Sources	Company Match	Vesting	Effective Date	Catch up	NRA
ADT Commercial LLC	412	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	1/1/2020	yes	55
ADT Security Services	411	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	4/1/2008	yes	55
ADT-Guards Resi	499	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	4/1/2008	yes	55
Wells Fargo - Local 1 St Louis	559	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	2/1/1999	yes	55
ADT CWA#1122 Buff NY	569	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	5/31/2000	yes	55
ADT CWA#3 Chat TN	570	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	5/12/1999	yes	55
ADT CWA#3 Norrl/Baton	571	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	5/15/2010	yes	55
ADT CWA#4 Cine/Clev	572	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	4/1/2008	yes	55
ADT CWA#4 Destr/Mi	573	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT CWA#4 Erie/Pa	574	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	4/1/2008	yes	55
ADT CWA#4900 Evan IN	575	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	2/1/1999	yes	55
ADT CWA#4900 Ind IN	576	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	9/15/2008	yes	55
ADT CWA#6215 Dall TX	578	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT CWA#7 Salt Lk UT	580	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT CWA#9400 SoCalC	581	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT IBEW#1 St Lou MO	582	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	1/1/2010	yes	55
ADT IBEW#1076 Toledo	583	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	2/1/1999	yes	55
ADT IBEW#110 Minn MN	584	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	9/6/2000	yes	55
ADT IBEW#134 Chic IL	587	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	1/1/2009	yes	55
ADT IBEW#342 North Carolina	588	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/1/2008	yes	55
ADT IBEW#3 Scrn PA	592	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	2/1/2016	yes	55
ADT IBEW#364 Rock IL	597	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	5/15/2010	yes	55
ADT IBEW #369 Louis K	598	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	1/1/1999	yes	55
ADT IBEW #573 Youngst	5001	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	12/15/2009	yes	55
							4/1/2008	yes	55

Division Name	Division #	Eligibility	EE Contrib Limits	EE Contrib Sources	Company Match	Vesting	Effective Date	Catch up	NRA
ADT IBEW #613 Alta Ga	5002	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	4/1/2008	yes	55
ADT IBEW #665 Lans MI	5003	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT IBEW #46 Sea WA	5004	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	1/1/2010	yes	55
ADT IBEW #760 Knox TN	5005	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	5/12/1999	yes	55
ADT OPEIU #2 DC	5009	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	11/15/2009	yes	55
ADT IBEW #76 Tac WA	5014	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	1/1/2010	yes	55
Energy CWA #3 Nor/baton La	5016	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 3%, 50% of the next 2%	3 Yr. Cliff	4/1/2000	yes	55
Edison CWA #9400 So Cal	5028	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/1/2001	yes	55
IBEW # 90 Trum CT hired after 4/23/01	5037	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	5/1/2008	yes	55
ADT CWA#6215 Dall TX (Smith)	5048	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT IBEW#347 Des Moin IA	5049	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT OPEIU#2 Guth MD	5050	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	1/1/2010	yes	55
ADT OPEIU#2 Baltimore MD	5051	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	3/16/2009	yes	55
ADT IBEW#103 Boston, Ma	5054	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	9/15/2008	yes	55
ADT IBEW#3 New York (formerly Div 589 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55
AG IBEW#3 New York (formerly Div 5018 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55
ADT IBEW#3 Ruth/Cran (formerly Div 591 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55
AG IBEW#3 Ruth/Cran (formerly Div 5019 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55
Holmes-IBEW#3 NY HMS (formerly 588 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55
Wells Fargo- Local 3 Lyndhurst (formerly Div 563 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55
Wells Fargo-Local 3 NY/Hempstead (formerly 564 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55
Wells Fargo-Local 3 White Plains (formerly Div 566 age LT 50 and LT 10YOS)	5058	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	55

Division Name	Division #	Eligibility	EE Contrib Limits	EE Contrib Sources	Company Match	Vesting	Effective Date	Catch up	NRA
ADT IBEW#3 New York (formerly 589 GT age 50 at least 10 YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
AG IBEW#2 New York (formerly 5018 GT age 50 at least 10 YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
ADT IBEW#3 Ruth/Cran (formerly 591 GT age 50 at least 10 YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
AG IBEW#3 Ruth/Cran (formerly 5019 GT age 50 at least 10 YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
Holmes-IBEW#3 NY HMS (formerly 588 GT age 50 at least 10YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
Wells Fargo- Local 3 Lyndhurst (formerly 563 GT age 50 at least 10YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
Wells Fargo- Local 3 NY HMS (formerly 564 GT age 50 at least 10YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
Wells Fargo- Local 3 White Plains (formerly 566 GT age 50 at least 10YOS)	5059	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	6/1/2011	yes	\$5
IBEW#3 NY new hires 10/99 (formerly 5026)	5060	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	\$5
IBEW#3 Cran/Ruth NJ new hires 10/99(formerly Division 5027)	5060	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	10/15/2009	yes	\$5
IBEW#90 (not 50/10 formerly 5007 and 5020)	5061	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	5/1/2008	yes	\$5
ADT IBEW #43 Syra (formerly 599)	5063	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	5/1/2008	yes	\$5
ADT-Local#165- Pennsauken,NJ/Pt. Washington, PA	5070	Age 18	NON HCE 50%/ HCE 11%	Pre Tax and/or After Tax Basic	100% of the first 5%	3 Yr. Cliff	1/1/2011	yes	\$5

ADT Inc. (a Delaware corporation)
Significant Subsidiaries

The table below is a list of direct and indirect subsidiaries of ADT Inc. as of December 31, 2020, and the state in which the subsidiaries are organized. Pursuant to Item 601(b)(21)(ii) of Regulation S-K, certain subsidiaries have been omitted from this list because, if considered in the aggregate as a single subsidiary, such subsidiaries would not constitute a “significant subsidiary” as defined in Rule 1-02(w) of Regulation S-X.

Country	Entity	State
United States	ADT LLC	DE
United States	Prime Security Services Borrower, LLC	DE
United States	Prime Security Services Holdings, LLC	DE
United States	The ADT Security Corporation	DE
United States	ADT Commercial LLC	CO
United States	Defenders, LLC	IN

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-248821, 333-230456 and 333-235331) and Form S-8 (No. 333-222783 and 333-234077) of ADT Inc. of our report dated February 25, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Hallandale Beach, Florida
February 25, 2021

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 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: February 25, 2021

/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: February 25, 2021

/s/ Jeffrey Likosar

Jeffrey Likosar

Executive Vice President, Chief Financial Officer and Treasurer

**ADT INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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, 2020 (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

February 25, 2021

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).

**ADT INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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, 2020 (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

February 25, 2021

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).