

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)



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

For the quarterly period ended March 31, 2021

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

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 emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of April 28, 2021, there were 765,375,520 shares outstanding (excluding 9,573,053 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 122,554	\$ 204,998
Accounts receivable, net of allowance for credit losses of \$66,830 and \$68,342, respectively	331,698	336,033
Inventories, net	181,404	174,839
Work-in-progress	43,235	41,312
Prepaid expenses and other current assets	188,930	210,212
Total current assets	867,821	967,394
Property and equipment, net	326,657	325,716
Subscriber system assets, net	2,695,466	2,663,228
Intangible assets, net	5,809,295	5,906,690
Goodwill	5,242,973	5,236,302
Deferred subscriber acquisition costs, net	692,505	654,019
Other assets	376,931	363,587
Total assets	\$ 16,011,648	\$ 16,116,936
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of long-term debt	\$ 80,170	\$ 44,764
Accounts payable	348,441	321,595
Deferred revenue	355,773	345,582
Accrued expenses and other current liabilities	530,572	584,151
Total current liabilities	1,314,956	1,296,092
Long-term debt	9,445,820	9,447,780
Deferred subscriber acquisition revenue	900,458	832,166
Deferred tax liabilities	973,163	990,899
Other liabilities	399,341	510,663
Total liabilities	13,033,738	13,077,600
Commitments and contingencies (See Note 12)		
Stockholders' equity:		
Preferred stock—authorized 1,000,000 shares of \$0.01 par value; zero issued and outstanding as of March 31, 2021 and December 31, 2020.	—	—
Common stock—authorized 3,999,000,000 shares of \$0.01 par value; issued and outstanding shares of 774,884,351 and 771,013,638 as of March 31, 2021 and December 31, 2020, respectively.	7,749	7,710
Class B common stock—authorized 100,000,000 shares of \$0.01 par value; issued and outstanding shares of 54,744,525 as of March 31, 2021 and December 31, 2020.	547	547
Additional paid-in capital	6,644,332	6,640,763
Accumulated deficit	(3,568,615)	(3,491,069)
Accumulated other comprehensive loss	(106,103)	(118,615)
Total stockholders' equity	2,977,910	3,039,336
Total liabilities and stockholders' equity	\$ 16,011,648	\$ 16,116,936

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
Monitoring and related services	\$ 1,062,766	\$ 1,045,957
Installation and other	241,938	323,795
Total revenue	1,304,704	1,369,752
Cost of revenue (exclusive of depreciation and amortization shown separately below)	381,166	407,986
Selling, general and administrative expenses	449,602	453,304
Depreciation and intangible asset amortization	469,809	489,024
Merger, restructuring, integration, and other	20,507	108,794
Operating loss	(16,380)	(89,356)
Interest expense, net	(47,724)	(225,367)
Loss on extinguishment of debt	(156)	(65,843)
Other income	1,803	2,309
Loss before income taxes	(62,457)	(378,257)
Income tax benefit	14,563	77,964
Net loss	\$ (47,894)	\$ (300,293)
Net loss per share - basic and diluted:		
Common stock	\$ (0.06)	\$ (0.40)
Class B common stock	\$ (0.06)	\$ —
Weighted-average shares outstanding - basic and diluted:		
Common stock	762,704	759,092
Class B common stock	54,745	—

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
Net loss	\$ (47,894)	\$ (300,293)
Other comprehensive income (loss), net of tax:		
Cash flow hedges	11,666	(96,063)
Defined benefit pension plans	846	7
Total other comprehensive income (loss), net of tax	12,512	(96,056)
Comprehensive loss	\$ (35,382)	\$ (396,349)

See Notes to Condensed Consolidated Financial Statements

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

Three Months Ended March 31, 2021								
	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
Balances at beginning of period	771,014	54,745	\$ 7,710	\$ 547	\$ 6,640,763	\$ (3,491,069)	\$ (118,615)	\$ 3,039,336
Net loss	—	—	—	—	—	(47,894)	—	(47,894)
Other comprehensive income, net of tax	—	—	—	—	—	—	12,512	12,512
Dividends, including dividends reinvested in common stock	—	—	—	—	4	(29,136)	—	(29,132)
Share-based compensation expense	—	—	—	—	16,019	—	—	16,019
Transactions related to employee share-based compensation plans and other	3,870	—	39	—	(12,454)	(516)	—	(12,931)
Balances at end of period	774,884	54,745	\$ 7,749	\$ 547	\$ 6,644,332	\$ (3,568,615)	\$ (106,103)	\$ 2,977,910

Three Months Ended March 31, 2020								
	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
Balances at beginning of period	753,622	—	\$ 7,536	\$ —	\$ 5,977,402	\$ (2,742,193)	\$ (58,376)	\$ 3,184,369
Adoption of accounting standard, net of tax	—	—	—	—	—	(2,157)	—	(2,157)
Net loss	—	—	—	—	—	(300,293)	—	(300,293)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(96,056)	(96,056)
Issuance of common stock	16,279	—	163	—	113,678	—	—	113,841
Dividends, including dividends reinvested in common stock	—	—	—	—	3	(27,117)	—	(27,114)
Share-based compensation expense	—	—	—	—	23,499	—	—	23,499
Transactions related to employee share-based compensation plans and other	247	—	2	—	(173)	(1,092)	—	(1,263)
Balances at end of period	770,148	—	\$ 7,701	\$ —	\$ 6,114,409	\$ (3,072,852)	\$ (154,432)	\$ 2,894,826

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended	
	March 31, 2021	March 31, 2020
Cash flows from operating activities:		
Net loss	\$ (47,894)	\$ (300,293)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and intangible asset amortization	469,809	489,024
Amortization of deferred subscriber acquisition costs	28,642	22,627
Amortization of deferred subscriber acquisition revenue	(37,159)	(29,477)
Share-based compensation expense	16,019	23,499
Deferred income taxes	(21,815)	(82,507)
Provision for losses on receivables and inventory	14,250	45,692
Loss on extinguishment of debt	156	65,843
Intangible asset impairments	17,883	—
Unrealized (gain) loss on interest rate swap contracts	(106,517)	69,563
Other non-cash items, net	38,815	48,656
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Deferred subscriber acquisition costs	(67,402)	(48,194)
Deferred subscriber acquisition revenue	58,170	39,714
Other, net	(3,623)	(93,918)
Net cash provided by operating activities	359,334	250,229
Cash flows from investing activities:		
Dealer generated customer accounts and bulk account purchases	(198,761)	(62,247)
Subscriber system asset expenditures	(144,345)	(64,830)
Purchases of property and equipment	(41,505)	(34,571)
Acquisition of businesses, net of cash acquired	(15,909)	(179,569)
Other investing, net	1,408	2,782
Net cash used in investing activities	(399,112)	(338,435)
Cash flows from financing activities:		
Proceeds from long-term borrowings	10,729	1,640,000
Proceeds from receivables facility	29,670	—
Repayment of long-term borrowings, including call premiums	(17,937)	(1,438,044)
Repayment of receivables facility	(7,367)	—
Dividends on common stock	(28,980)	(26,291)
Deferred financing costs	(114)	(14,139)
Other financing, net	(26,686)	(3,915)
Net cash (used in) provided by financing activities	(40,685)	157,611
Net (decrease) increase in cash and cash equivalents and restricted cash and restricted cash equivalents	(80,463)	69,405
Cash and cash equivalents and restricted cash and restricted cash equivalents at beginning of period	207,747	48,736
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period	\$ 127,284	\$ 118,141
Supplemental schedule of non-cash investing and financing activities:		
Issuance of shares for acquisition of business	\$ —	\$ 113,841

See Notes to Condensed Consolidated Financial Statements

ADT INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 consumers and businesses 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 (“Common Stock”) began trading on the New York Stock Exchange under the symbol “ADT.”

In September 2020, the Company issued and sold 54,744,525 shares of Class B common stock, par value of \$0.01 per share (“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”).

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 condensed 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 condensed 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.

The condensed consolidated financial statements included herein are unaudited, but in the opinion of management, such financial statements include all adjustments, consisting of normal recurring adjustments, necessary to summarize fairly the Company’s financial position, results of operations, and cash flows for the interim periods presented. The interim results reported in these condensed consolidated financial statements should not be taken as indicative of results that may be expected for future interim periods or the full year. For a more comprehensive understanding of the Company and its interim results, these condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Annual Report”), which was filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 25, 2021. The Company’s accounting policies used in the preparation of these condensed consolidated financial statements do not differ from those used in the annual consolidated financial statements, unless otherwise noted.

The Condensed Consolidated Balance Sheet as of December 31, 2020 included herein was derived from the audited consolidated financial statements as of that date but does not include all the footnote disclosures from the annual consolidated financial statements.

The condensed 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.

Segment Change

Effective in the first quarter of 2021, the manner in which the Company’s Chief Executive Officer, who is the chief operating decision maker (the “CODM”), evaluates performance and makes decisions about how to allocate resources changed. Therefore, the Company now reports results in two operating and reportable segments, Consumer and Small Business (“CSB”) and Commercial, rather than a single operating and reportable segment. Where applicable, prior periods have been retrospectively adjusted to reflect the new operating and reportable segment structure.

The accounting policies of the Company's reportable segments are the same as those for the consolidated financial statements.

The Company organizes its segments based on customer type as follows:

- **Consumer and Small Business (CSB)** - Customers in the CSB segment are comprised of residential homeowners, small business operators, and other individual consumers. The CSB segment primarily includes (i) revenue and operating costs from the sale, installation, servicing, and monitoring of integrated security and automation systems, as well as other offerings such as mobile security and home health solutions; (ii) other operating costs associated with support functions related to these operations; and (iii) general corporate costs and other income and expense items not included in the Commercial segment.

Results for the Company's Canadian operations prior to its sale in the fourth quarter of 2019 are included in the CSB segment based on the primary customer market served in Canada.

- **Commercial** - Customers in the Commercial segment are comprised of larger businesses with more expansive facilities (typically larger than 10,000 square feet) and/or multi-site operations, which often require more sophisticated integrated solutions. The Commercial segment primarily includes (i) revenue and operating costs from the sale, installation, servicing, and monitoring of integrated security and automation systems, fire detection and suppression systems, and other related offerings; (ii) other operating costs associated with support functions of these operations; and (iii) dedicated corporate and other costs.

Refer to Note 13 "Segment Information" for additional information on the Company's segments.

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 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, while subsequent easing of such measures has 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 on-going 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 three months ended March 31, 2021. 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 condensed consolidated financial statements in future reporting periods.

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 Condensed Consolidated Balance Sheets.

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

(in thousands)	March 31, 2021	December 31, 2020
Cash and cash equivalents	\$ 122,554	\$ 204,998
Restricted cash and restricted cash equivalents	4,730	2,749
Cash and cash equivalents and restricted cash and restricted cash equivalents at end of period	\$ 127,284	\$ 207,747

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 Condensed 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, which is included in depreciation and intangible asset amortization in the Condensed Consolidated Statements of Operations, was \$123 million and \$134 million for the three months ended March 31, 2021 and 2020, respectively.

The following table presents the gross carrying amount, accumulated depreciation, and net carrying amount of subscriber system assets:

<i>(in thousands)</i>	March 31, 2021	December 31, 2020
Gross carrying amount	\$ 4,964,620	\$ 4,815,286
Accumulated depreciation	(2,269,154)	(2,152,058)
Subscriber system assets, net	\$ 2,695,466	\$ 2,663,228

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 Condensed Consolidated Statements of Operations was \$29 million and \$23 million for the three months ended March 31, 2021 and 2020, 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.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

<i>(in thousands)</i>	March 31, 2021	December 31, 2020
Accrued interest	\$ 71,011	\$ 123,935
Payroll-related accruals	103,453	99,771
Operating lease liabilities	31,104	30,689
Fair value of interest rate swaps	64,864	65,462
Other accrued liabilities	260,140	264,294
Accrued expenses and other current liabilities	\$ 530,572	\$ 584,151

Radio Conversion Costs

During 2019, the Company commenced a program to replace the 3G and Code-Division Multiple Access (“CDMA”) cellular equipment used in many of its security systems as a result of the 3G and CDMA cellular network providers notifying the Company that they will be retiring their 3G and CDMA networks during 2022. The Company continues to estimate the range of net costs over the course of this program at \$225 million to \$300 million, which consists of costs, net of any revenue the Company collects from customers, associated with these radio replacements and cellular network conversions. From inception of this program through March 31, 2021, the Company has incurred \$136 million of net costs, of which \$59 million has been incurred during the three months ended March 31, 2021.

The Company seeks to minimize these costs by converting customers during routine service visits whenever possible. The replacement program and pace of replacement are subject to change and may be influenced by the Company’s ability to access customer sites due to the COVID-19 Pandemic; cost-sharing opportunities with suppliers, carriers, and customers; and the extent to which the Company is able to implement its Cell Bounce solution, as described below. Given the current network retirement dates, the Company expects most of the remaining net costs to be incurred during 2021 and expects to continue collecting a portion of the incremental revenue thereafter.

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 was intended to facilitate the transition of customers on 3G networks in a cost efficient and timely manner. However, as a result of recent worldwide shortages for certain electronic components, the Company may be unable to produce the expected volume of Cell Bounce product in order to achieve the expected benefits. As a result, the Company expects to continue to replace 3G radios primarily using traditional methods and to utilize Cell Bounce for any customers the Company is unable to upgrade through these traditional methods to the extent possible.

During the three months ended March 31, 2021 and 2020, the Company incurred radio conversion costs associated with these replacement programs and cellular network conversions of \$70 million and \$16 million, respectively, and recognized incremental radio conversion revenue of \$11 million and \$9 million, respectively. Radio conversion costs are included in selling, general and administrative expenses in the Condensed Consolidated Statements of Operations. Radio conversion revenue is included in monitoring and related services revenue in the Condensed Consolidated Statement of Operations.

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, which totaled \$41 million and \$143 million as of March 31, 2021 and December 31, 2020, respectively. 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:

	March 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
Retail installment contract receivables, net	\$ 174,870	\$ 136,400	\$ 141,591	\$ 112,676

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 values as interest rates on these borrowings approximate current market rates. The resulting fair values are classified as Level 2 fair value measurements.

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

	March 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
Long-term debt instruments, excluding finance lease obligations	\$ 9,463,947	\$ 9,971,382	\$ 9,431,216	\$ 10,127,291

Derivative Financial Instruments - Derivative financial instruments are reported at fair value as either assets or liabilities in the Condensed 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 \$76 million and \$83 million as of March 31, 2021 and December 31, 2020, 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”) 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. The Company early adopted the guidance as of January 1, 2021. The impact from adoption was not material.

ASU 2021-01, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* amends ASU 2020-04, which was disclosed in the Company's 2020 Annual Report. ASU 2021-01 clarifies the scope and guidance of Topic 848 and allows derivatives impacted by the reference rate reform to qualify for certain optional expedients and exceptions for contract modifications and hedge accounting. The guidance is optional and is effective for a limited period of time through December 31, 2022. As of March 31, 2021, this guidance had no impact on the Condensed Consolidated Financial Statements. The Company will continue to evaluate this guidance.

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 Condensed Consolidated Statements of Operations.

Deferred subscriber acquisition revenue is deferred and recorded as deferred subscriber acquisition revenue in the Condensed 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 Condensed 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 \$37 million and \$29 million for the three months ended March 31, 2021 and 2020, respectively.

In transactions involving a security or fire safety system that is sold outright to the customer, the Company's performance obligations generally include the sale and installation of the system as well as any monitoring and related services. 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 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 Condensed 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 that drives revenue recognition for contracts where revenue is recognized over time 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 services are provided to the customer and is reflected in monitoring and related services revenue in the Condensed Consolidated Statements of Operations.

Revenue from product sales related to the sale and installation of security and fire safety systems was \$203 million and \$293 million for the three months ended March 31, 2021 and 2020, respectively. Cost of revenue from product sales related to the sale and installation of security and fire safety systems was \$160 million and \$212 million for the three months ended March 31, 2021 and 2020, respectively.

Early termination of the contract by the customer results in a termination charge in accordance with the terms of the contract. Contract termination charges are recognized in revenue when collectability is probable and are reflected in monitoring and related services revenue in the Condensed Consolidated Statements of Operations. The Company records revenue in the Condensed 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 Condensed 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 presents the Company's disaggregated revenue:

(in thousands)	Three Months Ended	
	March 31, 2021	March 31, 2020
CSB:		
Monitoring and related services	\$ 951,248	\$ 938,032
Installation and other	87,357	173,135
Total CSB	1,038,605	1,111,167
Commercial:		
Monitoring and related services	111,518	107,925
Installation and other ⁽¹⁾	154,581	150,660
Total Commercial	266,099	258,585
Total revenue	\$ 1,304,704	\$ 1,369,752

(1) Approximately half of installation and other revenue generated by the Commercial segment is recognized over time.

Revenue Model Initiative and 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 option that allows qualifying residential customers to repay the fees due at installation over 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 March 2020, the Company entered into an uncommitted receivables securitization financing agreement (the "Receivables Facility"), which allowed the Company to receive financing secured by retail installment contract receivables from transactions 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. As a result, the Company started to transition its security system ownership model to a predominately Company-owned model in May 2020. 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 the individual pools of customers was not material.

During the three months ended March 31, 2021, the provision for credit losses, write-offs, and recoveries were not material.

Retail Installment Contract Receivables, net

During February 2020, the Company introduced a new retail installment contract option that 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 both Company-owned and customer-owned models. 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 March 31, 2021, 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 table presents unbilled retail installment contract receivables, net, recognized in the Condensed Consolidated Balance Sheets:

<i>(in thousands)</i>	March 31, 2021	December 31, 2020
Retail installment contract receivables, gross	\$ 178,077	\$ 145,957
Allowance for credit losses	(3,207)	(4,366)
Retail installment contract receivables, net	\$ 174,870	\$ 141,591
Classification:		
Accounts receivable, net	\$ 55,091	\$ 47,023
Other assets	119,779	94,568
Retail installment contract receivables, net	\$ 174,870	\$ 141,591

As of March 31, 2021 and December 31, 2020, retail installment contract receivables, net, used as collateral for borrowings under the Receivables Facility were \$143 million and \$109 million, respectively.

Contract Assets, net

Contract assets are recorded when the Company has transferred goods or services to the customer in the ordinary course of business but 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 table presents contract assets, net, related to residential transactions recognized in the Condensed Consolidated Balance Sheets:

<i>(in thousands)</i>	March 31, 2021	December 31, 2020
Contract assets, gross	\$ 161,672	\$ 161,563
Allowance for credit losses	(27,143)	(29,558)
Contract assets, net	\$ 134,529	\$ 132,005
Classification:		
Prepaid expenses and other current assets	\$ 65,881	\$ 59,382
Other assets	68,648	72,623
Contract assets, net	\$ 134,529	\$ 132,005

The Company recognized approximately \$20 million and \$65 million of contract assets during the three months ended March 31, 2021 and 2020, respectively.

3. Leases

Company as Lessor

The Company is a lessor in certain transactions in which the Company provides monitoring and related services but retains ownership of the security system as the Company has identified a lease component associated with the right-of-use of the security system and a non-lease component associated with monitoring and related services. For transactions in which (i) the timing and pattern of transfer is the same for the lease and non-lease components, and (ii) 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 transaction 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 Condensed 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 accounts for the lease and non-lease components separately. 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 are recorded in the period in which the obligation is incurred and primarily relate to fuel, repair, and maintenance payments that vary based on the usage of leased vehicles.

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 operating and finance leases recognized in the Condensed Consolidated Balance Sheets:

Leases (in thousands)	Presentation	Classification	March 31, 2021	December 31, 2020
Assets:				
Operating	Current	Prepaid expenses and other current assets	\$ 647	\$ 684
Operating	Non-current	Other assets	129,238	138,408
Finance	Non-current	Property and equipment, net ⁽¹⁾	56,018	54,414
Total right-of-use assets			\$ 185,903	\$ 193,506
Liabilities:				
Operating	Current	Accrued expenses and other current liabilities	\$ 31,104	\$ 30,689
Finance	Current	Current maturities of long-term debt	29,138	26,955
Operating	Non-current	Other liabilities	106,938	115,694
Finance	Non-current	Long-term debt	32,905	34,373
Total lease liabilities			\$ 200,085	\$ 207,711

(1) Finance right-of-use assets are recorded net of accumulated depreciation of approximately \$72 million and \$67 million as of March 31, 2021 and December 31, 2020, respectively.

The following table presents the components of total lease cost:

Lease Cost (in thousands)	Three Months Ended	
	March 31, 2021	March 31, 2020
Operating lease cost	\$ 12,893	\$ 14,600
Finance lease cost		
Amortization of right-of-use assets	6,311	6,077
Interest on lease liabilities	695	833
Variable lease costs	12,978	12,798
Total lease cost	\$ 32,877	\$ 34,308

The following table presents cash flow and supplemental information associated with the Company's leases:

Other information (in thousands)	Three Months Ended	
	March 31, 2021	March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 12,539	\$ 14,213
Operating cash flows from finance leases	\$ 695	\$ 833
Financing cash flows from finance leases	\$ 7,208	\$ 6,642
Right-of-use assets obtained in exchange for new:		
Operating lease liabilities	\$ 2,187	\$ 15,999
Finance lease liabilities	\$ 8,072	\$ 4,627

4. Acquisitions

During the three months ended March 31, 2021, total consideration related to business acquisitions was \$16 million.

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 with a fair value of \$114 million. During the three months ended March 31, 2020, other business acquisitions were not material.

5. Goodwill and Other Intangible Assets

Goodwill

During the fourth quarter of 2020, the Company changed its reporting units, which included the reassignment of assets, liabilities, and financial operating results, as well as an applicable portion of goodwill based on a relative fair value approach, related to the Company's commercial customers from the U.S. reporting unit (now referred to as CSB) into the former Red Hawk reporting unit (now referred to as Commercial).

As discussed in Note 1 "Description of Business and Summary of Significant Accounting Policies," effective in the first quarter of 2021, the Company's operating and reportable segments are CSB, which is now comprised of the CSB reporting unit, and Commercial, which is now comprised of the Commercial reporting unit. Both of the Company's reporting units were previously included in a single operating and reportable segment. The change in reportable segments did not further impact the Company's reporting units.

The following table presents changes in the carrying amount of goodwill by reportable segment during the three months ended March 31, 2021:

<i>(in thousands)</i>	CSB	Commercial	Total Goodwill
Beginning balance, as previously reported	N/A	N/A	\$ 5,236,302
Beginning balance, after change in reportable segments	\$ 4,915,857	\$ 320,445	\$ 5,236,302
Acquisitions	—	6,279	6,279
Other	(25)	417	392
Ending balance	<u>\$ 4,915,832</u>	<u>\$ 327,141</u>	<u>\$ 5,242,973</u>

N/A—Not applicable.

The Company had no accumulated goodwill impairment losses as of March 31, 2021 and December 31, 2020.

There were no material measurement period adjustments to purchase price allocations during the three months ended March 31, 2021.

Other Intangible Assets

The following table summarizes the gross carrying amounts, accumulated amortization, and net carrying amounts of the Company's other intangible assets:

<i>(in thousands)</i>	March 31, 2021			December 31, 2020		
	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	\$ 8,236,971	\$ (4,916,344)	\$ 3,320,627	\$ 8,306,746	\$ (4,932,590)	\$ 3,374,156
Dealer relationships	1,518,020	(399,440)	1,118,580	1,518,020	(379,475)	1,138,545
Other	225,963	(188,875)	37,088	247,536	(186,547)	60,989
Total definite-lived intangible assets	<u>9,980,954</u>	<u>(5,504,659)</u>	<u>4,476,295</u>	<u>10,072,302</u>	<u>(5,498,612)</u>	<u>4,573,690</u>
Indefinite-lived intangible assets:						
Trade name	1,333,000	—	1,333,000	1,333,000	—	1,333,000
Intangible assets	<u>\$ 11,313,954</u>	<u>\$ (5,504,659)</u>	<u>\$ 5,809,295</u>	<u>\$ 11,405,302</u>	<u>\$ (5,498,612)</u>	<u>\$ 5,906,690</u>

The following table presents changes in the net carrying amount of contracts and related customer relationships during the three months ended March 31, 2021:

<i>(in thousands)</i>	
Beginning balance	\$ 3,374,156
Acquisition of customer relationships	5,601
Customer contract additions, net of dealer charge-backs	213,624
Amortization	(272,754)
Ending balance	<u>\$ 3,320,627</u>

During the three months ended March 31, 2021, the Company paid \$199 million to purchase contracts with customers under the ADT Authorized Dealer Program and from other third parties. The weighted-average amortization period for contracts with customers purchased under the ADT Authorized Dealer Program and from other third parties was 12 years during the three months ended March 31, 2021.

Contracts and related customer relationships includes the purchase of customer accounts from a third-party in February 2021 for a total contractual purchase price of \$91 million, subject to reduction based on customer retention. The Company paid cash at closing of \$73 million, which is included in dealer generated customer accounts and bulk account purchases on the Condensed Consolidated Statements of Cash Flows.

The following table presents amortization expense for definite-lived intangible assets:

(in thousands)	Three Months Ended	
	March 31, 2021	March 31, 2020
Definite-lived intangible asset amortization expense	\$ 299,327	\$ 306,956

Intangible Asset Impairments

During the three months ended March 31, 2021, the Company recognized \$18 million in impairment losses on its other definite-lived intangible assets primarily due to lower than expected benefits from the Cell Bounce developed technology intangible asset, which is included in the CSB segment, as a result of recent worldwide shortages for certain electronic components. The fair value was determined using an income-based approach, and the loss is reflected in merger, restructuring, integration, and other in the Condensed Consolidated Statements of Operations.

6. Debt

The Company's debt is comprised of the following:

(in thousands, except as otherwise indicated)

Debt Description	Issued	Maturity	Interest Rate	Interest Payable	Balance as of	
					March 31, 2021	December 31, 2020
First Lien Term Loan due 2026	9/23/2019	9/23/2026	Adj. LIBOR +2.75%	Quarterly	\$ 2,778,900	\$ 2,778,900
Second Lien Notes due 2028	1/28/2020	1/15/2028	6.250%	1/15 and 7/15	1,300,000	1,300,000
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	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	2/20/2026	LIBOR +0.85%	Monthly	98,077	75,775
Finance lease obligations	N/A	N/A	N/A	N/A	62,043	61,328
Less: Unamortized debt discount, net					(19,122)	(19,993)
Less: Unamortized deferred financing costs					(61,556)	(64,638)
Less: Unamortized purchase accounting fair value adjustment and other					(182,264)	(188,740)
Total debt					9,525,990	9,492,544
Less: Current maturities of long-term debt					(80,170)	(44,764)
Long-term debt					\$ 9,445,820	\$ 9,447,780

N/A—Not applicable. Refer to Note 3 “Leases” for additional information regarding the Company's finance leases.

Significant changes in the Company's debt during the three months ended March 31, 2021 were as follows:

First Lien Credit Agreement

In January 2021, the Company amended and restated its first lien credit agreement dated as of July 1, 2015 (together with subsequent amendments and restatements, the “First Lien Credit Agreement”) to refinance the term loan facility (the “First Lien Term Loan due 2026”), which reduced the applicable margin for Adjusted London Interbank Offered Rate (“LIBOR”) loans from 3.25% to 2.75% and reduced the LIBOR 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.

As of March 31, 2021, the Company had an available borrowing capacity of \$400 million under its first lien revolving credit facility (the “First Lien Revolving Credit Facility”) and no borrowings outstanding.

Receivables Facility

Under the terms of the Receivables Facility, the Company may receive up to \$200 million of financing secured by the Company's retail installment contract receivables. In March 2021, the Company amended the Receivables Facility to, among other things, extend the revolving period until March 4, 2022, and reduced the LIBOR floor from 1.00% to 0.85%.

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 ("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 a segregated bank account in the name of the SPE. 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 Condensed Consolidated Balance Sheets.

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

During the three months ended March 31, 2021, the Company received proceeds of \$30 million under the Receivables Facility and repaid \$7 million. As of March 31, 2021 and December 31, 2020, the Company had outstanding balances of \$98 million and \$76 million, respectively. As of March 31, 2021, the Company had an uncommitted available borrowing capacity of \$102 million under the Receivables Facility. The Receivables Facility did not have a material impact to the Condensed Consolidated Statements of Operations during the three months ended March 31, 2021 and 2020.

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 condensed consolidated financial statements. As of March 31, 2021 and December 31, 2020, the SPE's assets and liabilities primarily consisted of unbilled retail installment contract receivables, net, of \$143 million and \$109 million, respectively, and borrowings under the Receivables Facility of \$98 million and \$76 million, respectively.

Loss on Extinguishment of Debt

During the three months ended March 31, 2021, loss on extinguishment was not material.

During the three months ended March 31, 2020, loss on extinguishment of debt totaled \$66 million and related to the call premium and write-off of unamortized deferred financing costs in connection with the \$1.2 billion redemption of the Company's second-priority secured notes in February 2020.

7. 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 Condensed Consolidated Balance Sheets at fair value. For interest rate swap contracts not designated as cash flow hedges, unrealized gains and losses are recognized in interest expense, net, in the Condensed Consolidated Statements of Operations. For interest rate swap contracts designated as cash flow hedges, unrealized gains and losses are recognized as a component of accumulated other comprehensive income ("AOCI") in the Condensed 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-significant financing element at inception are reflected as cash flows from financing activities in the Condensed Consolidated Statements of Cash Flows.

The following table presents the Company's interest rate swaps as of March 31, 2021 and 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

As a result of changes in the interest rate environment during 2020, the Company's interest rate swap contracts previously 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. As the forecasted cash flows are probable or reasonably possible of occurring, 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.

The unrealized impact of interest rate swap contracts recognized in interest expense, net, in the Condensed Consolidated Statements of Operations was a gain of \$107 million and a loss of \$70 million during the three months ended March 31, 2021 and 2020, respectively. During the three months ended March 31, 2021 and 2020, the Company paid \$14 million and \$3 million, respectively, 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 Condensed Consolidated Statement of Cash Flows.

The following table presents the fair value of the Company's interest rate swaps and related classification in the Condensed Consolidated Balance Sheets:

(<i>in thousands</i>)	March 31, 2021	December 31, 2020
Accrued expenses and other current liabilities	\$ 64,864	\$ 65,462
Other liabilities	104,459	210,378
Fair value of interest rate swaps	\$ 169,323	\$ 275,840

As of March 31, 2021 and December 31, 2020, AOCI, net of tax, related to cash flow hedges was \$106 million and \$118 million, respectively.

8. Equity

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. Each share of Class B Common Stock has equal status and rights to dividends as a share of Common Stock. The holders of Class B Common Stock have one vote for each share of Class B Common Stock held on all matters on which stockholders are entitled to vote generally except for voting 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, subject to certain timing and restrictions.

Dividends

The following table presents the Company's dividends declared on common stock during the three months ended March 31, 2021 and 2020:

(in thousands, except per share data)

Declaration Date	Record Date	Payment Date	Common Stock Dividends		Class B Common Stock Dividends	
			Per Share	Aggregate	Per Share	Aggregate
2/25/2021	3/18/2021	4/1/2021	\$ 0.035	\$ 27,220	\$ 0.035	\$ 1,916
3/5/2020	3/19/2020	4/2/2020	\$ 0.035	\$ 27,117	\$ —	\$ —

On May 5, 2021, the Company announced a dividend of \$0.035 per share to holders of Common Stock and Class B Common Stock of record on June 17, 2021, which will be distributed on July 1, 2021.

During February 2019, the Company approved a dividend reinvestment plan (the "DRIP"), which allowed 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. Dividends settled in shares of Common Stock were not material during the three months ended March 31, 2021 and 2020. The DRIP terminated in accordance with its terms on February 27, 2021.

Share Repurchase Program

During February 2019, the Company approved a share repurchase program (the "Share Repurchase Program"), which authorized the Company to repurchase shares of the Company's Common Stock (up to a certain amount). There were no repurchases of any shares of Common Stock under the Share Repurchase Program during the three months ended March 31, 2021 and 2020. The Share Repurchase Program terminated in accordance with its terms on March 23, 2021.

Accumulated Other Comprehensive Loss

There were no material reclassifications out of AOCI during the three months ended March 31, 2021 and 2020.

As of March 31, 2021, approximately \$60 million of AOCI associated with cash flow hedges is estimated to be reclassified to interest expense, net, within the next twelve months.

9. Share-based Compensation

Share-based compensation expense totaled \$16 million and \$23 million during the three months ended March 31, 2021 and 2020, respectively.

Restricted Stock Units

During the three months ended March 31, 2021, the Company granted approximately 5 million restricted stock units ("RSUs") under the 2018 Omnibus Incentive Plan (the "2018 Plan"). These RSUs are service-based awards with a three-year graded vesting period from the date of grant. The fair value of the RSUs is equal to the closing price per share of the Company's Common Stock on the date of grant, which resulted in a weighted-average grant date fair value of \$7.74.

The RSUs include retirement provisions that allow awards to continue to vest in accordance with the granted terms in its entirety when a participant reaches retirement eligibility, as long as 12 months of service have been provided since the date of grant. RSUs are entitled to dividend equivalent units, which are granted as additional RSUs and are subject to the same vesting and forfeiture conditions as the underlying RSUs.

10. 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.

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.

For purposes of the diluted net loss per share of Class B Common Stock computation, basic net loss per share of Class B Common Stock is equal to diluted net loss per share of Class B Common Stock because there were no potential shares of Class B Common Stock outstanding, and the Company reported a net loss during the three months ended March 31, 2021.

The following table provides the computations of basic and diluted net loss per share for each class of common stock:

	Three Months Ended			
	March 31, 2021		March 31, 2020	
	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 and diluted	\$ (44,673)	\$ (3,221)	\$ (300,293)	\$ —
Weighted-average shares outstanding - basic and diluted	762,704	54,745	759,092	—
Net loss per share - basic and diluted	\$ (0.06)	\$ (0.06)	\$ (0.40)	\$ —

11. Income Taxes

Unrecognized Tax Benefits

During the three months ended March 31, 2021, the Company did not have a material change to its unrecognized tax benefits. The Company's unrecognized tax benefits relate to tax years that remain subject to audit by the taxing authorities in the U.S. federal, state and local, and foreign jurisdictions. Based on the current status of its income tax audits, the Company does not believe that a significant portion of its unrecognized tax benefits will be resolved in the next twelve months.

Effective Tax Rate

The Company's income tax benefit for the three months ended March 31, 2021 was \$15 million, resulting in an effective tax rate for the period of 23.3%. The effective tax rate primarily represents the federal statutory rate of 21.0%, a state statutory tax rate, net of federal benefits, of 2.8%, a 2.8% favorable impact of share-based compensation, partially offset by a 1.6% unfavorable impact of state legislative changes.

Income tax benefit for the three months ended March 31, 2020 was \$78 million, resulting in an effective tax rate for the period of 20.6%. The effective tax rate primarily represents the federal income tax rate of 21.0%, a state statutory tax rate, net of federal benefits, of 3.0%, a 2.4% unfavorable impact related to an increase in unrecognized tax benefits, and a 1.7% unfavorable impact from an increase in valuation allowances primarily related to tax credits not expected to be utilized prior to expiration.

The effective tax rate can vary from period to period due to permanent tax adjustments, discrete items such as the settlement of income tax audits and changes in tax laws, as well as recurring factors such as changes in the overall state tax rate.

COVID-19 Pandemic

In response to the COVID-19 Pandemic, the American Rescue Plan Act of 2021 (the "2021 Rescue Act") and the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") were signed into law during March 2021 and March 2020, respectively, and included significant corporate income tax and payroll tax provisions intended to provide economic relief to address the impact of the COVID-19 Pandemic.

During 2020, the Company 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 connection with the 2021 Rescue Act, the Company noted risks of an unfavorable impact to the Company's future results of operations and cash flows due to revised Internal Revenue Code Section 162(m) limits on the deduction for executive compensation, effective in tax years after 2026. During the first quarter of 2021, various revenue raising corporate tax provisions were also proposed, including a potential increase in the corporate tax rate and the enactment of a minimum tax on book income. The Company will continue to monitor and assess the potential unfavorable impacts of such proposals.

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 net operating losses. As of March 31, 2021, there has been no material impact to the Company from these state legislative changes. However, the Company expects the trend to continue through the remainder of 2021, 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.

12. Commitments and Contingencies

Contractual Obligations

During the three months ended March 31, 2021, the Company entered into various commitments to purchase certain parts used in the program to replace 3G and CDMA cellular equipment used in the Company's security systems. As of March 31, 2021, the Company had \$85 million outstanding related to these obligations.

In addition, the Company entered into an agreement in February 2021 with a third party to purchase customer accounts, if certain conditions are met, up to approximately \$67 million over the remaining course of the agreement. The timing and ultimate amount of these purchases are uncertain.

There have been no other material changes to the Company's contractual obligations as compared to December 31, 2020.

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 \$92 million and \$89 million as of March 31, 2021 and December 31, 2020, 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.

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. A hearing for final approval is scheduled in July 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 (the "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, four lawsuits have been filed against the Company, and the Company intervened in a fifth 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 Predry 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.

In April 2021, the Company received notice that a new class action complaint had been filed in the U.S. District Court for the Southern District of Florida on behalf of Randy Doty, the husband of the plaintiff in *Shana Doty v. ADT LLC*. The Company has not yet been formally served. The claims alleged in the new complaint follow the claims asserted in *Alexa Predry v. ADT LLC*, the case which has been stayed pending arbitration.

The Company was previously served with a complaint filed in Texas state court by an individual Company customer in July 2020, intervened in a putative Texas state court class action filed against the former technician in August 2020, and may be subject to future legal claims.

13. Segment Information

Effective in the first quarter of 2021, the manner in which the Company's Chief Executive Officer, who is the CODM, evaluates performance and makes decisions about how to allocate resources changed. Therefore, the Company now reports results in two operating and reportable segments, CSB and Commercial, rather than a single operating and reportable segment. Refer to Note 1 "Description of Business and Summary of Significant Accounting Policies," for a description of the Company's segments.

Where applicable, prior periods have been retrospectively adjusted to reflect the new operating and reportable segment structure.

The CODM uses Adjusted EBITDA, which is the segment profit measure, to evaluate segment performance.

Adjusted EBITDA is defined 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, net, (ix) financing and consent fees, (x) acquisition related adjustments, and (xi) other charges and non-cash items.

The CODM does not review the Company's assets by segment; therefore, such information is not presented.

The following table presents total revenue by segment and a reconciliation to consolidated total revenue:

	Three Months Ended	
	March 31, 2021	March 31, 2020
<i>(in thousands)</i>		
CSB	\$ 1,038,605	\$ 1,111,167
Commercial	266,099	258,585
Total Revenue	\$ 1,304,704	\$ 1,369,752

The following table presents Adjusted EBITDA by segment and a reconciliation to consolidated net loss before taxes:

	Three Months Ended	
	March 31, 2021	March 31, 2020
<i>(in thousands)</i>		
Adjusted EBITDA by segment:		
CSB	\$ 519,478	\$ 537,075
Commercial	22,653	2,414
Total	\$ 542,131	\$ 539,489
Reconciliation to consolidated net loss before taxes:		
Total segment Adjusted EBITDA	\$ 542,131	\$ 539,489
Less:		
Interest expense, net	47,724	225,367
Depreciation and intangible asset amortization	469,809	489,024
Amortization of deferred subscriber acquisition costs	28,642	22,627
Amortization of deferred subscriber acquisition revenue	(37,159)	(29,477)
Share-based compensation expense	16,019	23,499
Merger, restructuring, integration, and other	20,507	108,794
Loss on extinguishment of debt	156	65,843
Radio conversion costs, net ⁽¹⁾	58,729	6,639
Financing and consent fees ⁽²⁾	3,346	5,250
Acquisition related adjustments ⁽³⁾	(248)	1,377
Other ⁽⁴⁾	(2,937)	(1,197)
Net loss before taxes	\$ (62,457)	\$ (378,257)

(1) Represents costs, net of any incremental revenue earned, associated with replacing cellular technology used in many of the Company's security systems pursuant to a replacement program.

- (2) Represents fees expensed associated with financing transactions.
- (3) Represents amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.
- (4) Represents other charges and non-cash items.

14. 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. There were no significant related party transactions as of and for the three months ended March 31, 2021 and three months ended March 31, 2020.

ITEM 2. 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 condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the “2020 Annual Report”), which was filed with the United States (“U.S.”) Securities and Exchange Commission (the “SEC”) on February 25, 2021, to obtain a more comprehensive understanding of our financial condition, changes in financial condition, and results of operations. 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 Quarterly Report on Form 10-Q titled “Cautionary Statements Regarding Forward-Looking Statements” and “Item 1A. Risk Factors.”

OVERVIEW

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 consumers and businesses 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, do-it-yourself (“DIY”), mobile, and digital-based offerings for residential, small business, and larger commercial 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. As of March 31, 2021, we served approximately 6.6 million recurring customers.

Our 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. According to the type of service contract and customer preference, 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. 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 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 through a customized web portal from web-enabled devices (such as smart phones, laptops, and tablet computers). Additionally, our interactive and smart home solutions enable customers to create customized and automated schedules for managing connected devices such as lights, thermostats, appliances, garage doors, and cameras. 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 product innovation, 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. Our technology allows us to integrate with various third-party connected and wearable devices enabling us to serve our customers whether they are at home or on-the-go. Customers’ increasingly mobile and active lifestyles have also created new opportunities for us in the fast-growing market for self-monitored DIY products and mobile technology. Additionally, we offer personal emergency response system products and services that 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.

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.

Segment Change

Effective in the first quarter of 2021, the manner in which our Chief Executive Officer, who is the chief operating decision maker (the “CODM”), evaluates performance and makes decisions about how to allocate resources changed. Therefore, we now report results in two operating and reportable segments, Consumer and Small Business (“CSB”) and Commercial, rather than a single operating and reportable segment. Where applicable, prior periods have been retrospectively adjusted to reflect the new operating and reportable segment structure.

We organize our segments based on customer type as follows:

- **Consumer and Small Business (CSB)** - Customers in our CSB segment are comprised of residential homeowners, small business operators, and other individual consumers. Our CSB segment primarily includes (i) revenue and operating costs from the sale, installation, servicing, and monitoring of integrated security and automation systems, as well as other offerings such as mobile security and home health solutions; (ii) other operating costs associated with support functions related to these operations; and (iii) general corporate costs and other income and expense items not included in the Commercial segment.

Results for our Canadian operations prior to its sale in the fourth quarter of 2019 are included in the CSB segment based on the primary customer market served in Canada.

- **Commercial** - Customers in our Commercial segment are comprised of larger businesses with more expansive facilities (typically larger than 10,000 square feet) and/or multi-site operations, which often require more sophisticated integrated solutions. Our Commercial segment primarily includes (i) revenue and operating costs from the sale, installation, servicing, and monitoring of integrated security and automation systems, fire detection and suppression systems, and other related offerings; (ii) other operating costs associated with support functions of these operations; and (iii) dedicated corporate and other costs.

Our CODM uses Adjusted EBITDA, which is the segment profit measure, to evaluate segment performance. Our definition of Adjusted EBITDA, a reconciliation of Adjusted EBITDA to net loss, and additional information, including a description of the limitations relating to the use of Adjusted EBITDA, are provided under “—Non-GAAP Measures.”

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 customers 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 are formed 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 our offerings compared to our competitors.

Monthly fees generated 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, as well as our fire detection and suppression systems and other Commercial offerings. 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, 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 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, while subsequent easing of such measures has 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 businesses to a greater extent than our residential businesses, we believe our overall recurring revenue and highly variable subscriber acquisition cost model provides a solid financial foundation for strong cash flow generation. Accordingly, during the current challenging macroeconomic environment and the slowdown brought on by the COVID-19 Pandemic, 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. 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 providing 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 uncertainties around the economic environment and COVID-19 Pandemic increase consumer and business 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 on-going 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 three months ended March 31, 2021. 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 condensed consolidated financial statements in future reporting periods.

Radio Conversion Costs

During 2019, we commenced a program to replace 3G and Code-Division Multiple Access (“CDMA”) cellular equipment used in many of our security systems as a result of the 3G and CDMA cellular network providers notifying us that they will be retiring their 3G and CDMA networks during 2022. We continue to estimate that we will incur between \$225 million and \$300 million of net costs over the course of the program, which consists of costs, net of any revenue we collect from customers, associated with these radio replacements and cellular network conversions. From inception of this program through March 31, 2021, we have incurred \$136 million of net costs, of which \$59 million was incurred during the three months ended March 31, 2021.

We seek to minimize these costs by converting customers during routine service visits whenever possible. However, 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; and the extent to which we are able to implement our Cell Bounce solution, as described below. Given the current network retirement dates, we estimate that we will incur most of the remaining net costs during 2021, and we expect to continue to collect a portion of the incremental revenue thereafter.

During November 2020, we acquired Cell Bounce, a technology company with proprietary radio conversion technology in the form of a user-installable device, which was intended to facilitate the transition of customers on 3G networks in a cost efficient and timely manner. However, as a result of recent worldwide shortages for certain electronic components, we may be unable to produce the expected volume of Cell Bounce product in order to achieve the expected benefits. As a result, we expect to continue to replace 3G radios primarily using traditional methods, and we will utilize Cell Bounce product to complement these traditional methods to the extent possible.

Google Commercial Agreement

In 2020, we entered into a Master Supply, Distribution, and Marketing Agreement (the “Google Commercial Agreement”) with Google LLC (“Google”), 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. The Google Commercial Agreement also sets forth certain termination rights of the parties, certain exclusivity obligations of the Company in favor of Google, and certain other rights and obligations of the parties, all as described in our public filings with the SEC.

The Google Commercial Agreement further specifies that each party will contribute \$150 million towards the joint marketing of devices and services; customer acquisition; training of our employees on the sales, installation, customer service, and maintenance of 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 costs of approximately \$50 million associated with the development of our next generation platform in 2021. 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 events:

Revenue Model Initiative and 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 option that allows qualifying residential customers to repay the fees due at installation over 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 an uncommitted receivables securitization financing agreement (the “Receivables Facility”), which allowed us to receive financing secured by retail installment contract receivables from transactions 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 a Company-owned model. As a result, we started to transition our security system ownership model to a predominately Company-owned model in May 2020. In addition, our residential transactions included a temporary increase in transactions sold under a customer-owned model as a result of, and subsequent to, the acquisition of Defender Holdings, Inc. (“Defenders”) (the “Defenders Acquisition”) in January 2020. However, as of March 31, 2021, substantially all new residential transactions take place under a Company-owned model.

The transition to a predominately Company-owned model is expected to continue to impact our results of operations and cash flow presentation during 2021 compared to 2020 due to different accounting policies applicable to a Company-owned model versus a customer-owned model. We cannot be certain that our revenue model initiative, as described above, or the transition to a predominately Company-owned model, will achieve the desired outcomes. Accordingly, these actions 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.

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 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.”

RESULTS OF OPERATIONS

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

The following table presents our condensed consolidated results of operations and key performance indicators:

(in thousands, except as otherwise indicated)

	Three Months Ended		
	March 31, 2021	March 31, 2020	\$ Change
Results of Operations:			
Monitoring and related services	\$ 1,062,766	\$ 1,045,957	\$ 16,809
Installation and other	241,938	323,795	(81,857)
Total revenue	1,304,704	1,369,752	(65,048)
Cost of revenue (exclusive of depreciation and amortization shown separately below)	381,166	407,986	(26,820)
Selling, general and administrative expenses	449,602	453,304	(3,702)
Depreciation and intangible asset amortization	469,809	489,024	(19,215)
Merger, restructuring, integration, and other	20,507	108,794	(88,287)
Operating loss	(16,380)	(89,356)	72,976
Interest expense, net	(47,724)	(225,367)	177,643
Loss on extinguishment of debt	(156)	(65,843)	65,687
Other income	1,803	2,309	(506)
Loss before income taxes	(62,457)	(378,257)	315,800
Income tax benefit	14,563	77,964	(63,401)
Net loss	\$ (47,894)	\$ (300,293)	\$ 252,399
Key Performance Indicators: ⁽¹⁾			
RMR	\$ 349,058	\$ 339,182	\$ 9,876
Gross customer revenue attrition (percent)	13.1%	13.5%	(40) bps
Adjusted EBITDA ⁽²⁾	\$ 542,131	\$ 539,489	\$ 2,642

(1) Refer to the “—Key Performance Indicators” section for the definitions of these key performance indicators.

(2) Adjusted EBITDA is a non-GAAP measure. Refer to the “—Non-GAAP Measures” section for the definition of this term and a reconciliation to the most comparable GAAP measure.

Monitoring and Related Services Revenue (“M&S Revenue”)

The following table presents M&S Revenue in total and by segment:

	Three Months Ended		
	March 31, 2021	March 31, 2020	\$ Change
(in thousands)			
CSB	\$ 951,248	\$ 938,032	\$ 13,216
Commercial	111,518	107,925	3,593
Total M&S Revenue	\$ 1,062,766	\$ 1,045,957	\$ 16,809

The increase in total M&S Revenue was primarily attributable to CSB, which was driven by an increase in recurring revenue primarily due to improvements in average pricing as new and existing customers select higher priced interactive and other services and an increase in the average number of customers, which primarily reflects an improvement in gross customer revenue attrition. The increase in Commercial M&S Revenue was driven by an increase in monitoring revenue primarily due to the acquisitions of businesses and customer accounts.

Total RMR was \$349 million and \$339 million as of March 31, 2021 and 2020, respectively. The increase in RMR was due to improvements in average pricing on our customer base and net customer additions.

Gross customer revenue attrition was 13.1% and 13.5% as of March 31, 2021 and 2020, respectively. The improvement in gross customer revenue attrition was attributable to fewer non-payment disconnects, fewer customer relocations, and the benefit of customer retention initiatives, partially offset by lower dealer charge-backs.

Installation and Other Revenue

The following table presents installation and other revenue in total and by segment:

(in thousands)	Three Months Ended		
	March 31, 2021	March 31, 2020	\$ Change
CSB	\$ 87,357	\$ 173,135	\$ (85,778)
Commercial	154,581	150,660	3,921
Total installation and other revenue	\$ 241,938	\$ 323,795	\$ (81,857)

The decrease in total installation and other revenue was primarily attributable to CSB, which was driven by a lower volume of transactions in which equipment was sold outright to the customer as a result of our transition to a predominately Company-owned model.

The increase in installation and other revenue in Commercial was attributable to an increase in outright sales revenue primarily due to acquisitions.

Cost of Revenue

The following table presents cost of revenue in total and by segment:

(in thousands)	Three Months Ended		
	March 31, 2021	March 31, 2020	\$ Change
CSB	\$ 193,371	\$ 225,001	\$ (31,630)
Commercial	187,795	182,985	4,810
Total cost of revenue	\$ 381,166	\$ 407,986	\$ (26,820)

The decrease in total cost of revenue was primarily attributable to CSB, which was driven by a decrease in installation costs from a lower volume of residential transactions in which equipment was sold outright to the customer as a result of our transition to a predominately Company-owned model, partially offset by an increase in field service and call center costs.

The increase in cost of revenue in Commercial was primarily due to an increase in customer service costs, as well as an increase in installation costs primarily due to acquisitions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses remained relatively flat year over year and included the following changes:

- increases of \$54 million in radio conversion costs primarily related to an increase in the number of conversions of customers in our CSB segment;
- decreases in the provision for credit losses of \$21 million and \$11 million in our CSB and Commercial segments, respectively, primarily due to the impact in the prior year of the economic downturn associated with the COVID-19 Pandemic beginning in March 2020; and
- decreases in total selling costs primarily due to lower commissions as well as lower share-based compensation expense.

Depreciation and Intangible Asset Amortization

The decrease in depreciation and intangible asset amortization expense was primarily due to decreases related to contracts and related customer relationships and subscriber system assets.

Merger, Restructuring, Integration, and Other

During the three months ended March 31, 2021, merger, restructuring, integration, and other primarily included an \$18 million impairment charge due to lower than expected benefits from the Cell Bounce developed technology intangible asset as a result of recent worldwide shortages for certain electronic components.

During the three months ended March 31, 2020, merger, restructuring, integration, and other primarily included a loss of \$81 million associated with the settlement of a pre-existing relationship in connection with the Defenders Acquisition and \$8 million due to fair value remeasurements on a strategic investment.

During the three months ended March 31, 2021 and 2020, amounts included in merger, restructuring, integration, and other primarily related to our CSB segment.

Interest Expense, net

The decrease in interest expense, net, was primarily driven by the unrealized impact of interest rate swap contracts, which was a gain of \$107 million and a loss of \$70 million during the three months ended March 31, 2021 and 2020, respectively.

Loss on Extinguishment of Debt

During the three months ended March 31, 2021, loss on extinguishment of debt was not material.

During the three months ended March 31, 2020, loss on extinguishment of debt totaled \$66 million and related to 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.

Income Tax Benefit

Income tax benefit for the three months ended March 31, 2021 was \$15 million, resulting in an effective tax rate for the period of 23.3%. The effective tax rate primarily represents the federal statutory rate of 21.0%, a state statutory tax rate, net of federal benefits, of 2.8%, a 2.8% favorable impact of share-based compensation, partially offset by a 1.6% unfavorable impact of state legislative changes.

Income tax benefit for the three months ended March 31, 2020 was \$78 million, resulting in an effective tax rate for the period of 20.6%. The effective tax rate primarily represents the federal income tax rate of 21.0%, a state statutory tax rate, net of federal benefits, of 3.0% and a 2.4% unfavorable impact related to an increase in unrecognized tax benefits, and a 1.7% unfavorable impact from an increase in valuation allowances, primarily related to tax credits not expected to be utilized prior to expiration.

The effective tax rate can vary from period to period due to permanent tax adjustments, discrete items such as the settlement of income tax audits and changes in tax laws, as well as recurring factors such as changes in the overall state tax rate.

NON-GAAP MEASURES

To provide investors with additional information in connection with our results as determined in accordance with GAAP, we disclose Adjusted EBITDA as a non-GAAP measure. This measure is not a financial measure calculated in accordance with GAAP, and it should not be considered as a substitute for net income, operating income, 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, net, (ix) financing and consent fees, (x) acquisition related adjustments, and (xi) 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.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to net loss:

(in thousands)	Three Months Ended		
	March 31, 2021	March 31, 2020	\$ Change
Net loss	\$ (47,894)	\$ (300,293)	\$ 252,399
Interest expense, net	47,724	225,367	(177,643)
Income tax benefit	(14,563)	(77,964)	63,401
Depreciation and intangible asset amortization	469,809	489,024	(19,215)
Amortization of deferred subscriber acquisition costs	28,642	22,627	6,015
Amortization of deferred subscriber acquisition revenue	(37,159)	(29,477)	(7,682)
Share-based compensation expense	16,019	23,499	(7,480)
Merger, restructuring, integration, and other	20,507	108,794	(88,287)
Loss on extinguishment of debt	156	65,843	(65,687)
Radio conversion costs, net ⁽¹⁾	58,729	6,639	52,090
Financing and consent fees ⁽²⁾	3,346	5,250	(1,904)
Acquisition related adjustments ⁽³⁾	(248)	1,377	(1,625)
Other ⁽⁴⁾	(2,937)	(1,197)	(1,740)
Adjusted EBITDA	\$ 542,131	\$ 539,489	\$ 2,642

(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 amortization of purchase accounting adjustments and compensation arrangements related to acquisitions.

(4) Represents other charges and non-cash items.

The following table presents Adjusted EBITDA in total and by segment:

(in thousands)	Three Months Ended		
	March 31, 2021	March 31, 2020	\$ Change
CSB	\$ 519,478	\$ 537,075	\$ (17,597)
Commercial	22,653	2,414	20,239
Adjusted EBITDA	\$ 542,131	\$ 539,489	\$ 2,642

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Total Adjusted EBITDA remained relatively flat and includes an increase in Commercial partially offset by a decrease in CSB.

The \$18 million decrease in Adjusted EBITDA in our CSB segment is primarily due to a decrease in installation and other revenue, net of the associated costs, from transactions in which equipment was sold outright to the customer due to our transition to a predominately Company-owned model and an increase in field service and call center costs. These decreases were partially offset by a lower provision for credit losses, a reduction in total selling expenses, and an increase in recurring revenue, excluding amounts outside of our definition of Adjusted EBITDA.

The \$20 million increase in Adjusted EBITDA in our Commercial segment is primarily due to lower provision for credit losses, lower general and administrative costs, and an increase in recurring revenue, excluding amounts outside of our definition of Adjusted EBITDA.

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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.

We are a highly leveraged company with significant debt service requirements. As of March 31, 2021, we had \$123 million in cash and cash equivalents. In addition, we had \$400 million available under our revolving credit facility and an uncommitted available borrowing capacity of \$102 million under our Receivables Facility that 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 March 31, 2021.

Long-Term Debt

Significant changes in our debt during the three months ended March 31, 2021 were as follows:

First Lien Credit Agreement

In January 2021, we amended and restated the first lien credit agreement dated as of July 1, 2015 (together with subsequent amendments and restatements, the “First Lien Credit Agreement”) to refinance the term loan facility (the “First Lien Term Loan due 2026”), which reduced the applicable margin for Adjusted London Interbank Offered Rate (“LIBOR”) loans from 3.25% to 2.75% and reduced the LIBOR floor from 1.00% to 0.75%. Additionally, the amendment requires us 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. 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.

As of March 31, 2021, we had no borrowings outstanding under our first lien revolving credit facility (the “First Lien Revolving Credit Facility”).

Receivables Facility

During the three months ended March 31, 2021, we received proceeds of \$30 million under the Receivables Facility and repaid \$7 million. As of March 31, 2021, we had an outstanding balance of \$98 million and an uncommitted available borrowing capacity of \$102 million under the Receivables Facility that is dependent on the volume of eligible retail installment contract receivables that can be sold.

In March 2021, we amended the Receivables Facility to, among other things, extend the revolving period until March 4, 2022 and reduced the LIBOR floor from 1.00% to 0.85%.

Debt Covenants

As of March 31, 2021, 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

The following table presents our dividends declared on common stock during the three months ended March 31, 2021 and 2020:

(in thousands, except per share data)			Common Stock Dividends		Class B Common Stock Dividends	
Declaration Date	Record Date	Payment Date	Per Share	Aggregate	Per Share	Aggregate
2/25/2021	3/18/2021	4/1/2021	\$ 0.035	\$ 27,220	\$ 0.035	\$ 1,916
3/5/2020	3/19/2020	4/2/2020	\$ 0.035	\$ 27,117	\$ —	\$ —

On May 5, 2021, we announced a dividend of \$0.035 per share to holders of Common Stock and Class B Common Stock of record on June 17, 2021, which will be distributed on July 1, 2021.

During February 2019, we approved a dividend reinvestment plan (the “DRIP”), which allowed 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. Dividends settled in shares of Common Stock were not material during the three months ended March 31, 2021 and 2020. The DRIP terminated in accordance with its terms on February 27, 2021.

Share Repurchase Program

During February 2019, we approved a share repurchase program (the “Share Repurchase Program”), which authorized us to repurchase shares of our Common Stock (up to a certain amount). There were no repurchases of any shares of Common Stock under the Share Repurchase Program during the three months ended March 31, 2021 and 2020. The Share Repurchase Program terminated in accordance with its terms on March 23, 2021.

Cash Flow Analysis

The following table presents a summary of our cash flow activity:

(in thousands)		Three Months Ended		
		March 31, 2021	March 31, 2020	\$ Change
Net cash provided by operating activities	\$	359,334	250,229	\$ 109,105
Net cash used in investing activities	\$	(399,112)	(338,435)	\$ (60,677)
Net cash (used in) provided by financing activities	\$	(40,685)	157,611	\$ (198,296)

Cash Flows from Operating Activities

The increase in cash flows provided by operating activities was primarily due to (i) a payment of \$81 million in the first quarter of 2020 related to the settlement of a pre-existing relationship in connection with the Defenders Acquisition and (ii) a decrease in the volume of transactions in which equipment was sold outright to residential customers. These increases were partially offset by an increase in net payments for radio conversion costs. 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.

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

Cash Flows from Investing Activities

The increase in cash flows used in investing activities was primarily due to (i) an increase of \$137 million due to a higher volume of dealer and bulk account purchases primarily related to accounts purchased from a third party in February 2021 and an advance payment received in 2020 for dealer charge-backs in connection with the Defenders Acquisition and (ii) an increase of \$80 million due to a higher volume of subscriber system assets expenditures primarily as a result of the transition in 2020 to a predominately Company-owned model. These increases were partially offset by a decrease in cash paid for business acquisitions, net of cash acquired, of \$164 million primarily due to the Defenders Acquisition in 2020.

Cash Flows from Financing Activities

During the three months ended March 31, 2021, net cash used in financing activities primarily consisted of (i) \$29 million of dividend payments on common stock and (ii) \$14 million of payments on interest rate swap contracts that included an other-than-insignificant financing element at inception, partially offset by \$22 million of net proceeds under the Receivables Facility.

During the three months ended March 31, 2020, net cash provided by financing activities primarily consisted of \$202 million of net proceeds of long-term borrowings, which was partially offset by (i) \$26 million of dividend payments on common stock, and (ii) \$14 million related to the payment of deferred financing fees.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

In our 2020 Annual Report, we disclosed our commitments and contractual obligations. There have been no material changes to these commitments and contractual obligations, except as discussed below.

During the three months ended March 31, 2021, we entered into various commitments to purchase certain parts used in our program to replace 3G and CDMA cellular equipment used in our security systems. As of March 31, 2021, we had \$85 million outstanding related to these obligations.

In addition, we entered into an agreement in February 2021 with a third party to purchase customer accounts, if certain conditions are met, up to approximately \$67 million over the remaining course of the agreement. However, the timing and ultimate amount of these purchases are uncertain.

Refer to the discussion above under “—Liquidity and Capital Resources” for further details regarding significant changes to our long-term debt.

OFF-BALANCE SHEET ARRANGEMENTS

There have been no material changes to our off-balance sheet arrangements as disclosed in our 2020 Annual Report during the three months ended March 31, 2021.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accompanying condensed 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 condensed 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. In our 2020 Annual Report, we identified our accounting policies that are based on, among other things, estimates and judgments made by management that include inherent risks and uncertainties.

Refer to Note 1 “Description of Business and Summary of Significant Accounting Policies” to the condensed consolidated financial statements for further information about recent accounting pronouncements and adoptions.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly 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 “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 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.

Forward-looking information involves 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 II Item 1A. of this report under the heading “Risk Factors.” Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this report that looks toward future performance of 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 this Quarterly Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

ITEM 3. 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 0.75% floor on interest payments while our interest rate swap contracts do not include a floor. If current LIBOR increases above 0.75%, 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 0.75%. If current LIBOR is below 0.75%, 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 0.75% and current LIBOR because certain of our variable-rate debt has an interest floor of 0.75% while the corresponding interest rate swap contracts do not have a LIBOR floor.

The unrealized gains and losses of interest rate swap contracts recognized in interest expense, net, in the Condensed Consolidated Statements of Operations were a gain of \$107 million and a loss of \$70 million during the three months ended March 31, 2021 and 2020, respectively.

As of March 31, 2021, the carrying amount of our debt, excluding finance leases, was \$9.5 billion with a fair value of \$10 billion. In addition, we had interest rate swap contracts with aggregate notional amounts of \$3.2 billion with a fair value of \$169 million as a net liability. As of March 31, 2021, a hypothetical 10% change in interest rates would change the fair value of our debt by approximately \$184 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 0.75% 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 4. 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 Quarterly Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of March 31, 2021, 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.

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 March 31, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Note 12 “Commitments and Contingencies” to the condensed consolidated financial statements under the heading “Legal Proceedings” included in this Quarterly Report on Form 10-Q for legal proceedings and related matters.

ITEM 1A. RISK FACTORS.

Our significant business risks are described in Part I, Item 1A. in our 2020 Annual Report, as filed with the SEC on February 25, 2021, and in our other filings from time to time with the SEC. You should be aware that these risk factors and other information may not describe every risk facing the Company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Equity Securities

There were no sales of unregistered equity securities during the three months ended March 31, 2021.

Use of Proceeds from Registered Equity Securities

We did not receive any proceeds from sales of registered equity securities during the three months ended March 31, 2021.

Issuer Purchases of Equity Securities

On February 27, 2019, we approved the Share Repurchase Program, which authorized us to repurchase shares of our Common Stock (up to a certain amount). The Share Repurchase Program terminated in accordance with its terms on March 23, 2021.

There were no repurchases of any shares of our Common Stock under the Share Repurchase Program during the three months ended March 31, 2021.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. 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 below.

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

<u>4.3</u>	<u>Second Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</u>
<u>4.4</u>	<u>Third Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</u>
<u>4.5</u>	<u>Fourth Supplemental Indenture, dated as of January 14, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</u>
<u>4.6</u>	<u>Fifth Supplemental Indenture, dated as of October 1, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</u>
<u>4.7</u>	<u>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</u>
<u>4.8</u>	<u>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</u>
<u>4.9</u>	<u>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</u>
<u>4.10</u>	<u>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</u>
<u>4.11</u>	<u>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</u>
<u>4.12</u>	<u>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</u>
<u>4.13</u>	<u>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</u>
<u>4.14</u>	<u>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</u>
<u>4.15</u>	<u>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</u>
<u>4.16</u>	<u>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</u>
<u>4.17</u>	<u>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</u>
<u>4.18</u>	<u>Indenture, dated as of May 2, 2016, by and between Prime Security One MS, Inc. and the Wells Fargo Bank, National Association</u>
<u>4.19</u>	<u>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</u>
<u>4.20</u>	<u>Second Supplemental Indenture, dated as of August 9, 2016, by and between The ADT Corporation, the Notes Guarantors and Wells Fargo Bank, National Association</u>
<u>4.21</u>	<u>Third Supplemental Indenture, dated as of November 15, 2017, by and among The ADT Security Corporation, Datashield, LLC and Wells Fargo Bank, National Association</u>
<u>4.22</u>	<u>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</u>
<u>4.23</u>	<u>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</u>
<u>4.24</u>	<u>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</u>
<u>4.25</u>	<u>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</u>
<u>4.26</u>	<u>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</u>
<u>4.27</u>	<u>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</u>
<u>4.28</u>	<u>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</u>
<u>4.29</u>	<u>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.</u>
<u>4.30</u>	<u>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</u>
<u>4.31</u>	<u>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</u>

<u>4.32</u>	<u>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.</u>
<u>4.33</u>	<u>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</u>
<u>4.34</u>	<u>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</u>
<u>4.35</u>	<u>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>
<u>4.36</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 6.250% Second-Priority Senior Secured Notes due 2028</u>
<u>4.37</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>4.38</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>4.39</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, 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>Fourth Agreement of Amendment to Receivables Purchase Agreement, dated March 5, 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>10.27</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>10.28</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>10.29</u>	<u>Patent Agreement, dated as of September 26, 2012, by and between Tyco International Ltd. and The ADT Corporation</u>
<u>10.30</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>10.31</u>	<u>ADT LLC Supplemental Savings and Retirement Plan, effective as of April 1, 2017</u>
<u>10.32</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of December 18, 2017</u>
<u>10.33</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of December 24, 2018</u>
<u>10.34</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of December 31, 2018</u>
<u>10.35</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of February 8, 2019</u>
<u>10.36</u>	<u>Amendment to the ADT LLC Supplemental Savings and Retirement Plan, effective as of July 29, 2019</u>
<u>10.37</u>	<u>Stockholders Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</u>
<u>10.38</u>	<u>Registration Rights Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</u>
<u>10.39</u>	<u>Amendment to the Registration Rights Agreement between ADT Inc. and Prime Security Services TopCo Parent, L.P.</u>
<u>10.40</u>	<u>Securities Purchase Agreement, dated as of July 31, 2020, by and between ADT Inc. and Google LLC</u>
<u>10.41</u>	<u>Investor Rights Agreement, dated as of September 17, 2020 by and between ADT Inc. and Google LLC</u>
<u>10.42</u>	<u>Form of Indemnification Agreement by and between the Company and each of its Directors and Executive Officers</u>
<u>10.43+</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>10.44+</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 Jamie Haenggi</u>
<u>10.45+</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>10.46+</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>10.47+</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>10.48+</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.49+</u>	<u>First Amendment to ADT Inc. 2018 Omnibus Incentive Plan dated April 25, 2019</u>
<u>10.50+</u>	<u>Form of Restricted Stock Unit 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</u>
<u>10.52+</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>10.53+</u>	<u>Form of Amendment to Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption)</u>
<u>10.54+</u>	<u>Form of Common Stock Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.55+</u>	<u>ADT Inc. 2018 Omnibus Incentive Plan Restricted Stock Unit Non-Employee Director Award Agreement</u>
<u>10.56+</u>	<u>Form of Restricted Stock Unit Special Equity Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.57+</u>	<u>Form of Non-Qualified Option Special Equity Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</u>
<u>10.58+</u>	<u>Second Amended & Restated Employment Agreement with James D. DeVries</u>
<u>10.59+</u>	<u>Amendment to Second Amended & Restated Employment Agreement of James D. DeVries</u>
<u>10.60+*</u>	<u>Defenders, Inc. Executive Change in Control Severance Plan with James Boyce, dated April 24, 2017</u>
<u>10.61+*</u>	<u>Amendment to Executive Change in Control Severance Plan with James Boyce, dated January 29, 2020</u>
<u>10.62+*</u>	<u>Offer Letter dated February 3, 2020 by and between James Boyce and ADT Inc.</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 Instant 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ADT Inc.

Date: May 5, 2021

By:

Name:

Title:

/s/ Jeffrey Likosar

Jeffrey Likosar

*Chief Financial Officer and President, Corporate Development
(Principal Financial Officer)*

FOURTH AGREEMENT OF AMENDMENT

Dated as of March 5, 2021

Reference is made to:

(i) 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, and as further amended by the Third Agreement of Amendment dated January 29, 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; and

(ii) that certain Fee Letter dated as of April 17, 2020 as to the Funded Fee (the "Funded Fee Letter") among the Administrative Agent, Mizuho Bank, Ltd. as Purchaser Agent and the Seller.

Capitalized terms used herein but not defined shall have the meaning assigned to such terms in the Agreement.

1. The parties to the Agreement hereby agree that, effective as of the Amendment Effective Date (as defined below), the Agreement is hereby amended as follows:

(a) Section 10.1(t) of the Agreement is hereby deleted in its entirety.

(b) The definition of "Purchase Termination Date" in Appendix A of the Agreement is hereby amended and restated in its entirety to read as follows:

""Purchase Termination Date" means the earlier of (a) March 4, 2022 and (b) the occurrence of an Event of Termination."

2. The parties to the Funded Fee Letter hereby agree that, effective as of the Amendment Effective Date, the Funded Fee Letter is hereby amended so that the last sentence of the first paragraph of clause (1) thereof (the definition of "Funded Fee Percentage") is hereby amended and restated in its entirety to read as follows:

"As used herein and in the Receivables Purchase Agreement, the "Funded Fee Percentage" shall mean, for each day, a percentage equal to (i) if such day is prior to the Purchase Termination Date, 0.85% and (ii) if such day is on or after the Purchase Termination Date, 1.60%."

3. 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 fourth agreement of amendment (the "Fourth Agreement of Amendment") and shall have

received one or more counterparts of this Fourth 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 Fourth Agreement of Amendment, and (iii) this Fourth 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 principals of equity, whether such enforceability is considered in a proceeding in equity or at law.

This Fourth 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 Fourth Agreement of Amendment.

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

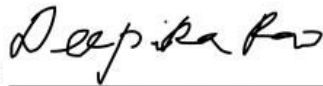
The words "execution," "signed," "signature," and words of like import in this Fourth Agreement of Amendment shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed 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 FOURTH 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).

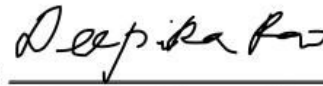
[Signature Pages Follow]

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

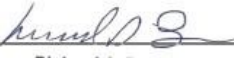
ADT FINANCE LLC,
as Seller

By: 
Name: Deepika Yelamanchi
Title: VP & Treasurer

ADT LLC,
as Servicer

By: 
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



Authorized
Premier Provider

April 24, 2017

Via Hand Delivery

James P. Boyce
3750 Priority Way South Drive
Indianapolis, Indiana 46240

Re: *Executive Change in Control Severance Plan*

Dear Jim:

This Participation Agreement (this "**Agreement**") is made and entered into by and between James P. Boyce and DEFENDERS, Inc. (the "**Company**").

The Company adopted the DEFENDERS, Inc. Executive Change in Control Severance Plan (the "**Plan**") to assure the present and future continuity, objectivity and dedication of Participants in the Plan, notwithstanding the possibility, threat or occurrence of a Change in Control.

A Participant in the Plan is eligible to receive certain severance benefits under certain circumstances if his or her employment is terminated in connection with a Change in Control of the Company, as described in the Plan.

The Company has chosen you to be a Participant in the Plan, subject to your being an Eligible Employee on the date of your Qualifying Termination and the other terms and conditions set forth in the Plan. A copy of the Plan is attached hereto as Amex A and is a part of this Agreement.

Unless otherwise defined, any capitalized terms used in this Agreement have the meaning set forth in the Plan.

In consideration of the mutual covenants contained herein, the parties agree as follows:

(a) Your Applicable Severance Multiplier shall be (i) 2 with respect to your targeted "primary" annual cash bonus, and (ii) 1.5 with respect to your annual base salary, as set forth in Section 4.01(a) of the Plan.

(b) Your Benefit Period shall be six months.

You agree to be bound by the additional covenants and provisions set forth in Amex B attached hereto, which is deemed to be part of this Agreement.



DEFENDERS, Inc.
DBA Protect Your Home
3750 Priority Way South Drive
Indianapolis, IN 46240-3815

**Protect
Your
Home**

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You agree that this Agreement contains all of the understandings and representations between you and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter; provided, that, your Benefit Period and your Applicable Severance Multiplier shall be in addition to, and not in lieu of, the benefits set forth in **clauses 5.2(a) and (b)** of that certain Employment Agreement, dated September 10, 2011, by and between James P. Boyce and DEFENDERS, Inc. (f/k/a Defender Security Company). The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

You acknowledge and agree that you have fully read, understand and voluntarily enter into this Agreement. You acknowledge and agree that you have had an opportunity to consult with your personal tax, financial planning advisor and/or attorney about the tax, financial and legal consequences of your participation in the Plan before signing this Agreement.

This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]



DEFENDERS, Inc.
DBA Protect Your Home
3750 Priority Way South Drive
Indianapolis, IN 46240-3815

**Protect
Your
Home**

IN WITNESS WHEREOF, the Company has executed this Agreement by its duly authorized officer as of the date set forth below. Please sign below and return this Agreement to the Company's General Counsel by May 5, 2017.

Sincerely,

DEFENDERS, Inc.

By:

Name: Barton L. Stroyer

Title: CFO

I accept my designation as a Participant under the terms and conditions of the Plan and this Agreement.

By:

Name: James P. Boyce

Title: CEO and President

cc: General Counsel

BC



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Premier Provider

ANNEX A: EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN



DEFENDERS, Inc.
DBA Protect Your Home
3750 Priority Way South Drive
Indianapolis, IN 46240-3815

**Protect
Your
Home**

DEFENDERS, Inc.
Executive Change in Control Severance Plan

ARTICLE I
PURPOSE

This Executive Change in Control Severance Plan has been established by the Company as of March 6, 2017 (the "**Effective Date**") to provide Participants with the opportunity to receive severance protections in connection with a Change in Control. The purpose of the Plan is to attract and retain talent and to assure the present and future continuity, objectivity and dedication of management in the event of any Change in Control to maximize value on a Change in Control.

Capitalized terms used but not otherwise defined herein have the meanings set forth in **Article II**.

ARTICLE II
DEFINITIONS

"**Administrator**" means the Talent and Compensation Committee of the Board of Directors of DEFENDER Holdings, Inc. ("DHI"), its successor or assigns. The Board may at any time administer the Plan, in whole or in part, notwithstanding that the Board has previously appointed a committee to act as the Administrator.

"**Applicable Severance Multiplier**" means the multiplier contained in the Participant's Participation Agreement that is applied to the Participant's base salary and annual bonus to determine the amount of severance the Participant may receive if a Qualifying Termination occurs.

"**Benefit Reimbursement**" has the meaning set forth in **Section 4.01(b)**.

"**Benefit Period**" means the period set forth in the Participation Agreement following a Qualifying Termination during which the Participant is eligible to receive COBRA continuation coverage.

"**Board**" means the Board of Directors of DHI, as constituted from time to time.

"**Cause**" means a good faith finding by the Company of: (i) gross negligence or willful misconduct by Participant in connection with Participant's employment duties, (ii) willful failure by Participant to perform employment related duties or responsibilities, including a breach of any employment agreement between Company and Participant, (iii) misappropriation by Participant for personal use of the assets or business opportunities of the Company, or its affiliates, (iv) the commission of any crime involving moral turpitude or the commission of any other act involving dishonesty, disloyalty, or material misconduct that is materially injurious to the interest, property, operations, business or reputation of the Company, (v) the Participant knowingly allowing any third party to commit any of the acts described in any of the preceding clauses (iii) or (iv), or (vi) the Participant's indictment for, conviction of, or entry of a plea of guilty or no contest with respect to, any felony that is work-related or impairs Participant's ability to perform services for the Company.

"**Change in Control**" means any event in which (i) any person, or group of persons, acquires, in one or more related transactions, ownership of stock of DHI or the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of DHI or the Company; (ii) a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of DHI or the Company possessing fifty percent (50%) or more of the total voting power of the stock of DHI or the Company; or (iii) there occurs a change in the ownership of a substantial portion of DHI or the Company's assets to any person, or group

BS

of persons, that acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company; provided however, a Change in Control shall occur if such transaction constitutes a change in the ownership of a substantial portion of the Company's assets under Section 409A. Notwithstanding the foregoing, no transfer of stock to Jessica A. Lindsey, any trust created by David P. Lindsey or Jessica A. Lindsey, or any child of David P. Lindsey and Jessica A. Lindsey, shall be taken into consideration when determining the existence of a Change in Control.

"COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985.

"Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

"Company" means DEFENDERS, Inc., an Indiana corporation, and any successor thereto.

"Compensation Committee" means the Talent and Compensation Committee of the Board.

"Covered Period" means the period of time beginning on the first occurrence of a Change in Control and lasting through the five (5) year anniversary of the occurrence of the Change in Control. The Covered Period shall also include the three-month period before the occurrence of the Change in Control if a Qualifying Termination occurs during such period and the Change in Control occurs.

"Effective Date" has the meaning set forth in Article I.

"Eligible Employee" means certain full-time employees of the Company who are recommended by the Chief Executive Officer of the Company to the Administrator to be a key employee who should be eligible to participate in the Plan. Eligible employees shall be limited to a select group of management or highly compensated employees within the meaning of Sections 201, 301 and 404 of ERISA.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended.

"Good Reason" means the occurrence of any of the following, in each case during the Participant's employment term without the Participant's consent:

(a) a material diminution in the Participant's base salary or annual bonus other than a general reduction in base salary or annual bonus that affects similarly situated executives in similar proportions;

(b) a material change in the geographic location at which the Participant must provide services, except for required travel on Company business to an extent substantially consistent with that prior to the Change in Control;

(c) any material breach by the Company of any material provision of this Agreement or agreement between the Participant and the Company and under which the Participant provides services; or

(d) a material diminution in the Participant's authority, duties or responsibilities (other than temporarily while the Executive is Disabled or as required by applicable law).

The Participant cannot terminate his or her employment for Good Reason unless he or she has provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within 90 days of the initial existence of such grounds and the Company has had at least 30 days from the

date on which such notice is provided to remedy such circumstances. In the event the Company fails to cure, the Participant will be deemed to have waived his right to terminate for Good Reason with respect to such grounds if the Participant does not separate from service within one (1) year after the Company's deadline to cure.

"Participant" has the meaning set forth in **Section 3.01**.

"Participation Agreement" means the latest participation agreement delivered by the Company to a Participant informing the Eligible Employee of the Eligible Employee's participation in the Plan.

"Person" has the meaning ascribed to it in Section 13(d)(3) of the Exchange Act.

"Plan" means this DEFENDERS, Inc. Executive Change in Control Severance Plan, as may be amended and/or restated from time to time.

"Qualifying Termination" means the termination of a Participant's employment during the Covered Period either:

- (a) by the Company without Cause; or
- (b) by the Participant for Good Reason.

A Qualifying Termination that occurs during the three-month period before the first occurrence of a Change in Control will be deemed to occur upon the first occurrence of the Change in Control for purposes of the Plan.

"Release" has the meaning set forth in **Section 6.01(c)**.

"Severance" has the meaning set forth in **Section 4.01(a)**.

"Specified Employee Payment Date" has the meaning set forth in **Section 10.12(b)**.

ARTICLE III PARTICIPATION

Section 3.01 Participants. Each Eligible Employee of the Company who (a) is chosen by the Administrator to participate in the Plan; (b) receives a Participation Agreement from the Company; and (c) executes and returns such Participation Agreement to the Company in accordance with the terms of the Participation Agreement shall be a **"Participant"** in the Plan.

Section 3.02 Removal. Except upon a Qualifying Termination, a Participant shall be automatically removed from participating in the Plan upon the cessation of the Participant's employment. In addition, the Administrator may remove a Participant from participating in the Plan by providing at least 180 days advance written notice to the Participant; provided that no such removal will be effective if made during the Covered Period.

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ARTICLE IV SEVERANCE

Section 4.01 Severance. If a Participant has a Qualifying Termination, then, subject to **Article VI**, the Company will provide the Participant with the following:

(a) Severance in an amount equal to the product of the Participant's Applicable Severance Multiplier times the sum of (i) the Participant's base salary in effect for the year in which the Qualifying Termination occurs, plus (ii) the Participant's targeted "primary" annual cash bonus for the year in which the Qualifying Termination occurs, without giving effect to material diminution of base salary or bonus that gives rise to Good Reason ("Severance"). Severance will be paid in a single lump-sum on the next payroll date following the 61st day following the Qualifying Termination.

(b) Reimbursement in an amount equal to the monthly COBRA premium the Participant would pay for himself or herself and his or her eligible dependents during the Benefit Period as determined in the reasonable discretion of the Company ("Benefit Reimbursement"). Benefit Reimbursement will be paid in a single lump-sum on the next payroll date following the 61st day following the Qualifying Termination, together with a gross-up payment equal to the estimated amount of local, state and federal income, and employment taxes payable on the Benefit Reimbursement (and the gross-up payment) necessary to put the Participant in the same after-tax position had Participant not incurred tax liability as a result of the Benefit Reimbursement.

ARTICLE V EQUITY AWARDS

Section 5.01 Equity Awards. The Plan does not affect the terms of any outstanding Equity Incentive Agreements. The treatment of any outstanding Equity Incentive Agreements shall be determined in accordance with the terms therein.

ARTICLE VI CONDITIONS

Section 6.01 Conditions. A Participant's entitlement to any benefits under **Article IV** will be subject to:

(a) the Participant timely executing and delivering to the Company his or her Participation Agreement in accordance with the terms of the Participation Agreement;

(b) the Participant having a Qualifying Termination; and

(c) the Participant executing a release of claims in favor of the Company, its affiliates and their respective officers and directors in a form provided by the Company (the "Release") and such Release becoming effective and irrevocable within sixty (60) days following the Participant's Qualifying Termination.

ARTICLE VII SECTION 280G

Section 7.01 S-Corporation. As long as the Company would qualify as a small business corporation (as defined in Section 1361(b)) of the Code) and as long as the exception contained in Section 280G of the Code applies to small business corporations, then no payment here under will be subject to excise taxes under Section 280G of the Code or Section 4999 of the Code, as applicable.

Section 7.02 Shareholder Approval. If any payment hereunder may subject the Company and the Participant to disallowance of certain deductions and certain excise taxes under Section 280G and Section 4999 of the Code, as applicable, each Participant agrees that, at the option of the Company, the Company may seek shareholder approval of the payment to any Participant under Section 280G of the Code. If the Company decides to seek shareholder approval, each Participant hereby agrees to allow the Company to seek shareholder approval, to put his/her payment at risk if shareholder approval is sought, and if shareholder approval is not obtained to loss of the payment put at risk.

ARTICLE VIII CLAIMS PROCEDURES

Section 8.01 Initial Claims. In order to file a claim to receive benefits under the Plan, the Participant or his or her authorized representative must submit a written claim for benefits to the Plan within 60 days after the Participant's Qualifying Termination. Claims should be addressed and sent to the Administrator, care of the Chief Financial Officer and the General Counsel of the Company, or their successors.

If the Participant's claim is denied, in whole or in part, the Participant will be furnished with written notice of the denial within ninety (90) days after the Administrator's receipt of the Participant's written claim, unless special circumstances require an extension of time for processing the claim, in which case a period not to exceed 180 days will apply. If such an extension of time is required, written notice of the extension will be furnished to the Participant before the termination of the initial ninety (90) day period and will describe the special circumstances requiring the extension, and the date on which a decision is expected to be rendered. Written notice of the denial of the Participant's claim will contain the following information:

- (a) the specific reason or reasons for the denial of the Participant's claim;
- (b) references to the specific Plan provisions on which the denial of the Participant's claim was based;
- (c) a description of any additional information or material required by the Administrator to reconsider the Participant's claim (to the extent applicable) and an explanation of why such material or information is necessary; and
- (d) a description of the Plan's review procedure and time limits applicable to such procedures, including a statement of the Participant's right to bring a civil action under Section 502(a) of ERISA following a benefit claim denial on review.

Section 8.02 Appeal of Denied Claims. If the Participant's claim is denied and he or she wishes to submit a request for a review of the denied claim, the Participant or his or her authorized representative must follow the procedures described below:

- (a) Upon receipt of the denied claim, the Participant (or his or her authorized representative) may file a request for review of the claim in writing with the Administrator. This request for review must be filed no later than sixty (60) days after the Participant has received written notification of the denial.
- (b) The Participant has the right to submit in writing to the Administrator any comments, documents, records or other information relating to his or her claim for benefits.
- (c) The Participant has the right to be provided with, upon request and free of charge, reasonable access to and copies of all pertinent documents, records and other information that is relevant to his or her claim for benefits.

(d) The review of the denied claim will take into account all comments, documents, records and other information that the Participant submitted relating to his or her claim, without regard to whether such information was submitted or considered in the initial denial of his claim.

Section 8.03 Administrator's Response to Appeal. The Administrator will provide the Participant with written notice of its decision within sixty (60) days after the Administrator's receipt of the Participant's written claim for review. There may be special circumstances which require an extension of this sixty (60) day period. In any such case, the Administrator will notify the Participant in writing within the sixty (60) day period and the final decision will be made no later than 120 days after the Administrator's receipt of the Participant's written claim for review. The Administrator's decision on the Participant's claim for review will be communicated to the Participant in writing and will clearly state:

- (a) the specific reason or reasons for the denial of the Participant's claim;
- (b) reference to the specific Plan provisions on which the denial of the Participant's claim is based;
- (c) a statement that the Participant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the Plan and all documents, records and other information relevant to his or her claim for benefits; and
- (d) a statement describing the Participant's right to bring an action under Section 502(a) of ERISA.

Section 8.04 Exhaustion of Administrative Remedies. The exhaustion of these claims procedures is mandatory for resolving every claim and dispute arising under the Plan. As to such claims and disputes:

- (a) no claimant shall be permitted to commence any legal action to recover benefits or to enforce or clarify rights under the Plan under Section 502 or Section 510 of ERISA or under any other provision of law, whether or not statutory, until these claims procedures have been exhausted in their entirety; and
- (b) in any such legal action, all explicit and implicit determinations by the Administrator (including, but not limited to, determinations as to whether the claim, or a request for a review of a denied claim, was timely filed) shall be afforded the maximum deference permitted by law.

Section 8.05 Legal Fees. The Company agrees to pay or reimburse a Participant, to the fullest extent permitted by law, all legal fees and expenses that the Participant may reasonably incur as a result of any contest by the Company, the Participant or others of the validity or enforceability of, or liability under, any provision of the Plan or any guarantee of performance thereof (including as a result of any contest by a Participant about the amount of any payments under the Plan), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code, in each case, provided that, the Participant prevails on any substantive issue in such proceeding.

ARTICLE IX

ADMINISTRATION, AMENDMENT AND TERMINATION

Section 9.01 Administration. The Administrator has the exclusive right, power and authority, in its sole and absolute discretion, to administer and interpret the Plan. The Administrator has all powers reasonably necessary to carry out its responsibilities under the Plan including (but not limited to) the sole and absolute discretionary authority to:

- (a) administer the Plan according to its terms and to interpret Plan policies and procedures;

(b) resolve and clarify inconsistencies, ambiguities and omissions in the Plan and among and between the Plan and other related documents;

(c) take all actions and make all decisions regarding questions of eligibility and entitlement to benefits, and benefit amounts;

(d) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan;

(e) process and approve or deny all claims for benefits; and

(f) decide or resolve any and all questions, including benefit entitlement determinations and interpretations of the Plan, as may arise in connection with the Plan.

The decision of the Administrator on any disputes arising under the Plan, including (but not limited to) questions of construction, interpretation and administration shall be final, conclusive and binding on all persons having an interest in or under the Plan. Any determination made by the Administrator shall be given deference in the event the determination is subject to judicial review and shall be overturned by a court of law only if it is arbitrary and capricious.

Section 9.02 Amendment and Termination. The Company reserves the right to amend or terminate the Plan effective at any time prior to a Change in Control, by providing at least one hundred eighty (180) days advance written notice to each Participant.

ARTICLE X GENERAL PROVISIONS

Section 10.01 At-will Employment. The Plan does not alter the status of each Participant as an at-will employee of the Company. Nothing contained herein shall be deemed to give any Participant the right to remain employed by the Company or to interfere with the rights of the Company to terminate the employment of any Participant at any time, with or without Cause.

Section 10.02 Effect on Other Plans, Agreements and Benefits.

(a) Any severance benefits payable to a Participant under the Plan will be in lieu of and not in addition to any severance benefits to which the Participant would otherwise be entitled under any general severance policy or severance plan maintained by the Company; and any severance benefits payable to a Participant under the Plan will be reduced by any severance benefits to which the Participant is entitled by operation of a statute or government regulations.

(b) Any severance benefits payable to a Participant under the Plan will not be counted as compensation for purposes of determining benefits under any other benefit policies or plans of the Company, except to the extent expressly provided therein.

Section 10.03 Mitigation and Offset. If the Participant obtains other employment after a Qualifying Termination, such other employment will not affect the Participant's rights or the Company's obligations under the Plan. The Company's obligation to make the payments and provide the benefits required under the Plan will not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other rights that the Company may have against the Participant.

Section 10.04 Severability. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan. If any provision of the Plan is held by a court of competent jurisdiction to be illegal, invalid, void or unenforceable, such provision shall be deemed modified, amended and narrowed to the extent necessary to render such provision legal, valid and enforceable, and the other remaining provisions of the Plan shall not be affected but shall remain in full force and effect.

Section 10.05 Headings and Subheadings. Headings and subheadings contained in the Plan are intended solely for convenience and no provision of the Plan is to be construed by reference to the heading or subheading of any section or paragraph.

Section 10.06 Unfunded Obligations. The amounts to be paid to Participants under the Plan are unfunded obligations of the Company. The Company is not required to segregate any monies or other assets from its general funds with respect to these obligations. Participants shall not have any preference or security interest in any assets of the Company other than as a general unsecured creditor.

Section 10.07 Successors. The Plan will be binding upon any successor to the Company, its assets, its businesses or its interest (whether as a result of the occurrence of a Change in Control or otherwise), in the same manner and to the same extent that the Company would be obligated under the Plan if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by the Plan, the Company shall require any successor to the Company to expressly and unconditionally assume the Plan in writing and honor the obligations of the Company hereunder, in the same manner and to the same extent that the Company would be required to perform if no succession had taken place. All payments and benefits that become due to a Participant under the Plan will inure to the benefit of his or her heirs, assigns, designees or legal representatives.

Section 10.08 Transfer and Assignment. Neither a Participant nor any other person shall have any right to sell, assign, transfer, pledge, anticipate or otherwise encumber, transfer, hypothecate or convey any amounts payable under the Plan prior to the date that such amounts are paid.

Section 10.09 Waiver. Any party's failure to enforce any provision or provisions of the Plan will not in any way be construed as a waiver of any such provision or provisions, nor prevent any party from thereafter enforcing each and every other provision of the Plan.

Section 10.10 Governing Law. To the extent not pre-empted by federal law, the Plan shall be construed in accordance with and governed by the laws of Indiana without regard to conflicts of law principles. Subject to **Article VIII**, any action or proceeding to enforce the provisions of the Plan will be brought only in a state or federal court located in the state of Indiana, county of Marion, and each party consents to the venue and jurisdiction of such court. The parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

Section 10.11 Withholding. The Company shall have the right to withhold from any amount payable hereunder any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation.

Section 10.12 Section 409A.

(a) The Plan is intended to comply with Section 409A of the Code or an exemption thereunder and shall be construed and administered in accordance with Section 409A of the Code. Notwithstanding any other provision of the Plan, if any payment or benefit provided to a Participant is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, then such payments may only be made

upon an event and in a manner that complies with Section 409A of the Code. Any payments under the Plan that may be excluded from Section 409A of the Code either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A of the Code to the maximum extent possible. For purposes of Section 409A of the Code, to the extent the payment is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, each installment payment provided under the Plan shall be treated as a separate payment. If any payment or benefit provided to a Participant is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code, then any payment to be made under the Plan upon a termination of employment shall only be made upon a "separation from service" under Section 409A of the Code. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under the Plan comply with Section 409A of the Code and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by a Participant on account of non-compliance with Section 409A of the Code.

(b) Notwithstanding any other provision of the Plan, if any payment or benefit provided to a Participant is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the Participant is determined to be a "specified employee" as defined in Section 409A(a)(2)(b)(i) of the Code, then such payment or benefit shall not be paid until the first payroll date to occur following the six (6) month anniversary of the Qualifying Termination or, if earlier, on the Participant's death (the "**Specified Employee Payment Date**"). The aggregate of any payments that would otherwise have been paid before the Specified Employee Payment Date and interest on such amounts calculated based on the applicable federal rate published by the Internal Revenue Service for the month in which the Participant's separation from service occurs shall be paid to the Participant in a lump sum on the Specified Employee Payment Date and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule.

(c) Notwithstanding any other provision of the Plan, the first payment of any payment or benefit that is conditioned on the Participant's execution of a Release, shall include all amounts that would otherwise have been paid to the Participant during the period beginning on the date of the Qualifying Termination and ending on the payment date if no delay had been imposed.

(d) To the extent required by Section 409A of the Code, each reimbursement or in-kind benefit provided under the Plan shall be provided in accordance with the following: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year; and (ii) any right to reimbursements or in-kind benefits under the Plan shall not be subject to liquidation or exchange for another benefit.



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ANNEX B: DEFENDERS, INC. NON-COMPETE AGREEMENT



DEFENDERS, Inc.
DBA Protect Your Home
3750 Priority Way South Drive
Indianapolis, IN 46240-3815

**Protect
Your
Home**

**DEFENDERS, INC.
NON-COMPETE AGREEMENT**

THIS NON-COMPETE AGREEMENT ("Agreement") is made and entered into effective as of April 1, 2017 (the "**Effective Date**"), by and between James P. Boyce ("**Employee**") and Defenders, Inc. ("**Employer**") (collectively, the "**Parties**"). As a member of Employer's family of companies each parent, subsidiary and affiliate of Employer is an intended third-party beneficiary of this Agreement between Employer and Employee and shall be entitled to enforce its provisions to the same extent as Employer (Employer and its parent, affiliates and subsidiaries referred to as "**Employer Group**").

WHEREAS, Employee is employed by Employer in a position where Employee has access to or knowledge of information that is confidential and proprietary to Employer Group, and agrees that such Confidential Information constitutes a valuable asset of Employer Group that Employer Group is entitled to protect;

WHEREAS, the Employer Group collectively have product and service lines that include, but are not limited to, residential security and alarm products, home automation, monitoring and related services (collectively the "**Business**"); and

WHEREAS, the Business is conducted in highly competitive markets requiring Employer Group to expend substantial time and money in product, service, and employee development.

NOW, THEREFORE, in consideration for this Agreement, the mutual promises hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Confidential Information.** The Employee understands and acknowledges that during the course of employment by the Employer, Employee will have access to and learn about Confidential Information, as defined below.

(a) **Confidential Information Defined**

For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, documents, research or testing, operations, services, strategies, techniques, written and oral agreements, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, computer programs, applications and databases, computer software, access codes, passwords, operating systems, software design, web design, work-in-process, company records, vendor and supplier information, financial information, business and financial results, accounting information, accounting records, legal information including pending or threatened litigation, marketing information, advertising information, pricing information, credit information, payroll practices and information, staffing information, personnel information, employee lists, internal reports, internal controls, security procedures, new product development, market studies, sales information, revenue, costs, formulae (such as MCPI), notes on any of the above, internal business communications, product plans, product specifications, client information (including but not limited to ADT), client lists, and business partner and marketing partner lists, of the Employer Group or any existing or prospective client, marketing vendor or supplier, lender or other associated third party, or of any other person or entity that has entrusted information to the Employer in confidence.

The Employee understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Employee, provided that such disclosure is through no direct or indirect fault of the Employee or person(s) acting on the Employee's behalf.

(b) Employer Creation and Use of Confidential Information

The Employee understands and acknowledges that the Employer Group has invested, and continues to invest, substantial time, money and specialized knowledge into developing its resources, creating a customer base, generating customer and potential customer lists, training its employees, and improving its offerings in the Business. The Employee understands and acknowledges that as a result of these efforts, Employer Group has created, and continues to use and create Confidential Information. This Confidential Information provides Employer Group with a competitive advantage over others in the marketplace.

(c) Disclosure and Use Restrictions

The Employee agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate or make available Confidential Information, or allow it to be disclosed, published, communicated or made available, in whole or part, to any entity or person whatsoever (including other employees of the Employer Group) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Employer Group and, in any event, not to anyone outside of the direct employ of the Employer Group except as required in the performance of the Employee's authorized employment duties to the Employer; and (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media or other resources containing any Confidential Information, or remove any such documents, records, files, media or other resources from the premises or control of the Employer Group, except as required in the performance of the Employee's authorized employment duties to the Employer.

The Employee understands and acknowledges that the Employee's obligations under this Agreement regarding any particular Confidential Information begins immediately upon the Employee first having access to such Confidential Information (whether before or after beginning employment with the Employer Group) and shall continue during and after the Employee's employment by the Employer Group until such time as such Confidential Information has become public knowledge other than as a result of the Employee's breach of this Agreement or breach by those acting in concert with the Employee or on the Employee's behalf.

(d) Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA"). Notwithstanding any other provision of this Agreement:

(i) The Employee will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(A) is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or

(B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

(ii) If the Employee files a lawsuit for retaliation by the Employer for reporting a suspected violation of law, the Employee may disclose the Employer's trade secrets to the Employee's attorney and use the trade secret information in the court proceeding if the Employee:

(A) files any document containing the trade secret under seal; and

(B) does not disclose the trade secret, except pursuant to court order.

2. Restrictive Covenants.

(a) Acknowledgment

The Employee understands that the nature of Employee's position gives Employee access to and knowledge of Confidential Information and places Employee in a position of trust and confidence with the Employer Group. The Employee understands and acknowledges that the services Employee provides to the Employer Group are unique, special or extraordinary because Employee is in a position that is entrusted with the Employer Group's most sensitive information and has been provided access to the highest levels of executives among Employer Group's clients, vendors and suppliers. Employer is engaged in a highly competitive industry in which many companies, including Employer, employ individuals who are normally among a few chosen representatives of such organization with whom the clients, suppliers and vendors have personal relationships; that in the absence of the restrictive covenants contained in this Agreement, Employee could, after experience with Employer and after becoming aware of Employer Group's trade secrets and Confidential Information, become a competitor of Employer and divert business, employees, or customers/clients of Employer Group to Employee or another individual or organization; and that Employer Group will be irreparably injured if Employee breaches any of these covenants.

The Employee further understands and acknowledges that the Employer Group's ability to reserve Confidential Information for the exclusive knowledge and use of the Employer Group is of great competitive importance and commercial value to the Employer Group, and that improper use or disclosure by the Employee is likely to result in unfair or unlawful competitive activity.

(b) Non-competition

Because of Employer Group's legitimate business interest as described herein and the good and valuable consideration offered to the Employee, during the term of Employee's employment and for the twenty-four (24) months, to run consecutively, starting the last day of the Employee's employment with the Employer (the "**Separation Date**"), the Employee agrees and covenants not to engage in Prohibited Activity within, or directed to, any part of the Restricted Territory.

For purposes of this non-compete clause, "**Prohibited Activity**" is activity in which the Employee contributes Employee's business experience or knowledge directly, through a third party or indirectly, in whole or in part, as an employee, owner, investor, operator, manager, advisor, consultant, agent, partner, director, stockholder, officer or any other competitive capacity, in relation to the management or operation of an entity engaged in the same or similar business as a Restricted Business. Prohibited Activity also includes activity that may require or inevitably require disclosure of trade secrets, proprietary information or Confidential Information. "**Restricted Business**" means the Business and all other business of the Employer Group about which Employee received Confidential Information, or for which Employee served or was otherwise engaged, within the 24 month period immediately preceding the Separation Date. "**Restricted Territory**" means the 100 mile radius around a Restricted Business branch or office of the Employer Group, and any state in which Employer Group maintains a branch or office for such Restricted Business.

Nothing herein shall prohibit Employee from purchasing or owning less than five percent (5%) of the publicly traded securities of any corporation, provided that such ownership represents a passive investment and that the Employee is not a controlling person of, or a member of a group that controls, such corporation.

This Section does not, in any way, restrict or impede the Employee from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. The Employee shall promptly provide written notice of any such order to the General Counsel of Employer.

(c) Non-solicitation of Employees

The Employee agrees and covenants not to directly or indirectly solicit, hire, recruit, attempt to hire or recruit, or induce the termination of employment of any employee of the Employer Group during the term of Employee's employment and for the five (5) year period, to run consecutively, beginning on the Separation Date.

(d) Non-solicitation of Customers

The Employee understands and acknowledges that because of the Employee's experience with and relationship to the Employer he has had access to, and learned about much or all of, the Employer Group's client, vendor and supplier information (collectively "**Client Information**"). Client Information includes, but is not limited to, names, phone numbers, addresses, e-mail addresses, transaction history, pricing, contract terms and conditions, chain of command and other information identifying facts and circumstances specific to the client, supplier or vendor and relevant to sales and services.

The Employee understands and acknowledges that loss of any client, supplier or vendor relationship and/or goodwill will cause significant and irreparable harm.

The Employee agrees and covenants, from the Execution Date until the two (2) year anniversary date of the Separation Date, not to directly or indirectly solicit, contact (including but not limited to e-mail, regular mail, express mail, telephone, fax, and instant message), attempt to contact or meet with the Employer Group's current, former or prospective (i) clients for the purpose of offering or accepting goods or services similar to or competitive with those offered by the Employer Group, and (ii) suppliers and vendors for the purpose of inducing the termination of an engagement with the Employer Group or a reduction of leads, services or supplies offered to Employer Group on the term and conditions then in place with such supplier or vendor.

This restriction shall only apply to:

- Clients, suppliers or vendors or prospective clients, suppliers or vendors the Employee communicated with in any way during the twelve month period prior to the Separation Date.
- Clients, suppliers or vendors regarding whom the Employee has trade secret or Confidential Information.
- Clients, suppliers or vendors who became clients, suppliers or vendors during Employee's employment with the Employer.
- Clients, suppliers or vendors about whom the Employee has information that is not available publicly.

3. Acknowledgement. The Employee acknowledges and agrees that the services to be rendered by Employee to the Employer are of a special and unique character; that the Employee will obtain knowledge and skill relevant to the Employer's industry, methods of doing business and marketing strategies by virtue of the Employee's employment; and that the restrictive covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Employer Group.

The Employee further acknowledges that the amount of Employee's compensation reflects, in part, Employee's obligations and the Employer's rights under this Agreement; that Employee has no expectation of any additional compensation, royalties or other payment of any kind not otherwise referenced herein in connection herewith; that Employee will not be subject to undue hardship by reason of full compliance with the terms and conditions of this Agreement or the Employer's enforcement thereof; and that this Agreement is not a contract of employment and shall not be construed as a commitment by either of the Parties to continue an employment relationship for any certain period of time.

4. Remedies. In the event of a breach or threatened breach by the Employee of any of the provisions of this Agreement, the Employee hereby consents and agrees that the Employer shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages

would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

5. Successors and Assigns.

(a) Assignment by the Employer

To the extent permitted by state law, the Employer may assign this Agreement to any subsidiary or corporate affiliate, or to any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Employer. This Agreement shall inure to the benefit of the Employer Group and permitted successors and assigns.

(b) No Assignment by the Employee

The Employee may not assign this Agreement or any part hereof. Any purported assignment by the Employee shall be null and void from the initial date of purported assignment.

6. Governing Law: Jurisdiction and Venue. This Agreement, for all purposes, shall be construed in accordance with the laws of Indiana without regard to conflicts-of-law principles. Any action or proceeding by either of the Parties to enforce this Agreement shall be brought only in any state or federal court located in the state of Indiana, county of Marion. The Parties hereby irrevocably submit to the exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

7. Entire Agreement. Unless specifically provided herein, this Agreement contains all the understandings and representations between the Employee and the Employer Group pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter.

8. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by the Employee and President of the Employer (or, if Employee is the President, signed by the Chief Financial Officer of the Employer). No waiver by either of the Parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the Parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

9. Severability. Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the Parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

The Parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the Parties as embodied herein to the maximum extent permitted by law.

The Parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof,

and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

10. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any section or paragraph.

11. Tolling. Should the Employee violate any of the terms of the restrictive covenant obligations articulated herein, the obligation at issue will run from the first date on which the Employee ceases to be in violation of such obligation.

12. Attorneys' Fees. Should the Employee breach any of the terms of the restrictive covenant obligations articulated herein, to the extent authorized by state law, the Employee will be responsible for payment of all reasonable attorneys' fees and costs that Employer incurred in the course of enforcing the terms of the Agreement, including demonstrating the existence of a breach and any other contract enforcement efforts.

13. No Preparation for Competition. During the term of the Employee's employment, Employee agrees not to undertake preparations for competitive activity prohibited by this Agreement.

14. Notice. If and when Employer's employment with Employer Group terminates, whether voluntarily or involuntarily, Employee agrees to provide to any subsequent employer a copy of this Agreement. In addition, Employee authorizes Employer Group to provide a copy of this Agreement to third parties, including but not limited to, Employee's subsequent, anticipated or possible future employer.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date above.

EMPLOYER

Defenders, Inc.

By: RLS
Barton L. Shroyer, CFO

EMPLOYEE

Signature: [Signature]
Printed: JAMES P. BOYCE



January 29, 2020

Mr. James P. Boyce
3750 Priority Way South Drive
Indianapolis, Indiana 46240

Re: *Amendment to Participation Agreement for the
Executive Change in Control Severance Plan*

Dear Jim:

This letter agreement (this "Amendment") amends your Participation Agreement, dated as of April 24, 2017 (the "Participation Agreement"), issued under the Defenders, Inc. Executive Change in Control Severance Plan (the "Plan"). Subject to your execution and delivery of this Amendment and your ADT offer letter (separately provided to you), you will receive a one-time sign-on equity award yielding a hypothetical value of \$2,200,000, assuming an ADT Inc. ("ADT") stock price of \$11.00 per share, as approved by the Compensation Committee (the "Compensation Committee") of the Board of Directors of ADT. The grant date is expected to be February 3, 2020. The award value will be allocated between restricted stock units and stock options, and will generally vest in equal increments over a 3-year period. Stock options are granted with an exercise price equal to the closing price on the date of grant. You will receive more information about your awards detailing the terms and conditions after they have been granted and approved by the Compensation Committee. The Company's intent is to award half of the hypothetical value in the form of restricted stock units and half in the form of stock options, but in the Company's sole direction it may provide a greater percentage of the hypothetical value in the form of restricted stock units if the number of shares of ADT common stock underlying the stock options would otherwise exceed 3x the number of shares underlying the restricted stock units.

In consideration of the one-time sign-on equity award, and for other good and valuable consideration, the parties hereto, intending to be legally bound, hereby agree, effective as of the date hereof, the Participation Agreement is amended as follows:

1. The following new subsections (c) – (f) shall be added to the sixth paragraph of the Participation Agreement as follows:

"(c) Notwithstanding anything to the contrary in the Plan, for purpose of this Agreement, "**Cause**" means a Participant's (i) substantial failure or refusal to perform duties and responsibilities of his or her job as required by the Company, (ii) material violation of any fiduciary duty owed to the Company, (iii) conviction of, or entry of a plea of nolo contendere with respect to, a felony, (iv) conviction of, or entry of a plea of nolo contendere with respect to, a misdemeanor which involves dishonesty, fraud or morally repugnant behavior, (v) dishonesty, (vi) theft, (vii) violation of Company rules or policy, or (viii) other egregious or morally repugnant conduct that has, or could have, a serious and detrimental impact on the Company and its employees. The Administrator, in its sole and absolute discretion, shall determine Cause.

(d) Notwithstanding anything to the contrary in the Plan, for purposes of this Agreement, "**Covered Period**" means the period of time beginning on January 6, 2020, and lasting through January 6, 2022.

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(e) Notwithstanding anything to the contrary in the Plan, for purposes of this Agreement, the definition of "Good Reason" shall be deemed amended as follows:

(i) The following proviso will be added to the end of clause (a) after the word "proportions":

"provided that the Participant's bonus program and metrics may be revised to be consistent with ADT's metrics so long as the Participant's target bonus opportunity (as a percentage of base salary) is unchanged"

(ii) The language in clause (c) shall be amended by replacing the words "this Agreement" with the words "the Plan."

(iii) The language in clause (d) shall be deleted in its entirety and replaced with the following language:

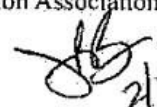
"a material diminution in the Participant's authority, duties or responsibilities (other than temporarily while the Participant is Disabled or as required by applicable law), except that "Good Reason" shall not be deemed to occur as a result of (x) the Company becoming a subsidiary of an acquiring entity or (y) any change in the Participant's authority, duties or responsibilities, so long as the Participant continues in a substantially similar or greater role within the business of the Company as it may be integrated into the business of an acquiring entity or its affiliates, disregarding reporting relationship"

(iv) The last sentence of the "Good Reason" definition shall be amended in its entirety to read as follows:

"In the event the Company fails to cure, the Participant will be deemed to have waived his right to terminate for Good Reason with respect to such grounds if the Participant does not separate from service within 30 days after the Company's deadline to cure has expired."

(f) A new subsection 8.06 shall be deemed added to Article VIII of the Plan as follows:

"Section 8.06 Arbitration; Expenses. In the event of any dispute under the provisions of this Plan, other than a dispute in which the primary relief sought is an equitable remedy such as an injunction, the parties shall have the dispute, controversy or claim settled by arbitration in Palm Beach County, Florida (or such other location as may be mutually agreed upon by the Company and the Participant) in accordance with the National Rules for the Resolution of Employment Disputes then in effect of the American Arbitration Association, before a panel of three arbitrators, two of whom shall be selected by the Company and the Participant, respectively, and the third of whom shall be selected by the other two arbitrators. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrators shall have no authority to modify any provision of this Plan or to award a remedy for a dispute involving this Plan other than a benefit specifically provided under or by virtue of the Plan. If the Participant substantially prevails on any material issue, which is the subject of such arbitration or lawsuit, the Company shall be responsible for all of the fees of the American Arbitration Association and the arbitrators and any expenses relating to the conduct of the arbitration (including the Company's and Participant's reasonable attorneys' fees and expenses). Otherwise, each party shall be responsible for its own expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses) and shall share the fees of the American Arbitration Association."


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You acknowledge and agree that you have fully read, understand and voluntarily enter into this Amendment.

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Except as specifically modified by this Amendment, this Amendment shall not constitute a waiver, amendment or modification of any term or condition of the Participation Agreement or Plan, and the provisions of the Participation Agreement and the Plan shall remain in full force and effect. On and after the date hereof, each reference in the Participation Agreement to "this Agreement," "herein," "hereof," "hereunder," or words of similar import shall mean and be a reference to the Participation Agreement as amended by this Amendment. Capitalized terms used, but not defined, in this letter have the meanings given to such terms in the Plan or the Participation Agreement.

This Amendment shall be governed by and construed in accordance with the laws of the State of Indiana without regard to the conflict of laws principles hereof. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company has executed this Agreement by its duly authorized officer as of the date hereof. Please sign and date below and return this Agreement to the Company's General Counsel by February 3, 2020.

Sincerely,

ADT Inc.

By: _____ Name:
Title:

Accepted and Agreed:

By: 
James R. Boyce

Date: 2-3-20

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February 3, 2020

Mr. James Boyce
8555 One West Drive
Apt. 111
Indianapolis, IN 46260

Dear Jim:

I am pleased to offer you a position as President, Defenders, with all of the duties, authorities and responsibilities commensurate with this role, for Defenders, Inc. ("Defenders"), a subsidiary of ADT Inc. (with its affiliates and successors, the "Company", or "ADT"), reporting directly to me as President and Chief Executive Officer. It is our intention to further refine and define the position and title over the next 60 days. This position will be based in Indianapolis, IN.

Your compensation and benefits are described below. The Company may not, without your consent, materially diminish your base salary or target annual bonus other than a general reduction in base salary or annual bonus that affects similarly situated executives in similar proportions. In addition, the Company will continue to recognize your past service time with Defenders relative to ADT's compensation and benefits programs, including any applicable retirement provisions.

Base Salary

You will receive a weekly salary of \$12,596.16 (\$655,000 annualized) effective on January 6, 2020. This salary level will be reviewed on an annual basis beginning in 2021 and may be adjusted based on your performance and that of the Company.

Annual Incentive Plan

You will be eligible to participate in the Company's annual incentive plan. Under this plan, your target bonus will equal \$655,000. Determination of actual award levels relative to target bonus will be based on the Company's financial performance as well as your individual contributions, and awards will be paid in accordance with the terms of the Plan. However, the FY20 incentive award will not be prorated for the first year of eligibility under the Plan.

Sign-on Equity Grant

You will not be eligible to participate in the annual ADT Long-Term Incentive Plan. However, subject to and conditioned upon your execution of (i) this letter and (ii) the separately provided letter agreement (the "Participation Agreement Amendment") which amends your Participation Agreement, issued under the Defenders, Inc. Executive Change in Control Severance Plan, you will receive a one-time sign-on equity award yielding a hypothetical value of \$2,200,000, assuming an ADT stock price of \$11.00 per share, as approved by the Compensation Committee (the "Compensation Committee") of the Board of Directors of ADT. The grant date is expected to be February 3, 2020. The award value will be allocated between restricted stock units and stock options, and will generally vest in equal increments over a 3-year period. Stock options are granted with an exercise price equal to the closing price on the date of grant. You will receive more information about your awards detailing the terms and conditions after they have been granted and approved by the Compensation Committee. The Company's intent is to award half of

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the hypothetical value in the form of restricted stock units and half in the form of stock options, but in the Company's sole direction it may provide a greater percentage of the hypothetical value in the form of restricted stock units if the number of shares of ADT common stock underlying the stock options would otherwise exceed 3x the number of shares underlying the restricted stock units.

Benefits

You will remain on Defender's benefits through December 31, 2020. You will then become eligible for all the employee benefits that the Company customarily makes available to employees in positions comparable to yours. Specifically, you will be eligible to participate in the following:

- ADT Retirement Savings and Investment Plan ("RSIP," or "401(k) Plan")
- ADT Supplemental Savings and Retirement Plan ("SSRP")
- ADT Severance Plan for U.S. Officers and Executives; provided, however, that to the extent your employment is terminated on or prior to January 6, 2022, you shall receive severance benefits (if any) only pursuant to the terms of the Defenders, Inc. Executive Change in Control Severance Plan and your Participation Agreement issued thereunder, each as modified by the Participation Agreement Amendment, and not under any other severance plan of Defenders, ADT or any of their subsidiaries or affiliates.
- Executive Physical Program
- Paid Time Off (PTO) and Holidays

Perquisites

You shall be eligible for all employee perquisites that the Company customarily makes available to employees in positions comparable to yours and such perquisites shall supersede any other perquisites that you may have been receiving or entitled to receive under Defenders' policies and programs.

Non-Competition and Non-Solicitation

In accepting this employment offer, and in consideration of this employment offer and/or ADT's continued obligation and promise to provide you with confidential and propriety information pertaining to its business operations and customers, and your promise and obligation not to use or disclose that information except in the course of performing your job duties, you agree that, except as prohibited by law, during your employment with ADT and its parents, subsidiaries or affiliates, and for the two (2) year period following your termination of employment for any reason, you will not directly or indirectly, own, manage, operate, control (including indirectly through a debt or equity investment), provide services to, or be employed by, any person or entity engaged in any business that is (i) located in or provides services or products to a region with respect to which you had substantial responsibilities while employed by ADT or its parents, subsidiaries or affiliates, and (ii) competitive with (A) the line of business or businesses of ADT or its parents, subsidiaries or affiliates that you were employed with during your employment (including any prospective business to be developed or acquired that was proposed at the date of termination), or (B) any other business of ADT or its parents, subsidiaries or affiliates with respect to which you had substantial exposure during such employment.

Further, in accepting this employment offer, and in consideration of this employment offer and/or ADT's continued obligation and promise to provide you with confidential and propriety information pertaining to its business operations and customers, and your promise and obligation not to use or disclose that information except in the course of performing your job duties, you agree that, except as prohibited by law, during your employment with ADT and its parents, subsidiaries or affiliates, and for the two (2) year period thereafter, you will not, directly or indirectly, on your own behalf or on behalf of another (i) solicit, recruit, aid or induce any Employees of ADT or its parents, subsidiaries or affiliates to leave their employment with ADT or its parents, subsidiaries or affiliates in order to accept employment with or render services to another person or entity unaffiliated with ADT or its parents, subsidiaries or affiliates, or hire or knowingly take any action to assist or aid any other person or entity in identifying or hiring any such Employee, or (ii) solicit, aid, or induce any Customer of ADT or its parents, subsidiaries or affiliates to purchase goods or services then sold by ADT or its parents, subsidiaries or affiliates from another person or entity, or assist or aid any other persons or entity in identifying or soliciting any such Customer, or (iii) otherwise interfere with the relationship of ADT or its parents, subsidiaries or affiliates with any of their Employees, Customers, vendors, agents, or representatives. "Employee(s)" means any person who was employed by ADT or

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its parents, subsidiaries, or affiliates during the twenty-four (24) month period prior to your last day of employment with ADT or its parents, subsidiaries, or affiliates (for any reason) whom you had direct contact for business purposes or whom you knew about because of your access to ADT's confidential information or trade secrets. "Customer(s)" means any person or business that you, directly or indirectly (*e.g.*, through employees whom you supervised), called upon, solicited, worked with, or became acquainted with during the course of your employment with ADT or its parents, subsidiaries, or affiliates (whether or not you had a relationship with such Customer prior to your employment with ADT).

Irreparable injury will result to ADT and to its business, in the event of a breach by you of any of your covenants and commitments you have accepted as a condition of this employment offer, including the covenants of non-competition and non-solicitation. Therefore, in the event of a breach of such covenants and commitments, ADT reserves all rights to seek any and all remedies and damages permitted under law, including, but not limited to, injunctive relief, equitable relief and compensatory damages.

Governing Law

The validity, interpretation, construction and performance of the provisions of this offer letter shall be governed by the laws of the state of Florida without reference to principles of conflicts of laws that would direct the application of the law of any other jurisdiction. In the event of any dispute between the parties, it is agreed that the United States courts shall be the exclusive forum for the resolution of the same.

Severability; Successors

The invalidity or unenforceability of any provision of this offer letter will not affect the validity or enforceability of the other provisions of this offer letter, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed, and to the extent necessary will be deemed to be amended, so as to be enforceable to the maximum extent compatible with applicable law. Any non-solicitation and/or non-competition provision contained in this offer letter is expressly intended to benefit the Company (which includes all parents, subsidiaries and/or affiliated entities as third-party beneficiaries) and its successors and assigns; and the parties expressly authorize the Company (including all third-party beneficiaries) and its successors and assigns to enforce these provisions.

Employment Relationship: Modification of Terms of Offer

Please be advised that neither this letter nor any statement made by ADT or its parents, subsidiaries or affiliates is intended to be a contract of employment for a definite period of time. That means that the employment relationship established by this letter is "at will" and either you or ADT may terminate the employment relationship at any time and for any reason, with or without cause or notice. The Company may from time to time and in its own discretion, change the terms and conditions of your employment with or without notice.

You agree that this letter contains all of the understandings and representations between you and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements (including any offer letters or employment agreement), representations and warranties, both written and oral, with respect to such subject matter, other than with respect to (i) the Defenders, Inc. Executive Change in Control Plan and your participation agreement issued thereunder, each as modified by the Participation Agreement Amendment, and (ii) any and all confidentiality, non-competition, and non-solicitation provisions previously executed with Defenders or any of its subsidiaries or affiliates.

Conditions of Employment

Your ongoing employment is conditioned upon: 1) compliance with your promises of non-competition and non-solicitation; 2) execution of and on-going compliance with the Company's Confidentiality and New Inventions Agreement; and 3) your acknowledgement of and compliance with the ADT Code of Conduct, which will be provided for your review during your first week of employment.

To indicate your acceptance of this offer, and the employment obligations contained herein, please return a signed copy of this letter to me.

JB
2/3/20

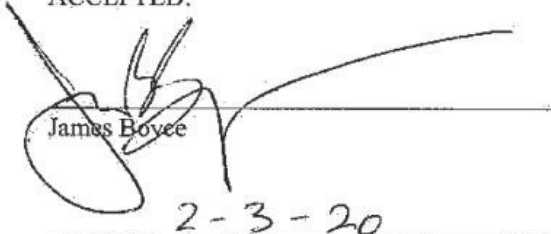
Jim, I am excited about your joining the ADT team. Should you have any questions about any of the items indicated above, please call me.

Sincerely,

James DeVries
President and Chief Executive Officer

I understand that neither this letter nor any statement made by the Company is intended to be a contract of employment for a definite period of time, and either the Company or I may terminate my employment relationship at any time and for any reason, with or without cause or notice. I hereby accept this offer of employment with the Company.

ACCEPTED:


James Boyce

Date

2-3-20


2/3/20

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James D. DeVries, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 5, 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 Quarterly Report on Form 10-Q 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: May 5, 2021

/s/ Jeffrey Likosar

Jeffrey Likosar

Chief Financial Officer and President, Corporate Development

**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 Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2021 (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 the operations of the Company.

/s/ James D. DeVries

James D. DeVries

President and Chief Executive Officer

May 5, 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, Chief Financial Officer and President, Corporate Development 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 Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2021 (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 the operations of the Company.

/s/ Jeffrey Likosar

Jeffrey Likosar

Chief Financial Officer and President, Corporate Development

May 5, 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).