UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2018

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

47-4116383

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

1501 Yamato Road, Boca Raton, Florida, 33431

(561) 322-7235

(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  Name of each exchange on which registered

Common Stock, par value $0.01 per share  New York Stock Exchange

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

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

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

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 x  No □

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes x  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. (Check one):

Large accelerated filer □  Accelerated filer □  Non-accelerated filer x  Smaller reporting company □  Emerging growth company □

(Do not check if a smaller reporting company)

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

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

The aggregate market value of common equity held by non-affiliates of the registrant as of June 30, 2018 was $909,112,275 and was computed by reference to the closing price for such stock on the New York Stock Exchange on such date and excludes unvested shares of common stock.

The number of outstanding shares of the registrant’s common stock, $0.01 par value, was 756,606,375 (excluding 10,249,799 unvested shares of common stock) as of March 5, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive proxy statement for the 2019 Annual and Special Meeting of Shareholders, which is to be filed no later than 120 days after December 31, 2018, are incorporated by reference into Part III of this Form 10-K.
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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

• our ability to maintain or improve margins through business efficiencies;
• our ability to successfully upgrade obsolete equipment, such as 3G and CDMA communications equipment installed at our customers’ premises, in an efficient and cost-effective manner;
• our ability to launch new product and service offerings that achieve market acceptance with acceptable margins;
• changes in law, economic and financial conditions, including tax law changes, changes to privacy requirements, changes to telemarketing, email marketing and similar consumer protection laws, interest and exchange rate volatility, and trade tariffs applicable to the products we sell;
• the impact of potential information technology, cybersecurity or data security breaches;
• the other factors that are described in this report under the heading “Risk Factors.”

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 in Item 1A of this report under the heading “Risk Factors.” Therefore, caution should be taken not to place undue reliance on any such forward-looking statements. Much of the information in this report that looks toward future performance of our Company is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in the Annual Report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Definitions

Unless otherwise indicated or the context otherwise requires, references in the Annual Report to (i) “we,” “our,” “us,” “ADT,” “ADT Inc.,” and the “Company” refer to ADT Inc., a Delaware corporation (formerly named Prime Security Services Parent, Inc.) and each of its consolidated subsidiaries prior to the consummation of the ADT Acquisition described below under “Item 1. Business—Our Formation,” (ii) “The ADT Corporation” refers to The ADT Security Corporation (formerly named The ADT Corporation) and each of its consolidated subsidiaries prior to the consummation of the ADT Acquisition described below under “Item 1. Business—Our Formation,” (iii) “ASG” refers to ASG Intermediate Holding Corp. and each of its consolidated subsidiaries prior to the consummation of the ASG Acquisition described below under “Item 1. Business—Our Formation,” (iv) “Protection One” refers to Protection One, Inc. and each of its consolidated subsidiaries prior to the consummation of the Protection One Acquisition described below under “Item 1. Business—Our Formation,” (v) “Holdings” refers to Prime Security Services Holdings, LLC, (vi) “Prime Borrower” refers to Prime Security Services Borrower, LLC, (vii) “Ultimate Parent” refers to Prime Security Services TopCo Parent, LP, our direct parent company, (viii) “Parent GP” refers to Prime Security Services TopCo Parent GP, LLC, the general partner of Ultimate Parent, which is controlled by affiliates of our Sponsor (as defined below), and (ix) our “Sponsor” refers to certain investment funds directly or indirectly managed by Apollo Global Management, LLC, its subsidiaries, and its affiliates (“Apollo”).
ITEM 1. BUSINESS.

Our Company

We are a leading provider of monitored security and interactive home and business automation solutions in the United States (or “U.S.”) and Canada. Our mission is to help our customers protect and connect to what matters most—their families, homes, and businesses. The ADT brand is synonymous with security and, as the most recognized and trusted brand in the industry, is a key driver of our success. We currently serve approximately 7.2 million customers, excluding contracts monitored but not owned, making us one of the largest companies of our kind in the U.S. and Canada. We are also one of the largest full-service companies with a national footprint providing both residential and commercial monitored security. We deliver an integrated customer experience by maintaining one of the industry’s largest sales, installation, and service field forces, as well as a 24/7 professional monitoring network, all supported by approximately 19,000 employees. We handle approximately 15 million alarms annually. We provide support from approximately 240 sales and service locations and through our 12 monitoring centers listed by Underwriters Laboratories (“U.L.”) in the U.S. and Canada.

Our Formation

On July 1, 2015, we consummated two acquisitions that were instrumental in the formation of our company. First, we acquired Protection One (“Protection One Acquisition”). Second, on July 1, 2015, we acquired ASG (“ASG Acquisition” and collectively with the Protection One Acquisition, referred to as the “Formation Transactions”). Prior to the Formation Transactions, ADT Inc. was a holding company with no assets or liabilities. Protection One is the predecessor of ADT Inc. for accounting purposes.

On May 2, 2016, we acquired The ADT Corporation (“ADT Acquisition”). The ADT Acquisition significantly increased our market share in the security industry making us one of the largest monitored security companies in the U.S. and Canada.

All of the aforementioned acquisitions were funded by a combination of equity invested by certain investment funds directly or indirectly affiliated with or managed by our Sponsor and new and/or assumed borrowings. In addition, concurrently with the consummation of the ADT Acquisition, ADT Inc. issued 750,000 shares of Series A preferred securities (“Koch Preferred Securities”) and Ultimate Parent issued 7,620,730 detachable warrants for the purchase of Class A-1 Units in Ultimate Parent to an affiliate of Koch Industries, Inc. (“Koch Investor”) for an aggregate amount in cash of $750 million.

On January 23, 2018, we consummated an initial public offering of 105,000,000 shares of our common stock at an initial public offering price of $14.00 per share pursuant to a Registration Statement on Form S-1 (Registration No. 333-222233), which was declared effective by the U.S. Securities and Exchange Commission (“SEC”) on January 18, 2018 (“IPO” or the “Initial Offering”). The aggregate gross proceeds from the IPO were approximately $1,406 million, after deducting underwriting discounts, commissions, and offering expenses. In February 2018, we used approximately $649 million of the proceeds to redeem $594 million aggregate principal amount of the 9.250% Second-Priority Senior Secured Notes due 2023 (“Prime Notes”) and to pay the related call premium. On July 2, 2018, we used approximately $949 million of proceeds from the IPO and cash on hand to redeem in full the original stated value of $750 million of the Koch Preferred Securities and pay approximately $103 million related to the redemption premium and tax reimbursements, as well as $96 million related to the accumulated dividend obligation on the Koch Preferred Securities (“Koch Redemption”). The remaining proceeds from the IPO were used to pay IPO related fees and expenses and for general corporate purposes. Refer to “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for further discussion.

As of December 31, 2018, our Sponsor owned approximately 84.7% of our outstanding common stock, which excludes unvested common shares.

Information about Segment and Geographic Revenue

We report financial and operating information in one segment. Our operating segment is also our reportable segment. For the results of our operations outside of the U.S., which consist of our operations in Canada, refer to Note 15 “Geographic Data” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.
Brands and Services

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

Our monitored security and automation offerings involve the installation and monitoring of security and premises automation systems designed to detect intrusion; control access; sense movement, smoke, fire, carbon monoxide, flooding, temperature, and other environmental conditions and hazards; and address personal emergencies such as injuries, medical emergencies, or incapacitation. Upon the occurrence of certain initiating events, our monitored security systems send event-specific signals to our monitoring centers. Our monitoring center personnel respond to alarms by relaying appropriate information to local police or fire departments and notifying the customer or others on the customer’s emergency contact list according to the type of service contract and customer preference. Additional action may be taken by our monitoring center personnel as needed depending on the specific situation and customer preferences. The breadth of our solutions allows us to meet a wide variety of customer needs.

Additionally, using our interactive technologies, our customers can remotely monitor and manage their residential and commercial environments by adding automation capabilities to our monitored security systems. This is accomplished in a way that maintains the separate network integrity and redundancy of a customer’s security signals. Depending on the service plan purchased and the type and level of product installation, customers are able to remotely access information regarding the security of their residential or commercial environment, arm and disarm their security system, adjust lighting or thermostat levels, or view real-time video from cameras covering different areas of their premises from web-enabled devices (such as smart phones, laptops, and tablet computers) and a customized web portal. Additionally, our interactive automation solutions enable customers to create customized schedules or automation for managing lights, thermostats, appliances, and garage doors. The system can also be programmed to perform additional functions such as recording and viewing live video and sending text messages based on triggering events.

As part of our innovative and dynamic growth markets, our goal is to extend the concept of security from the physical home or business to cybersecurity and personal on-the-go security and safety. Customers’ increasingly mobile and active lifestyles have created new opportunities for us in the fast-growing market for self-monitored and do-it-yourself (“DIY”) products and services. Our technology also allows us to service our customers via various connected and wearable devices whether they are at home or on-the-go.

Many of our residential customers are driven to purchase monitored security and automation services due to a perceived or actual increase in crime, life safety concerns in their neighborhood, or other significant life events. In addition, we believe many of our customers purchase monitored security and automation services as a result of their insurance carriers, who may offer lower insurance premium rates if a security system is installed or may require that a system be installed as a condition of coverage.

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

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

Additionally, we offer personal emergency response system products and services, which are supported by our monitoring centers and leverage our security monitoring infrastructure to provide customers with solutions helping to sustain independent living and encourage better self-care activities.

In addition to monitoring services, we provide our residential and commercial customers with other services such as routine maintenance and the installation of upgraded or additional equipment. A majority of our customer base is enrolled in a service plan, which provides additional value to the customer and generates incremental recurring monthly revenue. Our customers
typically contract for both monitoring and maintenance services at the time of initial equipment installation. In certain markets, we also sell, install, integrate, maintain, and inspect commercial building safety and management technologies including fire detection, fire suppression, video surveillance, and access control systems for both new and existing commercial premises.

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

**Our Markets**

We operate in the following three markets: Residential, Commercial, and Growth Markets.

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

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

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

**Customers and Marketing**

We serve approximately 7.2 million customers, excluding contracts monitored but not owned, throughout the U.S. and Canada. Our residential customers are typically owners of single-family homes. Our commercial customers include retail businesses, food and beverage service providers, medical offices, financial institutions, and professional service providers, among others, and can range from smaller businesses to large single-site commercial facilities, as well as multi-site national companies. We manage our existing customer base to maximize customer lifetime value, which includes continually evaluating our product offerings, pricing, and service strategies; managing our costs to provide service to customers; upgrading existing customers to our interactive services, IP video solutions for businesses, or other upgraded solutions; and achieving long customer tenure. Our ability to increase our average selling prices for individual customers is dependent on a number of factors including the quality of our service as well as our continued introduction of additional features and services that increase the value of our offerings to customers and the competitive environment in which we operate.

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

We continually consider and evaluate new customer lead generation methods and channels to increase our customer base and drive greater market penetration without sacrificing customer quality. We also explore opportunities to expand our market presence by providing branded solutions through various third parties, including insurance companies, financial institutions, retailers, public utilities, and software service providers.
Sales and Distribution Channels

We utilize a complementary mix of direct and indirect distribution channels. Our direct channel customers are generated by our direct response marketing efforts and supported by our internal sales force, including our national call center and in-market field teams. Our indirect channel customers are generated mainly through our ADT Authorized Dealer Program (as defined below), and to a smaller extent, through agreements with leading homebuilders and related partners. As opportunities arise, we may also engage in selective bulk account purchases, which typically involve the purchase of a set of customer accounts from other security service providers.

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

Direct Channel

Our national sales call centers (inbound and outbound) close sales from prospective customers generated through national marketing efforts and lead generation channel partners. Our telephone sales associates work to understand customer needs and then direct customers to the most suitable sales approach. We make attempts to close a sale over the phone while balancing the opportunity for up-sales and customer education that occurs when a sales representative works directly with the customer. When the sale is best handled in the customer’s home or business to fully understand their individual needs, the sales center associate can schedule a field sales consultant appointment.

The approximately 3,100 sales consultants that make up our field sales force generate sales from customers through company-generated leads, as well as customer referrals and other lead methods. Our field sales consultants undergo an in-depth screening process prior to hire. Each field sales consultant completes comprehensive centralized training prior to conducting customer sales presentations and participates in ongoing training in support of new offerings and the use of our structured model sales call. We utilize a highly structured sales approach, which includes, in addition to the structured model sales call, daily monitoring of sales activity and effectiveness metrics and regular coaching by our sales management teams.

Indirect Channel

We have agreements with a network of third-party independent alarm dealers who sell alarm equipment and ADT Authorized Dealer-branded monitoring and interactive services to end users (“ADT Authorized Dealer Program”). The dealers in this program generate new end-user contracts which we have the right, but not the obligation, to purchase from the dealer. Our authorized dealer network consists of approximately 250 authorized dealers operating across the U.S. and Canada and extends our reach by aligning us with select independent security sales and installation companies. These authorized dealers generally have exclusivity arrangements with us for security-related services. We monitor each authorized dealer’s financial stability, use of sound and ethical business practices, and delivery of reliable and consistent high-quality sales and installation methods. Authorized dealers are required to adhere to the same high-quality standards for sales and installation as our own field offices.

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

Field Operations

We serve our customer base from approximately 240 sales and service offices located throughout the U.S. and Canada. From these locations, our staff of approximately 5,600 installation and service technicians provides monitored security and automation system installations and on-premises service and repair. We staff our field offices to efficiently and effectively make sales calls, install systems, and provide service support based on customer needs and our evaluation of growth opportunities in each market. We utilize third-party subcontract labor when appropriate to assist with these efforts. We maintain the relevant and necessary licenses related to the provision of installation of security and related services in the jurisdictions in which we operate.
Our objective is to provide a differentiated service experience by providing same-day or next-day service to the majority of our customers.

**Monitoring Centers and Support Services**

We operate 12 monitoring centers that are listed by U.L. across the U.S. and Canada. We employ approximately 4,200 customer care professionals who are required to complete extensive initial training, as well as receive ongoing training and coaching. To obtain and maintain a U.L. listing, a security system monitoring center must be located in a building meeting U.L.’s structural requirements, have back-up computer and power systems, and meet U.L. specifications for staffing and standard operating procedures. Many jurisdictions have laws requiring that security systems for certain buildings be monitored by U.L.-listed centers. In addition, a U.L. listing is required by insurers of certain customers as a condition of insurance coverage. Our monitoring centers are fully redundant, which means that in the event of an emergency at one of our monitoring centers such as fire, tornado, major interruption in telephone or computer service, or any other event affecting the functionality of the center, all monitoring operations can be automatically transferred to another monitoring center. All of our monitoring centers operate 24 hours a day on a year-round basis.

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

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

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

**Customer Care**

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

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

**Suppliers**

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

**Competition**

Technology trends are creating significant change in our industry. Innovation has lowered the barriers to entry in the interactive services and automation market, and new business models and competitors have emerged. We believe a combination of increasing customer interest in lifestyle and business productivity and technology advancements will support the increasing penetration of the interactive services and automation industry. We are focused on extending our leadership position in the monitored security industry while also growing our share of the fast-growing interactive automation industry. The security systems market
in the U.S. and Canada remains highly competitive and fragmented, with a number of major firms and thousands of smaller regional and local companies. The high fragmentation of the industry is primarily the result of relatively low barriers to entering the business in local geographies and the availability of companies providing outsourced monitoring services but not maintaining the customer relationship. We believe our principal competitors within the security systems market are Johnson Controls International plc.; Vivint, Inc.; Stanley Security Solutions, a subsidiary of Stanley Black and Decker; MONI, a subsidiary of Ascent Capital Group, Inc.; Comcast Corporation; Convergint Technologies; and Securitas. In addition, as more and more homeowners choose DIY products over professionally installed and monitored security and automation solutions, and as we expand our presence in this market space, we believe we will face increasing competition from providers and products such as SimpliSafe, Google Home, Nest, Apple Homekit, Amazon Alexa, Ring, as well as many others. Refer to “Item 1A. Risk Factors—Risks Related to Our Business—We sell our products and services in highly competitive markets, including the home automation market and the commercial fire and security markets, which may result in pressure on our profit margins and limit our ability to maintain or increase the market share of our products and services” for further discussion regarding increasing competition in the emerging DIY market.

Success in acquiring new customers is dependent on a variety of factors, including brand and reputation, market visibility, service and product capabilities, quality, price, and the ability to identify and sell to prospective customers. Competition is often based primarily on price in relation to the value of the solutions and service. Rather than compete purely on price, we emphasize the quality of our services, which we believe is distinguished by superior customer service, the reputation of our industry-leading brands, our owned and operated monitoring centers, our commitment to consumer privacy, and our knowledge of customer needs, which we believe collectively enable us to deliver an outstanding experience. In addition, we are increasingly offering added features and functionality, such as those in our interactive services offering, which provide new services and capabilities that serve to further differentiate our offering and support a pricing premium.

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

Seasonality

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

Intellectual Property

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

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

Certain trademarks associated with the ADT brand, including “ADT” and the blue octagon, are owned outside of the U.S. and Canada by Johnson Controls International plc (as successor to Tyco International Ltd., “Tyco”). In certain instances, such trademarks are licensed in certain territories outside the U.S. and Canada by Johnson Controls International plc to certain third parties. Pursuant to the Tyco Trademark Agreement entered into between The ADT Corporation and Tyco in connection with the
separation of The ADT Corporation from Tyco in 2012, our Company is generally prohibited from registering, attempting to register, or using such trademarks outside the U.S. and its territories and Canada. As a result, if our Company chooses to sell products or services or otherwise do business outside the U.S. and Canada, it does not have the right to use the ADT brand to promote its products and services. Refer to “Item 1A. Risk Factors—Risks Related to Our Business—Third parties hold rights to certain key brand names outside of the U.S. and Canada” for further discussion.

**Government Regulation and Other Regulatory Matters**

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

We also currently rely extensively upon the use of both wireline and wireless telecommunications to communicate signals, and wireline and wireless telephone companies in the U.S. and Canada are regulated by federal, state, provincial, and local governments. The operation and use of wireless telephone and radio frequencies is regulated in the U.S. by the Federal Communications Commission (“FCC”) and state public utilities commissions and in Canada by the Canada Radio-television and Telecommunications Commission (“CRTC”). Although the use of wireline phone service has been decreasing, we believe we are well positioned to respond to these trends with alternate transmission methods that we already employ, including cellular and broadband Internet technologies. Our advertising and sales practices are regulated by the U.S. Federal Trade Commission (“FTC”), the Canadian Competition Bureau, the CRTC, and state and provincial consumer protection laws. In addition, we are subject to certain administrative requirements and laws of the jurisdictions in which we operate. These laws and regulations may include restrictions on the manner in which we promote the sale of our security services and require us to provide most purchasers of our services with three-day or longer rescission rights. We must also comply with applicable laws governing telemarketing and email marketing in both the United Stated and Canada. Refer to “Item 1A. Risk Factors—Risks Related to Our Business—Increasing government regulation of telemarketing, email marketing, door-to-door sales, and other marketing methods may increase our costs and restrict the operation and growth of our business” for further discussion.

Some local government authorities have adopted or are considering various measures aimed at reducing false alarms. Such measures include requiring permits for individual alarm systems, revoking such permits following a specified number of false alarms, imposing fines on customers or alarm monitoring companies for false alarms, limiting the number of times police will respond to alarms at a particular location after a specified number of false alarms, requiring additional verification of an alarm signal before the police respond, or providing no response to residential system alarms. Refer to “Item 1A. Risk Factors—Risks Related to Our Business—We could be assessed penalties for false alarms” and “Item 1A. Risk Factors—Risks Related to Our Business—Police departments could refuse to respond to calls from monitored security service companies” for further discussion.

The monitored security industry is also subject to requirements, codes, and standards imposed by various insurance, approval and listing, and standards organizations. Depending upon the type of customer, security service provided, and requirements of the applicable local governmental jurisdiction, adherence to the requirements, codes, and standards of such organizations is mandatory in some instances and voluntary in others. Changes in laws and regulations can affect our operations, both positively and negatively, and impact the manner in which we conduct our business. Refer to “Item 1A. Risk Factors—Risks Related to Our Business—Our business operates in a regulated industry” for further discussion.

**Employees**

As of December 31, 2018, we employed approximately 19,000 people. Approximately 10% of our employees are covered by collective bargaining agreements. We believe our relations with our employees and labor unions have generally been good.

**Available Information**

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

From time to time, we may use our website as a channel of distribution of material Company information. Financial and other material information regarding our Company is routinely posted on and accessible at http://investors.adt.com.
ITEM 1A. RISK FACTORS.

In addition to risks and uncertainties in the ordinary course of business that are common to all businesses, important factors that are specific to our industry and the Company could have a material and adverse impact on our business, financial condition, results of operations, and cash flows. You should carefully consider the risks described below and in our subsequent periodic filings with the SEC. The following risk factors should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes in this Annual Report on Form 10-K.

Risks Related to Our Business

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

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

In addition to developing and acquiring new technologies and introducing new offerings, we may need, from time to time, to phase out outdated and unsuitable technologies and services. If we are unable to do so on a cost-effective basis, we could experience reduced profits. See “—The retirement of older telecommunications technology such as 3G and CDMA by telecommunications providers and shifts in our customers’ choice of telecommunications services and equipment could materially adversely affect our business, increase customer attrition and require significant capital expenditures.”

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

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

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

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

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

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

We amortize the costs of our acquired and dealer generated contracts and related customer relationships based on the estimated life of the customer relationships. We similarly depreciate the cost of our direct channel subscriber system assets and deferred subscriber acquisition costs. If attrition rates rise significantly, we may be required to accelerate the amortization of expenses related to such contracts and the depreciation/amortization of our subscriber system assets/deferred subscriber acquisition costs or to impair such assets, which could cause a material adverse effect on our business, financial condition, and results of operations.
The retirement of older telecommunications technology such as 3G and CDMA by telecommunications providers and shifts in our customers’ choice of telecommunications services and equipment could materially adversely affect our business, increase customer attrition and require significant capital expenditures.

Certain elements of our operating model have historically relied on our customers’ continued selection and use of traditional land-line telecommunications to transmit alarm signals to our monitoring centers. There is a growing trend for customers to switch to the exclusive use of cellular, satellite, or Internet communication technology in their homes and businesses, and telecommunication providers may discontinue their land-line services in the future. Many of our customers also have security systems that rely on telecommunications technology that is not compatible with the newer cellular, satellite or Internet communications networks and will not be able to transmit alarm signals on these networks. The discontinuation of land-line, older cellular technologies, and any other services by telecommunications providers, and the switch by customers to the exclusive use of cellular, satellite, or Internet communication technology, may require system upgrades to alternative, and potentially more expensive, technologies to transmit alarm signals and for systems to function properly. This could increase our customer revenue attrition and slow new customer generation. In January 2017, most major wireless network providers had fully retired their 2G networks. To maintain our customer base that uses security and automation system components that communicate over 2G networks, we substantially completed a conversion program to replace 2G cellular technology used in many of our security systems at significant cost to the Company and little or no additional cost to our customers. Certain existing subscribers chose not to replace their 2G cellular technology, thereby increasing our attrition rates.

We have received notice from the providers of 3G and CDMA cellular networks that they will be retiring their 3G and CDMA networks by the first quarter of 2022. We currently provide services to approximately 4 million customer sites that use 3G or CDMA cellular equipment. Our plans to address this three-year transition are not yet finalized and the impact involves numerous estimates and variables. Among other factors, we will look to reduce any applicable costs to the Company, such as hardware costs currently estimated to be less than $90 per site, by exploring cost sharing opportunities, working with our suppliers, carriers and customers, and to increase revenue by using the transition as an opportunity to sell new products and services in conjunction with replacing the radio and to more rapidly transition customers to our new Command and Control technology. Further, if we are unable to upgrade the 3G and CDMA cellular equipment at our customer sites to meet new network standards prior to the retirement of the 3G and CDMA networks in a timely and cost-effective manner, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

In December 2017, as part of the Federal Communication Commission’s (“FCC”) efforts to facilitate the transition from traditional copper-based wireline networks to IP-based fiber broadband networks, the FCC repealed its rules requiring telecommunications carriers to provide direct advanced public notice to consumers of the retirement of copper-based wireline networks used for traditional land-line telecommunications. Many of our customers rely solely on copper-based telephone networks to transmit alarm signals from their premises to our monitoring stations. In response to changes to existing network technology such as the eventual retirement of 3G and copper-based wireline networks, we will be required to upgrade or implement other new technologies in the future, including offering to subsidize the replacement of customers’ outdated systems at our expense. The FCC’s changes to copper-based wireline network retirement rules could lead to customer confusion and impede our ability to timely transfer customers to new network technologies. Any technology upgrades or implementations could require significant capital expenditures, may increase our attrition rates, and may also divert management’s attention and other important resources away from our customer service and sales efforts for new customers. In the future, we may not be able to successfully implement new technologies or adapt existing technologies to changing market demands. If we are unable to adapt in a timely manner to changing technologies, market conditions or customer preferences, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

In addition, we use broadband Internet access service, including video streaming services, to support our product offerings, and as a communications option for our alarm monitoring and other services. Video streaming services use significantly more bandwidth than non-video Internet activity. As utilization rates and penetration of these services increase, our high-speed customers may use more bandwidth than in the past. If this occurs, we could be required to make significant capital expenditures to increase network capacity to avoid service disruptions or reduced capacity for customers and potentially increase our cost for the corresponding network usage. See “Our future growth is dependent upon our ability to keep pace with rapid technological and industry changes to develop or acquire new technologies for our products and service introductions that achieve market acceptance with acceptable margins.”
Our reputation as a service provider of high-quality security offerings may be materially adversely affected by product defects or shortfalls in customer service.

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

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

Demand for alarm monitoring services, fire and security systems, and home automation systems is affected by the general economy, the business environment, and the turnover in the housing market, among other things. Downturns in the rate of the sale of new and existing homes, which we believe drives a substantial portion of our new customer volume in any given year, and downturns in the rate of commercial property development, which drives demand for our commercial offerings, would reduce opportunities to make sales of new security, fire, and home automation systems and services and reduce opportunities to take over existing security, fire, and home automation systems. Recoveries in the housing market increase the occurrence of relocations, which may lead to customers disconnecting service and not contracting with us in their new homes.

Further, the alarm monitoring business and the commercial fire and security business are dependent, in part, on national, regional, and local economic conditions. In particular, where disposable income available for discretionary spending is reduced (such as by higher housing, energy, interest, or other costs, or where the actual or perceived wealth of customers has decreased as a result of circumstances such as lower residential real estate values, increased foreclosure rates, inflation, increased tax rates, or other economic disruptions), the alarm monitoring business could experience increased attrition rates and reduced customer demand. Where levels of business activity decline, the commercial fire and security business could experience increased attrition rates and reduced demand. No assurance can be given that we will be able to continue acquiring quality alarm monitoring and fire and security system customers or that we will not experience higher attrition rates. Changes in individualized economic circumstances could cause current residential and commercial alarm and home automation customers to disconnect our services to reduce their monthly spending, or such customers could default on their remaining contractual obligations to us. Our long-term revenue growth rate depends on installations and new contracts exceeding disconnects. If customer disconnects and defaults increase, our business, financial condition, results of operations, and cash flows could be materially adversely affected. See “— We rely on a significant number of our customers remaining with us as customers for long periods of time.”

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

A substantial part of our revenue is derived from the recurring monthly revenue due from subscribers under alarm monitoring contracts. Therefore, we are dependent on the ability and willingness of subscribers to pay amounts due under the alarm monitoring contracts on a monthly basis in a timely manner. Although subscribers are contractually obligated to pay amounts due under an alarm monitoring contract and are generally contractually obligated to pay early cancellation fees if they prematurely cancel the alarm monitoring contract during the initial term of the alarm monitoring contract (typically between three and five years), subscribers’ payment obligations are unsecured, which could impair our ability to collect any unpaid amounts from our subscribers. To the extent payment defaults by subscribers under the alarm monitoring contracts are greater than anticipated, our business, financial condition, and results of operations could be materially adversely affected. We are also exploring different pricing plans for our products and services, including larger up-front payments and financing options for equipment purchases. We currently have arrangements with a third-party financing company to provide financing to small business and commercial customers who wish to finance their equipment purchases from us. We also recently launched a pilot program in a small number of markets for residential customers to pay us for equipment purchases through installments under a consumer financing arrangement. These lending services could increase the credit risks associated with our subscribers. While we intend to manage such credit risk by monitoring the credit quality of our financing portfolios, our efforts to mitigate risk may not be sufficient to prevent an adverse effect on our business, financial condition, and results of operations.
If the insurance industry changes its practice of providing incentives to homeowners for the use of alarm monitoring services, we may experience a reduction in new customer growth or an increase in our subscriber attrition rate.

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

We have and will continue to invest in new businesses, services, and technologies outside the traditional security and interactive services market, which is inherently risky and could disrupt our current operations.

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

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

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

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

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

In addition, we may also collect and retain other sensitive types of data, including audio recordings of telephone calls and video images of customer sites. We must comply with applicable federal and state laws and regulations governing the collection, retention, processing, storage, disclosure, access, use, security, and privacy of such information in addition to our own posted information security and privacy policies and applicable industry standards. The legal, regulatory, and contractual environment surrounding the foregoing continues to evolve, and there has been an increasing amount of focus on privacy and data security issues with the potential to affect our business. These privacy and data security laws and regulations, as well as contractual requirements, could increase our cost of doing business, and failure to comply with these laws, regulations, and contractual requirements could result in government enforcement actions (which could include civil or criminal penalties), private litigation, and/or adverse publicity. In the event of a breach of personal information that we hold or that is held by third parties on our behalf, we may be subject to governmental fines, individual and class action claims, remediation expenses, and/or harm to our reputation.

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Further, if we fail to comply with applicable privacy and security laws, regulations, policies, and standards; properly protect the integrity and security of our facilities and systems and the data located within them; or defend against cybersecurity attacks; or if our third-party service providers, partners, or vendors fail to do any of the foregoing with respect to data and information assessed, used, stored, or collected on our behalf, our business, reputation, results of operations, and cash flows could be materially adversely affected.

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

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

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

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

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

A significant actual or perceived (whether or not valid) theft, loss, fraudulent use or misuse of customer, employee, or other personally identifiable data, whether by us, our partners and vendors, or other third parties, or as a result of employee error or malfeasance or otherwise, non-compliance with applicable industry standards or our contractual or other legal obligations regarding such data, or a violation of our privacy and information security policies with respect to such data, could result in costs, fines, litigation, or regulatory actions against us. Such an event could additionally result in unfavorable publicity and therefore materially and adversely affect the market’s perception of the security and reliability of our services and our credibility and reputation with our customers, which may lead to customer dissatisfaction and could result in lost sales and increased customer revenue attrition.
In addition, we depend on our information technology infrastructure for business-to-business and business-to-consumer electronic commerce. Security breaches of, or sustained attacks against, this infrastructure could create system disruptions and shutdowns that could negatively impact our operations. Increasingly, our products and services are accessed through the Internet, and security breaches in connection with the delivery of our services via the Internet may affect us and could be detrimental to our reputation, business, operating results, and financial condition. We continue to invest in new and emerging technology and other solutions to protect our network and information systems, but there can be no assurance that these investments and solutions will prevent any of the risks described above. While we maintain cyber liability insurance that provides both third-party liability and first-party insurance coverages, our insurance may not be sufficient to protect against all of our losses from any future disruptions or breaches of our systems or other event as described above.

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

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

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

We also rely on third-party telecommunications providers and signal processing centers to transmit and communicate signals to our monitoring facility in a timely and consistent manner. These telecommunications providers and signal processing centers could fail to transmit or communicate these signals to the monitoring facility for many reasons, including disruptions from fire, natural disasters, weather, transmission interruption, malicious acts, or terrorism. The failure of one or more of these telecommunications providers or signal processing centers to transmit and communicate signals to the monitoring facility in a timely manner could affect our ability to provide alarm monitoring, home automation, and interactive services to our subscribers. We also rely on third-party technology companies to provide automation and interactive services to our customers. These technology companies could fail to provide these services consistently, or at all, which could result in our inability to meet customer demand and damage our reputation. There can be no assurance that third-party telecommunications providers, signal processing centers, and other technology companies will continue to transmit and communicate signals to the monitoring facility or provide home automation and interactive services to subscribers without disruption. Any such disruption, particularly one of a prolonged duration, could have a material adverse effect on our business. See also “—The retirement of older telecommunications technology such as 3G and CDMA by telecommunications providers and shifts in our customers’ choice of telecommunications services and
equipment could materially adversely affect our business, increase customer attrition and require significant capital expenditures” with respect to risks associated with changes in signal transmissions.

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

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

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

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

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

We may pursue business opportunities that diverge from our current business model, including expanding our products or service offerings, investing in new and unproven technologies, adding customer acquisition channels, and forming new alliances with companies to market our services. We can provide no assurance that any such business opportunities will prove to be successful. Among other negative effects, our pursuit of such business opportunities could cause our cost of investment in new customers to grow at a faster rate than our recurring revenue and fees collected at the time of installation. We have acquired DataShield, LLC and Secure Designs, each of which provide cybersecurity services for business customers, which expands our suite of services. We have also acquired several companies that sell and service fire and integrated security systems to business customers, including Fire & Security Holdings, LLC (“Red Hawk Fire & Security”), which significantly expanded our commercial fire and security capabilities, reach, and customer base. We are also currently exploring the option of offering certain of our monitoring and cybersecurity services under non-ADT brands to international markets outside of the U.S. and Canada. Additionally, any new alliances or customer acquisition channels could require developmental investments or have higher cost structures than our current arrangements, which could reduce operating margins and require more working capital. In the event that working capital requirements exceed operating cash flow, we could be required to draw on our revolving credit facility, which is described in Note 5 “Debt” to the accompanying consolidated financial statements and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources,” or pursue other external financing, which may not be readily available. Any of these factors could materially adversely affect our business, financial condition, results of operations, and cash flows.
We continue to integrate our acquisitions, which may divert management’s attention from our ongoing operations. We may not achieve all of the anticipated benefits, synergies, or cost savings from our acquisition.

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

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

- difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects from the combination;
- difficulties in the integration of operations and systems;
- difficulties in replacing numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll, data privacy, and security and regulatory compliance, many of which may be dissimilar;
- conforming standards, controls, procedures, accounting and other policies, business cultures, and compensation structures;
- difficulties in the assimilation of employees, including possible culture conflicts and different opinions on technical decisions and product roadmaps;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in keeping existing customers and obtaining new customers;
- challenges in attracting and retaining key personnel; and
- coordinating a geographically dispersed organization.

While we have not experienced any material difficulties to date in connection with the integration, many of these factors are outside our control and any one of them could result in increased costs, decreases in the amount of expected revenues, and further diversion of management’s time and energy, which could materially adversely affect our business, financial condition, and results of operations.

Our customer generation strategies through third parties, including our authorized dealer and affinity marketing programs, and the competitive market for customer accounts may affect our future profitability.

An element of our business strategy is the generation of new customer accounts through third parties, including our authorized dealers, which accounted for approximately half of our new customer accounts for 2018. Our future operating results will depend in large part on our ability to continue to manage this business generation strategy effectively. Although we currently generate accounts through hundreds of independent third parties, including authorized dealers, a significant portion of our accounts originate from a smaller number of such third parties, including an authorized premier provider that signed a nine-year renewal agreement with us in December 2017 and accounted for approximately 25% of all our new accounts in 2018. We experience loss of third-party sales partnerships, including authorized dealers from our authorized dealer program, due to various factors, such as dealers and third parties becoming inactive or discontinuing their electronic security business, non-renewal of our dealer and sales generation contracts, and competition from other alarm monitoring companies. If we experience a loss of authorized dealers or third-party sellers representing a significant portion of our customer account generation, or if we are unable to replace or recruit authorized dealers, other third-party sellers, or alternate distribution channel partners in accordance with our business strategy, our business, financial condition, results of operations, and cash flows could be materially adversely affected.

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

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

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

We face risks in acquiring and integrating customer accounts.

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

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

Unauthorized use of our brand names by third parties, and the expenses incurred in developing and preserving the value of our brand names, may materially adversely affect our business.

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

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

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

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

Infringement of our intellectual property rights could negatively affect us.

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

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

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

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

Under the standard alarm monitoring contract acquisition agreements that we enter into with our dealers, if a subscriber terminates their service with us during the first twelve months after the alarm monitoring contract has been acquired, the dealer is typically required to elect between substituting another alarm monitoring contract for the terminating alarm monitoring contract or compensating us in an amount based on the original acquisition cost of the terminating alarm monitoring contract. We are subject to the risk that dealers will breach their obligation to provide a comparable substitute alarm monitoring contract for a terminating alarm monitoring contract or compensate us in an amount based on the original acquisition cost of the terminating alarm monitoring contract. Although we generally withhold specified amounts from the acquisition cost paid to dealers for alarm monitoring contracts (“holdback”), which may be used to satisfy or offset these and other applicable dealer obligations under the alarm monitoring contract acquisition agreements, there can be no guarantee that these amounts will be sufficient to satisfy or offset the full extent of the default by a dealer of its obligations under its agreement. If the holdback does prove insufficient to cover dealer obligations, we are also subject to the credit risk that the dealers may not have sufficient funds to compensate us or that any such dealer will otherwise breach its obligation to compensate us for a terminating alarm monitoring contract. To the extent defaults by dealers of the obligations under their agreements are greater than anticipated, our business, financial condition, and results of operations could be materially adversely affected.

Our dealers may expose us to additional risks.

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

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

We are currently subject to a number of securities litigation claims relating to our 2018 IPO and we may in the future become subject to additional securities litigation in connection with our 2018 IPO, issues since our 2018 IPO, or issues that may have arisen prior to our acquisition of The ADT Corporation. This type of litigation may be lengthy and may result in substantial costs and a diversion of management’s attention and resources. Results cannot be predicted with certainty and an adverse outcome in such litigation could result in monetary damages or injunctive relief that could materially adversely affect our business, results of operations, financial condition, and cash flows.

Five substantially similar shareholder class action lawsuits related to our 2018 IPO were filed in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida in March, April, and May 2018. These cases have been consolidated for discovery and trial and are now entitled In re ADT Inc. Shareholder Litigation. Plaintiffs seek to represent a class of similarly situated shareholders and assert claims for alleged violations of the Securities Act of 1933, as amended (“Securities Act”). Plaintiffs allege that the Company defendants violated the Securities Act because the registration statement and prospectus used to effectuate the IPO were false and misleading in that they allegedly misled investors with respect to litigation involving the Company, the Company’s efforts to protect its intellectual property, and the competitive pressures faced by the Company. Defendants moved to
Our operations and employees are subject to various federal, state, provincial, and local laws and regulations in the U.S. and Canada in such areas as consumer protection, occupational licensing, environmental protection, labor and employment, tax, and other laws and regulations. Most states and provinces in which we operate have licensing laws directed specifically toward the security services industry. Our business relies heavily upon the use of both wireline and wireless telecommunications to communicate signals, and telecommunications companies are regulated by federal, state, provincial, and local governments.
In certain jurisdictions, we are required to obtain licenses or permits to comply with standards governing employee selection and training and to meet certain standards in the conduct of our business. The loss of such licenses or permits or the imposition of conditions to the granting or retention of such licenses or permits could have a material adverse effect on us. Furthermore, in certain jurisdictions, certain security systems must meet fire and building codes to be installed, and it is possible that our current or future products and service offerings will fail to meet such codes, which could require us to make costly modifications to our products and services or to forego marketing in certain jurisdictions.

We must also comply with numerous federal, state, provincial, and local laws and regulations that govern matters relating to our interactions with residential customers, including those pertaining to privacy and data security, consumer financial and credit transactions, home improvement contracts, warranties, and door-to-door solicitation. These laws and regulations are dynamic and subject to potentially differing interpretations, and various federal, state, provincial, and local legislative and regulatory bodies may initiate investigations, expand current laws or regulations, or enact new laws and regulations, regarding these matters. As we expand our product and service offerings and enter into new jurisdictions, we may be subject to more expansive regulation and oversight. For example, as a result of our acquisition of DataShield, we are expanding our cybersecurity services and exploring markets outside of the U.S. and Canada, and we will need to identify and comply with laws and regulations that apply to such services in the relevant jurisdictions. In addition, any financing or lending activity will subject us to various rules and regulations, such as the U.S. federal Truth in Lending Act and analogous U.S. state and Canadian federal and provincial legislation.

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

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

We could be assessed penalties for false alarms.

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

Police departments could refuse to respond to calls from monitored security service companies.

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

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

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

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

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

In 2009, the CRTC adopted Internet traffic management practices aimed at providing stronger net neutrality protections and preventing Canadian Internet service providers from engaging in traffic shaping practices that are “unjustly discriminatory” or “unduly preferential.” On February 26, 2015, the FCC reclassified broadband Internet access services in the U.S. as a telecommunications service subject to some elements of common carrier regulation, including the obligation to provide service on just and reasonable terms, and adopted specific net neutrality rules prohibiting the blocking, throttling, or “paid prioritization” of content or services. However, in May 2017, the FCC issued a notice of proposed rulemaking to roll back net neutrality rules and return to a “light touch” regulatory framework. Consistent with this notice, on December 14, 2017, the FCC once again classified broadband Internet access service as an unregulated information service and repealed the specific rules against blocking, throttling, or “paid prioritization” of content or services. It retained a rule requiring Internet service providers to disclose their practices to consumers, entrepreneurs and the FCC. A number of parties have already stated they would appeal this order and it is possible Congress may adopt legislation restoring some net neutrality requirements. The elimination of net neutrality rules and any changes to the rules could affect the market for broadband Internet access service in a way that impacts our business. For example, if Internet access providers provide better Internet access for their own alarm monitoring or interactive services that compete with our services or limit the bandwidth and speed for the transmission of data from ADT equipment, the demand for our services could be depressed or the costs of services we provide could increase.

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

As of December 31, 2018, we had approximately $13 billion of goodwill and other identifiable intangible assets. Goodwill and other identifiable intangible assets are recorded at fair value on the date of acquisition. We review such assets for impairment at least annually. Impairment may result from, among other things, deterioration in performance; adverse market conditions; adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services we offer; challenges to the validity of certain registered intellectual property; reduced sales of certain products or services incorporating registered intellectual property; increased attrition; and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial condition and results of operations.
Changes in accounting principles may adversely affect our financial results.

We present our results of operations and financial condition consistent with U.S. generally accepted accounting principles and standards issued by the Financial Accounting Standards Board (“FASB”). Preparation of our financial statements is highly complex and involves many assumptions, estimates, and judgments. Changes in accounting standards or practices may adversely impact our financial results and could affect the financial statements for periods prior to the effective date of the change. Currently, we are assessing the impact of FASB’s Accounting Standards Update (“ASU”) No. 2016-02, Leases, and related amendments, which requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. We will be required to implement this accounting standard in the first quarter of 2019. Refer to Note 1, “Description of Business and Summary of Significant Accounting Policies” in the Notes to Consolidated Financial Statements in Item 15 for additional information about this new accounting standard regarding leases and other new accounting pronouncements. Implementation of this new accounting standard could have a significant impact on our financial results, and any difficulties in implementing the new accounting standard or any other new accounting pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline, harm investors’ confidence in the Company and management, and materially adversely affect our stock price.

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

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

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

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

In addition, audits by the U.S. Internal Revenue Service (“IRS”) as well as state, territorial, provincial, and local tax authorities could reduce our tax attributes and/or subject us to tax liabilities if tax authorities make adverse determinations with respect to our NOL or tax credits carryforwards. There can be no assurance that adjustments that would reduce our tax attributes or otherwise affect our tax liability will not be proposed by the tax authorities. Further, any future disallowance of some or all of our tax credits or NOL carryforwards as a result of legislative change could materially adversely affect our tax obligations. Accordingly, there can be no assurance that in the future we will not be subject to increased taxation or experience limitations with respect to recognizing the benefits of our NOL carryforwards and other tax attributes. Any such increase in taxation or limitation of benefits could have a material adverse effect on our financial condition, results of operations, or cash flows. As of December 31, 2018, all tax years through 2012 have been audited and resolved with the IRS. The 2010 through 2012 tax years remain subject to examination for state income tax purposes. Refer to Note 7 “Income Taxes” for the years currently open to audit by jurisdiction.

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

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

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

Our success will depend in part upon the continued services of key personnel, including, our management team, sales representatives, installation and service technicians and call center personnel. Our ability to recruit and retain key personnel for management, sales, technician and call center positions could be impacted adversely by the competitive labor environment and require us to pay wages and incur other costs in excess of our planned expenditure. According to the U.S. Bureau of Labor Statistics, the national unemployment rate in the U.S. was 3.9% at the end of 2018 and is even lower in certain parts of the U.S. where we operate. The loss, incapacity, or unavailability for any reason of key members of our management team, higher than expected payroll and other costs associated with the hiring and retention of personnel and the inability or delay in hiring new key employees, such as, sales, technician and call center personnel, could materially adversely affect our ability to manage our business and our future operational and financial results.

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

Our senior management is important to the success of our business because there is significant competition for executive personnel with experience in the security and home automation industry. As a result of this need and the competition for a limited pool of industry-based executive experience, we may not be able to retain our existing senior management. In December 2018, our former Chief Executive Officer retired and Mr. James D. DeVries, our President was promoted to the position of President and Chief Executive Officer. Our future success will partly depend on Mr. DeVries’ ability, along with the ability of other senior management and key employees, to effectively implement our business strategies. Further, Mr. DeVries may pursue changes in our strategy or business focus. In addition, we may not be able to fill new positions or vacancies created by expansion or turnover. Moreover, we do not currently have and do not expect to have in the future “key person” insurance on the lives of any member of our senior management. The loss of any member of our senior management team or changes in strategy or execution as a result of their replacement (either from inside or outside our existing management team) could have a material adverse effect on our business, financial condition, and results of operations.

Adverse developments in our relationship with our employees could materially and adversely affect our business, results of operations, and financial condition.

As of December 31, 2018, approximately 1,860 of our employees at various sites, or approximately 10% of our total workforce, were represented by unions and covered by collective bargaining agreements. We are currently party to approximately 40 collective bargaining agreements in the U.S. and Canada. Almost one-third of these agreements are up for renewal in any given year. We cannot predict the outcome of negotiations of the collective bargaining agreements covering our employees. If we are unable to reach new agreements or renew existing agreements, employees subject to collective bargaining agreements may engage in strikes, work slowdowns, or other labor actions, which could materially disrupt our ability to provide services. New labor agreements or the renewal of existing agreements may impose significant new costs on us, which could materially adversely affect our financial condition and results of operations.

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

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

Under the terms of the 2012 Tax Sharing Agreement, Tyco controls all U.S. income tax audits relating to the pre-separation taxable period (including the separation itself). Tyco has been subject to federal income tax audits for the 1997—2012 tax years, and as of December 31, 2018, all tax years through 2012 have been audited and resolved with the IRS. The 2010 through 2012 tax years remain subject to examination for state income tax purposes.

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

Refer to Note 8 “Commitments and Contingencies” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.

We may be subject to liability for obligations of The Brink’s Company under the Coal Act or other coal-related liabilities of The Brink’s Company.

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

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

In order to meet our evolving customer needs, we rely on third-party independent contractors in addition to our existing workforce to perform certain tasks including installation and service of our customer alarm systems. From time to time, we are involved in lawsuits and claims that assert that certain independent contractors should be treated as our employees. The state of the law regarding independent contractor status varies from state to state and is subject to change based on court decisions and regulation. For example, on April 30, 2018, the California Supreme Court adopted a new standard for determining whether a company “employs” or is the “employer” for purposes of the California Wage Orders in its decision in the Dynamex Operations West, Inc. v. Superior Court case. The Dynamex decision alters the analysis of whether an individual, who is classified by a hiring entity as an independent contractor in California, has been properly classified as an independent contractor. Under the new test, an individual is considered an employee under the California Wage Orders unless the hiring entity establishes three criteria: (i) the worker is free from the control and direction of the hirer in connection with the performance of the work, both under the contract for the performance of such work and in fact; (ii) the worker performs work that is outside the usual course of the hiring entity’s business; and (iii) the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed for the hiring entity.

In August 2017, Jabra Shuheiber filed civil litigation in Marin County Superior Court on behalf of himself and two other individuals asserting wage and hour violations against the Company. Mr. Shuheiber was the owner/operator of a sub-contractor, Maximum Protection, Inc., which employed the other two plaintiffs in the litigation. We have been served with an amended
complaint in the Shuheiber matter to modify the plaintiffs' wage and hour claims against ADT such that they were brought on a class basis, partly in response to the Dynamex decision.

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

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

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

Exchange rate and other risks associated with operations outside the United States could adversely affect our business, financial condition and results of operations.

We maintain operations in the United States, including Puerto Rico, and Canada. Long-term economic uncertainty in some of the regions in which we operate could result in the disruption of markets and negatively affect cash flows from our operations. In addition, a portion of our revenues and expenses is denominated in Canadian dollars. We are therefore subject to Canadian currency risks and exchange exposure. Exchange rates can be volatile and a substantial weakening of foreign currencies against the U.S. dollar could reduce our profit margin for operations in Canada and adversely impact the comparability of results from period to period. These and other factors may have a material adverse effect on our non-U.S. operations and therefore on our business and results of operations.

Risks Related to our Indebtedness

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

As of December 31, 2018, we had $10.2 billion face value of outstanding indebtedness, which excludes capital leases.

During the year ended December 31, 2018, our cash flow used for debt service, excluding capital leases, totaled $722 million, which includes scheduled quarterly principal payments on our debt of $36 million, interest payments on our debt of $590 million, and dividend payments of $96 million related to the Koch Preferred Securities.
During the year ended December 31, 2018, our cash flows from operating activities totaled $1,788 million, which includes interest paid on our debt of $590 million as well as dividends of $96 million related to the Koch Preferred Securities. As such, our cash flows from operating activities (before giving effect to the payment of interest and dividends) amounted to $2,474 million. Cash payments used to service our debt represented approximately 29% of our net cash flows from operating activities (before giving effect to the payment of interest).

In addition, our cash flows include the partial redemption of the Prime Notes of $649 million, which includes principal and call premium, and the Koch Redemption of $853 million, which includes principal and redemption premium, as well as capital lease payments of $17 million, which includes $2 million of interest payments.

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

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

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

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

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

Our ability to satisfy our debt obligations (including any payments of principal upon the maturity of such obligations) depends upon, among other things:

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

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

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

If we cannot make scheduled payments on our indebtedness, we will be in default and holders of the Prime Notes and the ADT Notes (as defined in Note 5 “Debt” to the accompanying consolidated financial statements) and lenders under the First Lien Credit Agreement (as defined in Note 5 “Debt” to the accompanying consolidated financial statements) could declare all outstanding principal and interest to be due and payable, the lenders under our revolving credit facility could terminate their commitments to loan money, our secured lenders (including the lenders under our First Lien Credit Agreement and the holders of the Prime Notes and ADT Notes) could foreclose against the assets securing the indebtedness owing to them, and we could be forced into bankruptcy or liquidation.

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

**Our debt agreements contain restrictions that limit our flexibility.**

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

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

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

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

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

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

Such actions by the lenders could cause cross-defaults under our other indebtedness. If we are unable to repay those amounts, our secured lenders (including the lenders under our revolving credit facility and the holders of the Prime Notes and the ADT Notes) could proceed against the collateral granted to them to secure that indebtedness.

If any of our outstanding indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay such indebtedness in full.

_Our variable-rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly._

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

We currently have entered into, and in the future we may continue to enter into, interest rate swaps that involve the exchange of floating for fixed-rate interest payments to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable-rate indebtedness, and any such swaps may not fully mitigate our interest rate risk, may prove disadvantageous, or may create additional risks. As of December 31, 2018, assuming our revolving credit facility is fully drawn, each 0.125% change in interest rates would result in a $2 million change in annual interest expense, including the impact of our interest rate swaps, on indebtedness under our First Lien Credit Agreement.
Risks Related to the Ownership of our Common Stock

Our stock price may fluctuate significantly.

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

- our operating and financial performance and prospects;
- quarterly variations in the rate of growth (if any) of our financial indicators, such as net income per share, net income and revenues;
- the public reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by our competitors;
- changes in operating performance and the stock market valuations of other companies;
- announcements related to litigation;
- our failure to meet revenue or earnings estimates made by research analysts or other investors;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts;
- speculation in the press or investment community;
- sales of our common stock by us or our stockholders, or the perception that such sales may occur;
- changes in accounting principles, policies, guidance, interpretations, or standards;
- additions or departures of key management personnel;
- actions by our stockholders;
- general market conditions;
- domestic and international economic, legal, and regulatory factors unrelated to our performance;
- material weakness in our internal controls over financial reporting; and
- the realization of any risks described under this “Risk Factors” section, or other risks that may materialize in the future.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. Securities class action litigation has often been instituted against companies following periods of volatility in the overall market and in the market price of a company’s securities. Such litigation, if instituted against us, could result in very substantial costs, divert our management’s attention and resources, and harm our business, financial condition, and results of operations.

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

As a public company, we will continue to incur significant legal, accounting, and other expenses. For example, we will be required to comply with certain of the requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC, and the rules of the New York Stock Exchange (“NYSE”), including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. In particular, we expect to continue incurring significant expenses and to devote substantial management effort toward ensuring compliance with the requirements of the Sarbanes-Oxley Act. In that regard, we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.
In addition, we continue to integrate the financial reporting systems of Protection One, ASG, The ADT Corporation, Red Hawk Fire & Security and our other acquisitions. Successfully implementing our business plan and complying with the Sarbanes-Oxley Act and other regulations described above requires us to be able to prepare timely and accurate financial statements. Any delay in this implementation of, or disruption in, the transition to new or enhanced systems, procedures, or controls, may cause us to present restatements or cause our operations to suffer, and we may be unable to conclude that our internal controls over financial reporting are effective and to obtain an unqualified report on internal controls from our auditors.

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

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

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

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

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

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

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

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

- providing that our board of directors will be divided into three classes, with each class of directors serving staggered three-year terms;
• providing for the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class, if less than 50.1% of our outstanding common stock is beneficially owned by funds affiliated with Apollo;

• empowering only the board to fill any vacancy on our board of directors (other than in respect of a Sponsor Director (as defined below)), whether such vacancy occurs as a result of an increase in the number of directors or otherwise;

• authorizing the issuance of “blank check” preferred stock without any need for action by stockholders;

• prohibiting stockholders from acting by written consent if less than 50.1% of our outstanding common stock is beneficially owned by funds affiliated with Apollo;

• to the extent permitted by law, prohibiting stockholders from calling a special meeting of stockholders if less than 50.1% of our outstanding common stock is beneficially owned by funds affiliated with Apollo; and

• establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

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

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

In addition, as long as funds affiliated with Apollo beneficially own a majority of our outstanding common stock, Apollo will be able to control all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, and certain corporate transactions. Together, these charter, bylaw and statutory provisions could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions, as well as the significant common stock beneficially owned by funds affiliated with Apollo and its right to nominate a specified number of directors in certain circumstances, could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquisitions of the Company, thereby reducing the likelihood that holders of our common stock could receive a premium for their common stock in an acquisition.

**Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.**

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees, or agents to us or our stockholders; (c) any action asserting a claim arising pursuant to any provision of the DGCL or of our amended and restated certificate of incorporation or our amended and restated bylaws; or (d) any action asserting a claim related to or involving the Company that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition, and results of operations.
Our amended and restated certificate of incorporation contains a provision renouncing our interest and expectancy in certain corporate opportunities.

In connection with the ADT Acquisition in May 2016, funds affiliated with or managed by Apollo and certain other investors in our indirect parent entities (“Co-Investors”) received certain rights, including the right to designate one person to serve as a director (such director, the “Co-Investor Designee”) as long as such Co-Investor’s ownership exceeds a specified threshold. As of March 8, 2018, one Co-Investor has the right to designate a Co-Investor Designee. Under the Stockholders Agreement (see “Certain Relationships and Related Transactions and Director Independence—Stockholders Agreement”), Ultimate Parent has the right, but not the obligation, to nominate the Co-Investor Designee to serve as members of our board of directors. Ultimate Parent’s right to nominate the Co-Investor Designee is in addition to Ultimate Parent’s right to nominate a specified percentage of the directors (“Apollo Designees”) based on the percentage of our outstanding common stock beneficially owned by the Sponsor. For more information regarding Ultimate Parent and the Co-Investor’s rights to appoint directors, see “Certain Relationships and Related Transactions” - Stockholders Agreement in our 2019 Proxy Statement.

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

We are a holding company and rely on dividends, distributions, and other payments, advances, and transfers of funds from our subsidiaries to meet our obligations.

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

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

Our amended and restated certificate of incorporation authorizes us to issue shares of common stock and options, rights, warrants, and appreciation rights relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Refer to Note 12 “Share-Based Compensation” in the Notes to Consolidated Financial Statements in Item 15 for details of the number of options outstanding, which are exercisable into shares of our common stock and details of shares reserved and issuable under our equity incentive plans. Any common stock that we issue, including under our new equity incentive plan or other equity incentive plans that we may adopt in the future, as well as under outstanding options would dilute the percentage ownership held by holders of our common stock. From time to time in the future, we may also issue additional shares of our common stock or securities convertible into common stock pursuant to a variety of transactions, including acquisitions. Our issuance of additional shares of our common stock or securities convertible into our common stock would dilute the percentage ownership of the Company held by holders of our common stock and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our common stock. For further discussion regarding our equity incentive plans, please see our 2019 Proxy Statement.

Future sales of our common stock in the public market, or the perception in the public market that such sales may occur, could reduce our stock price.
ITEM 4. MINE SAFETY DISCLOSURES.

to Consolidated Financial Statements in Item 15 for further discussion.

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

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

If securities or industry analysts do not publish research or reports about our business or publish negative reports, our stock price could decline.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We currently operate through a network of approximately 240 sales and service offices, 12 U.L.-listed monitoring centers, seven customer and field support locations, two national sales call centers, and two regional distribution centers, located throughout the U.S. and Canada.

The majority of the properties described above are leased. We lease approximately 3 million square feet of space in the U.S., including approximately 141 thousand square feet of office space for our corporate headquarters located in Boca Raton, Florida. We lease this property under a long-term operating lease with a third party. We also own approximately 548 thousand square feet of space throughout the U.S.

We lease approximately 218 thousand square feet of space in Canada in support of our Canadian operations.

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

ITEM 3. LEGAL PROCEEDINGS.

We are subject to various claims and lawsuits in the ordinary course of business, including from time to time, contractual disputes, employment matters, product and general 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. In the ordinary course of business, we are also subject to regulatory and governmental examinations, information requests and subpoenas, inquiries, investigations, and threatened legal actions and proceedings. In connection with such formal and informal inquiries, we receive numerous requests, subpoenas, and orders for documents, testimony, and information in connection with various aspects of our activities. We have recorded accruals for losses that we believe are probable to occur and are reasonably estimable. Refer to Note 8 “Commitments and Contingencies” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

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

Market Information for our Common Stock

On January 23, 2018, we consummated an IPO of 105,000,000 shares of our common stock at an initial public offering price of $14.00 per share pursuant to a Registration Statement on Form S-1 (Registration No. 333-222233), which was declared effective by the SEC on January 18, 2018. Shares of our common stock are listed on the NYSE under the symbol “ADT.” Prior to that time, there was no public market for our common stock.

Stockholders of Record

As of March 5, 2019, there were 63 stockholders of record of our common stock. This does not include the number of stockholders who hold our common stock through banks, brokers, and other financial institutions.

Stock Performance Graph

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

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

<table>
<thead>
<tr>
<th></th>
<th>1/19/2018</th>
<th>3/31/2018</th>
<th>6/30/2018</th>
<th>9/30/2018</th>
<th>12/31/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADT Inc.</td>
<td>$100.00</td>
<td>$64.28</td>
<td>$70.40</td>
<td>$76.74</td>
<td>$49.35</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>$100.00</td>
<td>$93.97</td>
<td>$96.73</td>
<td>$103.69</td>
<td>$89.20</td>
</tr>
<tr>
<td>S&amp;P North America Commercial &amp; Professional Services Index</td>
<td>$100.00</td>
<td>$97.84</td>
<td>$103.64</td>
<td>$108.05</td>
<td>$93.90</td>
</tr>
</tbody>
</table>
Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2018 with respect to our common shares issuable under our equity compensation plans. All numbers in the following table are presented after giving effect to the 1.681-for-1 stock split of our common stock that was effected on January 4, 2018.

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)</th>
<th>Weighted-average exercise price of outstanding options, warrants, and rights (b)</th>
<th>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by stockholders:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 Equity Incentive Plan (1)</td>
<td>4,269,325</td>
<td>$</td>
<td>533,812</td>
</tr>
<tr>
<td>2018 Omnibus Incentive Plan (2)</td>
<td>18,951,901</td>
<td>$</td>
<td>18,550,046</td>
</tr>
<tr>
<td>Total</td>
<td>23,221,226</td>
<td>$</td>
<td>19,083,858</td>
</tr>
</tbody>
</table>

(1) The 2016 Equity Incentive Plan provides for the award of stock options, restricted stock units (“RSUs”), restricted stock awards (“RSAs”), and other equity and equity-based awards to our board of directors, officers, and non-officer employees. Amount shown in column denoted by (a) includes 2,125,847 of service-based and 2,143,478 of performance-based shares that may be issued upon the exercise of stock options. We do not expect to issue additional share-based compensation awards under the 2016 Plan.

(2) The 2018 Omnibus Incentive Plan provides for the award of stock options, RSUs, RSAs, and other equity and equity-based awards to our board of directors, officers, and non-officer employees. Amount shown in column denoted by (a) includes 11,012,718 of service-based shares that may be issued upon the exercise of stock options and 6,331,835 of performance-based shares that may be issued upon the exercise of stock options, 1,523,298 shares that may be issued upon the vesting of RSUs, and 84,050 shares that may be issued upon the vesting of RSAs. The weighted-average exercise price in column (b) is inclusive of the outstanding RSUs and RSAs, both of which can result in the issuance of shares for no consideration. Excluding the RSUs and RSAs, the weighted-average exercise price is equal to $13.50.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the quarter ended December 31, 2018.

Use of Proceeds from Registered Securities

In January 2018, in connection with the IPO, we received gross proceeds of approximately $1,470 million, or $1,406 million after reflecting underwriting discounts and commissions of approximately $55 million, as well as offering expenses. In February 2018, we used approximately $649 million from the IPO to redeem $594 million aggregate principal amount of the Prime Notes and pay the related call premium. On July 2, 2018, we used approximately $949 million of proceeds from the IPO and cash on hand to redeem in full the original stated value of $750 million of the Koch Preferred Securities and pay approximately $103 million related to the redemption premium and tax reimbursements, as well as $96 million related to the accumulated dividend obligation on the Koch Preferred Securities. The remaining proceeds from the IPO were used to pay IPO related fees and expenses and for general corporate purposes.

Issuer Purchases of Equity Securities

As of December 31, 2018, we did not have a repurchase plan or program for our equity securities and we did not repurchase any of our equity securities during the quarter ended December 31, 2018.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of Shares Purchased</th>
<th>Average Price Paid Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2018 - October 31, 2018</td>
<td>—</td>
<td>$</td>
</tr>
<tr>
<td>November 1, 2018 - November 30, 2018</td>
<td>—</td>
<td>$</td>
</tr>
<tr>
<td>December 1, 2018 - December 31, 2018</td>
<td>—</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>$</td>
</tr>
</tbody>
</table>

On February 27, 2019, we approved a dividend reinvestment plan (“DRIP”) which will allow 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. In
addition, on February 27, 2019 we approved a share repurchase program which will permit us to repurchase up to $150 million of our shares of common stock through February 27, 2021. We may effect these repurchases pursuant to one or more trading plans to be adopted in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions or pursuant to an accelerated share repurchase program. We intend to conduct the share repurchase program in accordance with Securities Exchange Act Rule 10b-18. We are not obligated to repurchase any of our shares of common stock and the timing and amount of any repurchases will depend on legal requirements, market conditions, stock price, alternative uses of capital, and other factors.

**ITEM 6. SELECTED FINANCIAL DATA.**

The selected financial data presented in the table below should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the accompanying consolidated financial statements and the related notes included elsewhere in this Annual Report. The selected Consolidated Balance Sheet data as of December 31, 2018 and 2017, and the related selected Consolidated Statements of Operations data for the years ended December 31, 2018, 2017, and 2016, have been derived from our audited financial statements included elsewhere in this Annual Report. The selected Consolidated Balance Sheet data as of December 31, 2016, December 31, 2015 (Successor), and December 31, 2014 (Predecessor), and the related selected Consolidated Statements of Operations data for the Successor period from May 15, 2015 (“Inception”) through December 31, 2015, and for the Predecessor period from January 1, 2015 through June 30, 2015 and for the year ended December 31, 2014, have been derived from our audited financial statements not included in this Annual Report.

Prior to the Formation Transactions on July 1, 2015, ADT Inc. was a holding company with no assets or liabilities, and Protection One is the predecessor of ADT Inc. for accounting purposes. Our selected financial data through June 30, 2015 consists solely of Protection One’s historical financial data. From July 1, 2015, our selected financial data includes the selected financial data of Protection One and ASG. Beginning on May 2, 2016, our selected financial data includes the selected financial data of The ADT Corporation, which was acquired on May 2, 2016. Historical results are not necessarily indicative of the results to be expected in the future.
ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION

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

OVERVIEW

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

Our goal is to extend the concept of security from the physical home or business to cybersecurity and personal on-the-go security and safety. Customers’ increasingly mobile and active lifestyles have created new opportunities for us in the fast-growing market for self-monitored and DIY products and services. Our technology also allows us to service our customers via various connected and wearable devices whether they are at home or on-the-go.

In addition, we offer professional monitoring of third-party devices by enabling other companies to integrate solutions into our monitoring and billing platform. This allows us to provide monitoring solutions to customers who do not currently have an installed ADT security system or interactive automation platform.

As of December 31, 2018, we serve approximately 7.2 million recurring customers, excluding contracts monitored but not owned. We are one of the largest full-service companies with a national footprint providing both residential and commercial monitored security. We deliver an integrated customer experience by maintaining the industry’s largest sales, installation, and service field force, as well as a 24/7 professional monitoring network.

BASIS OF PRESENTATION

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

We report financial and operating information in one segment. Our operating segment is also our reportable segment. We have presented results of operations, including the related discussion and analysis, for the following periods: (i) year ended December 31, 2018 compared to year ended December 31, 2017, and (ii) year ended December 31, 2017 compared to year ended December 31, 2016.

FACTORS AFFECTING OPERATING RESULTS

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

Our ability to add new subscribers depends on the overall demand for our products and solutions, which is driven by a number of external factors. The overall economic condition in the geographies in which we operate can impact our ability to attract new customers and grow our business in all customer channels. Growth in our residential customer base can be influenced by the overall state of the housing market. Growth in our commercial customer base can be influenced by the rate at which new businesses begin operations or existing businesses grow. The demand for our products and solutions is also impacted by the perceived threat of crime; as well as the quality of the service of our competitors.
The monthly fees that we generate from any individual customer vary based on the level of service we provide to the customer and customer tenure. We offer a wide range of services at various price points from basic burglar alarm monitoring to our full suite of interactive services. Our ability to increase monthly fees at the individual customer level depends on a number of factors, including our ability to effectively introduce and market additional features and services that increase the value of our offerings to customers, which we believe drives customers to purchase higher levels of service and supports our ability to make periodic adjustments to pricing.

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

Public Company Costs

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

Radio Conversion Costs

We have received notice from the providers of 3G and CDMA cellular networks that they will be retiring their 3G and CDMA networks by the first quarter of 2022. We currently provide services to approximately 4 million customer sites that use 3G or CDMA cellular equipment, which number is diminishing on a monthly basis in the ordinary course of business due to attrition, upgrades and repairs. Our plans to address this three-year transition are not yet finalized and the impact involves numerous estimates and variables. Among other factors, we will look to reduce any applicable costs to the Company, such as hardware costs currently estimated to be less than $90 per site, by exploring cost sharing opportunities, working with our suppliers, carriers and customers, and to increase revenue by using the transition as an opportunity to sell new products and services in conjunction with replacing the radio and to more rapidly transition customers to our new Command and Control technology.

SIGNIFICANT EVENTS

The following are events that have occurred that significantly impact the comparability of our results of operations in historical or future periods:

ADT Acquisition

On May 2, 2016, we completed our acquisition of The ADT Corporation, a leading provider of monitored security and interactive automation solutions in the U.S. and Canada. The ADT Acquisition provided us the ability to continue to expand our market presence in the security industry by leveraging the ADT brand name and other best practices.

Total consideration in connection with the ADT Acquisition was $12,114 million, which included the assumption of The ADT Corporation’s outstanding debt (inclusive of capital lease obligations) at a fair value of $3,551 million on the acquisition date, and cash of approximately $54 million.

We funded the ADT Acquisition, as well as related transaction costs, using the net proceeds from a combination of the following:

(i) equity proceeds of $3,571 million, net of issuance costs, which resulted from equity issuances by us and Ultimate Parent to our Sponsor and certain other investors;

(ii) incremental first lien term loan borrowings of $1,555 million and the issuance of $3,140 million of the Prime Notes; and

(iii) issuance by ADT Inc. of 750,000 shares of the Koch Preferred Securities and issuance by Ultimate Parent of the Warrants to the Koch Investor for an aggregate amount of $750 million.
Initial Public Offering

In January 2018, we completed our IPO in which we issued and sold 105,000,000 shares of common stock at an initial public offering price of $14.00 per share. Net proceeds from the IPO were $1,406 million, after deducting underwriting discounts, commissions, and offering expenses.

On February 21, 2018, we used approximately $649 million of the proceeds from the IPO to redeem $594 million aggregate principal amount of Prime Notes and pay the related call premium.

On July 2, 2018, we redeemed the original stated value of $750 million of the Koch Preferred Securities for total consideration of approximately $949 million using proceeds from the IPO and cash on hand. The total consideration paid includes approximately $103 million related to the redemption premium and tax reimbursements, as well as $96 million related to the accumulated dividend obligation on the Koch Preferred Securities. We recognized a loss on extinguishment of debt of $213 million as a result of the redemption. The remaining proceeds from the IPO were used to pay IPO related fees and expenses and for general corporate purposes.

During the first quarter of 2018 and in connection with the IPO, we redeemed Class B Units in Ultimate Parent in full for the number of shares of our common stock (“Distributed Shares”) that would have been distributed to such holder under the terms of Ultimate Parent’s operating agreement in a hypothetical liquidation on the date of the IPO at the initial public offering price (“Class B Unit Redemption”), which resulted in a modification of both the shares subject to time-based vesting (“Distributed Shares Service Tranche”) and shares subject to vesting based upon the achievement of certain investment return thresholds by Apollo (“Distributed Shares Performance Tranche”). The modification of the Distributed Shares Performance Tranche resulted in a significant increase in fair value, whereas the impact of the modification on the Distributed Shares Service Tranche was not material. Additionally, upon consummation of the IPO, we approved our 2018 Omnibus Incentive Plan (“2018 Plan”). Under the 2018 Plan, and in connection with the Class B Unit Redemption, we also granted options to holders of Class B Units (“Top-up Options”). The Class B Unit Redemption and Top-up Options resulted in the increase in share-based compensation expense during 2018.

Red Hawk Acquisition

On December 3, 2018, we acquired all of the issued and outstanding capital stock of Red Hawk Fire & Security, a leader in commercial fire, life safety, and security services, for total consideration of $318 million and cash paid of $301 million, net of cash acquired (“Red Hawk Acquisition”). We funded the Red Hawk Acquisition from a combination of additional debt financing and cash on hand. This acquisition is intended to accelerate our growth in the commercial security market and expand our product portfolio with the introduction of commercial fire safety related solutions.

KEY PERFORMANCE INDICATORS

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

Recurring Monthly Revenue (“RMR”)

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

Gross Customer Revenue Attrition

Gross customer revenue attrition is defined as the RMR lost as a result of customer attrition, net of dealer charge-backs and reinstated customers, excluding contracts monitored but not owned. 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, generally twelve to fifteen months.
Gross customer revenue attrition is calculated on a trailing twelve-month basis, the numerator of which is the annualized RMR lost during the period due to attrition, net of dealer charge-backs and reinstated customers, excluding contracts monitored but not owned, 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 income (loss) (the most comparable GAAP measure), and additional information, including a description of the limitations relating to the use of Adjusted EBITDA, are provided under “—Non-GAAP Measures.” In addition, Adjusted EBITDA may be presented on a supplemental pro forma basis. Refer to the “—Supplemental Management’s Discussion and Analysis of Financial Condition and Results of Operations” section for further discussion regarding the presentation of supplemental pro forma financial information.

*Free Cash Flow*

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

**RESULTS OF OPERATIONS**

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

*(in thousands, except as otherwise indicated)*

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<thead>
<tr>
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<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,109,939</td>
<td>$4,029,279</td>
<td>$2,748,222</td>
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<td>Installation and other</td>
<td>471,734</td>
<td>286,223</td>
<td>201,544</td>
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<tr>
<td><strong>Total revenue</strong></td>
<td>4,581,673</td>
<td>4,315,502</td>
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<tr>
<td>Cost of revenue (exclusive of depreciation and amortization shown separately below)</td>
<td>1,041,336</td>
<td>895,736</td>
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<td>Selling, general and administrative expenses</td>
<td>1,246,950</td>
<td>1,209,200</td>
<td>858,896</td>
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<td>Depreciation and intangible asset amortization</td>
<td>1,930,929</td>
<td>1,863,299</td>
<td>1,232,967</td>
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<td>Merger, restructuring, integration, and other</td>
<td>(3,344)</td>
<td>64,828</td>
<td>393,788</td>
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<td>Goodwill impairment</td>
<td>87,962</td>
<td>—</td>
<td>—</td>
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<tr>
<td><strong>Operating income (loss)</strong></td>
<td>277,840</td>
<td>282,439</td>
<td>(229,315)</td>
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<td>Interest expense, net</td>
<td>(663,204)</td>
<td>(732,841)</td>
<td>(521,491)</td>
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<td>Loss on extinguishment of debt</td>
<td>(274,836)</td>
<td>(4,331)</td>
<td>(28,293)</td>
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<td>Other income (expense)</td>
<td>27,582</td>
<td>33,047</td>
<td>(23,639)</td>
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<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(632,618)</td>
<td>(421,686)</td>
<td>(802,738)</td>
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<td>Income tax benefit</td>
<td>23,463</td>
<td>764,313</td>
<td>266,151</td>
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<tr>
<td><strong>Net (loss) income</strong></td>
<td>$ (609,155)</td>
<td>$342,627</td>
<td>$(536,587)</td>
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<table>
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<tr>
<th>Summary Cash Flow Data:</th>
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<tr>
<td>Net cash provided by operating activities</td>
<td>$1,787,607</td>
<td>$1,591,930</td>
<td>$ 617,523</td>
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<td>Net cash used in investing activities</td>
<td>$(1,738,210)</td>
<td>$(1,413,310)</td>
<td>$( 9,411,714)</td>
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<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>$ 193,001</td>
<td>$(143,069)</td>
<td>$ 8,828,775</td>
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<th>Key Performance Indicators: <em>(1)</em></th>
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<tr>
<td>RMR</td>
<td>$346,751</td>
<td>$334,810</td>
<td>$327,948</td>
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<tr>
<td>Gross customer revenue attrition (percentage)</td>
<td>13.3%</td>
<td>13.7%</td>
<td>14.8%</td>
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<tr>
<td>Adjusted EBITDA <em>(2)</em></td>
<td>$2,453,497</td>
<td>$2,352,803</td>
<td>$1,532,889</td>
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<td>Free Cash Flow <em>(3)</em></td>
<td>$390,993</td>
<td>$225,361</td>
<td>$(336,672)</td>
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</tbody>
</table>

*(1)* Refer to the “—Key Performance Indicators” section for the definitions of these key performance indicators.
Gross customer revenue attrition for 2016 is presented on a pro forma basis for The ADT Corporation business.

Adjusted EBITDA and Free Cash Flow are non-GAAP measures. Refer to the “—Non-GAAP Measures” section for the definitions of these terms and reconciliations to the most comparable GAAP measures.

2018 Compared to 2017

Total Revenue

Monitoring and related services revenue increased by $81 million during 2018, which includes incremental revenue associated with acquisitions. The increase was primarily attributable to an increase in contractual monthly recurring fees for monitoring and other recurring services, which resulted from the addition of new customers and improvements in average pricing, partially offset by customer attrition. The improvement in average pricing was driven by the addition of new customers at higher rates, largely due to new subscribers generally selecting higher priced services as compared to our existing customers, as well as price escalations on our existing customer base. These factors also were a primary driver for the increase in RMR to $347 million as of December 31, 2018 from $335 million as of December 31, 2017. In addition, approximately 2% of the 4% increase in RMR was due to the Red Hawk Acquisition. Gross customer revenue attrition improved to 13.3% as of December 31, 2018 from 13.7% as of December 31, 2017 as a result of lower voluntary disconnects and lower disconnects due to non-paying customers.

Installation and other revenue increased by $186 million during 2018. This increase was primarily due to $153 million related to revenue from security equipment sold outright to customers, of which approximately $99 million related to incremental revenue associated with acquisitions. The remaining increase of $33 million was due to additional amortization of deferred subscriber acquisition revenue during 2018.

Cost of Revenue

Cost of revenue increased by $146 million during 2018. The increase in cost of revenue was primarily attributable to $118 million from installation costs associated with a higher volume of sales where security-related equipment is sold outright to customers, the majority of which is due to the incremental volume associated with acquisitions. The remaining increase is due to an increase in our field and maintenance service expenses, of which approximately $15 million is related to incremental expenses associated with acquisitions.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $38 million during 2018. The increase was related to $124 million associated with our equity compensation awards, which were impacted by the completion of our IPO, $11 million related to compensation arrangements associated with acquisitions, as well as other incremental general and administrative expenses associated with acquisitions. These increases were partially offset by:

(i) decreases in financing and consent fees of $55 million due to fees of $9 million incurred during 2018 in connection with amendments and restatements to the First Lien Credit Agreement as compared to $64 million of fees incurred during 2017 in connection with the payment of the Special Dividend and amendments and restatements to the First Lien Credit Agreement;

(ii) decreases in management consulting agreement fees of $19 million, which was terminated upon consummation of the IPO; and

(iii) favorable legal settlements of $17.5 million due to two settlements during 2018.

Depreciation and Intangible Asset Amortization

Depreciation and intangible asset amortization increased by $68 million during 2018. This increase was primarily attributable to $100 million associated with the amortization of customer contracts acquired under the ADT Authorized Dealer Program, partially offset by a decrease in the amortization of trade names of $41 million primarily associated with the Protection One trade name, which became fully amortized in June 2018.
Merger, Restructuring, Integration, and Other

Merger, restructuring, integration, and other decrease by $68 million during 2018. This decrease was primarily due to the following: (i) a gain on fair value re measurement of approximately $11 million on a strategic investment during 2018 compared to impairment charges of approximately $18 million on strategic investments during 2017; (ii) an $18 million decrease in restructuring efforts; and (iii) a $14 million decrease related to integration costs associated with acquisitions.

Goodwill Impairment

As part of our annual goodwill impairment tests during the fourth quarter of 2018, we determined that our goodwill related to the Canada reporting unit was impaired, which was primarily driven by the underperformance of the Canada reporting unit relative to expectations. Accordingly, we recorded a goodwill impairment loss of $88 million. We did not record a goodwill impairment loss in 2017.

Interest Expense, net

Net interest expense was primarily comprised of interest expense on our long-term debt and the dividend obligation associated with the Koch Preferred Securities and decrease by $70 million during 2018. The decrease in net interest expense was primarily driven by a reduction in interest expense of $47 million due to the redemption of $594 million aggregate principal amount of the Prime Notes in February 2018 and a reduction in interest expense of approximately $37 million due to the Koch Redemption in July of 2018. These decreases were partially offset by an increase of approximately $24 million due to an increase in interest rates on our variable-rate debt, including the impact of our interest rate swaps. Refer to the “—Liquidity and Capital Resources” section for further discussion regarding our debt and interest.

Loss on Extinguishment of Debt

Loss on extinguishment of debt in 2018 includes approximately $213 million associated with the Koch Redemption in July 2018, which related to the payment of the redemption premium and tax reimbursements, as well as the write-off of the unamortized discount and deferred financing costs. In addition, loss on extinguishment of debt includes approximately $62 million primarily associated with the partial redemption of the Prime Notes in February 2018, which related to the payment of the call premium, as well as the write-off of a portion of the unamortized deferred financing costs. Loss on extinguishment of debt in 2017 was not material.

Other Income (Expense)

During 2018, other income primarily includes $22 million of licensing fees, as well as a gain of $7.5 million from the sale of equity in a third party that we received as part of a settlement.

During 2017, other income primarily includes $24 million of foreign currency gains related to the conversion of intercompany loans that are denominated in Canadian dollars. During the first quarter of 2018, we designated certain of these intercompany loans to be of a long-term-investment nature and began recognizing the related foreign currency gains and losses in accumulated other comprehensive loss.

Income Tax Benefit

Income tax benefit was $23 million during 2018, resulting in an effective tax rate for the period of 3.7%. The effective tax rate reflects the reduced federal income tax rate of 21% as a result of Tax Reform, a 10.3% unfavorable impact from permanent non-deductible expenses, primarily associated with the Koch Preferred Securities, a 5.8% unfavorable impact from future non-deductible share-based compensation, a 3.7% unfavorable impact from non-deductible goodwill impairment loss, and a 3.2% unfavorable impact from state legislative changes, offset by a 3.8% favorable impact of tax adjustments related to prior year state returns filed in the first quarter of 2018.

Income tax benefit was $764 million in 2017, resulting in an effective tax rate for the period of 181.3%. The effective tax rate primarily reflects the favorable impact of Tax Reform offset by the unfavorable impact of permanent tax adjustments.

Tax Reform was signed into law on December 22, 2017. In response to Tax Reform, the SEC issued Staff Accounting Bulletin No. 118 (“SAB 118”), which allowed companies to record provisional estimates of the effects of the legislative change, and a one-year measurement period to finalize the accounting of those effects. As of December 31, 2018, we completed the accounting for the tax effects of Tax Reform and recorded no material changes to the provisional estimates recorded in 2017.
The effective tax rates in 2018 and 2017 reflect the tax impact of permanent tax adjustments, state tax expense, changes in tax laws, and non-U.S. net earnings. 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, recurring factors such as changes in the overall effective state tax rate, as well as fluctuations in pre-tax income or loss. Discrete items and permanent tax adjustments will have a greater impact on the effective tax rate when pre-tax income or loss is lower. Refer to Note 7 “Income Taxes” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.

2017 Compared to 2016

Total Revenue

Monitoring and related services revenue increased by $1,281 million during 2017. This increase was largely attributable to incremental revenue of approximately $1,168 million in 2017 associated with the ADT Acquisition and the amortization of deferred revenue as a result of the application of purchase accounting in connection with the ADT Acquisition that reduced revenue by $63 million during 2016.

The remainder of the increase was primarily attributable to an increase in contractual monthly recurring fees for monitoring and other recurring services, which resulted from the addition of new customers and improvements in average pricing, partially offset by customer attrition. The improvement in average pricing was driven by the addition of new customers at higher rates, largely due to new subscribers generally selecting higher priced services as compared to our existing customers, as well as price escalations on our existing customer base. These factors also were the primary driver for an increase in RMR to $335 million as of December 31, 2017 from $328 million as of December 31, 2016. Gross customer revenue attrition improved to 13.7% as of December 31, 2017 from 14.8% as of December 31, 2016 as a result of our enhanced focus on high quality customer additions through our disciplined customer selection process.

Installation and other revenue increased by $85 million during 2017. This increase primarily resulted from $49 million related to revenue from security equipment sold outright to customers in 2017, which includes approximately $10 million of incremental revenue associated with the operations of The ADT Corporation. Additionally, the increase in installation and other revenue includes $36 million of revenue related to the amortization of deferred installation revenue, which includes approximately $11 million of incremental deferred installation revenue associated with the operations of The ADT Corporation during 2017.

Cost of Revenue

Cost of revenue increased by $202 million during 2017. The increase in cost of revenue was primarily attributable to (i) an increase in field and maintenance service expenses of $89 million primarily associated with the operations of The ADT Corporation, including expenses incurred for service calls for customers who have maintenance contracts, and (ii) an increase in customer care expenses of $75 million primarily attributable to costs associated with the operations of The ADT Corporation, as well as investments associated with enhanced customer revenue attrition improvement initiatives, which was partially offset by reduced software license expenses related to a cloud computing accounting standard adopted in 2016. The remainder of the increase in cost of revenue was due to increased installation costs of approximately $38 million associated with a higher volume of sales where security-related equipment is sold outright to customers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $350 million during 2017. The increase in selling, general and administrative expenses was primarily attributable to incremental expenses associated with The ADT Corporation business of approximately $324 million. The remainder of the increase, excluding the impact from the incremental expenses associated with The ADT Corporation business, was primarily due to (i) $64 million of financing and consent fees incurred in 2017 and (ii) an increase related to the amortization of deferred subscriber acquisition costs of approximately $25 million. These costs were partially offset by (i) decreases in general and administrative and advertising expenses of $31 million that were primarily the result of synergies associated with the ADT Acquisition and (ii) a decrease in radio conversion costs of $27 million.

Depreciation and Intangible Asset Amortization

Depreciation and intangible asset amortization increased by $630 million during 2017. This increase primarily related to depreciation and intangible asset amortization associated with the fair value of assets acquired in the ADT Acquisition, which primarily includes amortization of definite-lived intangible assets and depreciation of subscriber system assets. Additionally, the increase in depreciation and intangible asset amortization was also attributable to (i) an increase in amortization of customer contracts acquired under the ADT Authorized Dealer Program of $104 million, (ii) an increase in amortization of $42 million
primarily associated with the Protection One trade name, which we began amortizing in July 2016, and (iii) amortization of software license expenses of $37 million related to the cloud computing accounting standard.

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

Merger, restructuring, integration, and other decrease d by $329 million during 2017. This decrease was primarily due to merger costs of $311 million associated with the ADT Acquisition incurred during 2016 and a decrease in restructuring charges of $33 million due to charges incurred in 2016 primarily related to the severance of certain former executives and employees of The ADT Corporation in connection with the ADT Acquisition. These charges were partially offset by an increase in integration expenses primarily associated with the integration of The ADT Corporation business, as well as an increase in impairment charges related to our strategic investments.

**Interest Expense, net**

Net interest expense was primarily comprised of interest expense on our long-term debt and the dividend obligation associated with the Koch Preferred Securities and increase d by $211 million during 2017. The increase in interest expense was primarily the result of an increase in borrowings to fund the ADT Acquisition, including the dividend obligation associated with the Koch Preferred Securities. Refer to the “—Liquidity and Capital Resources” section for further discussion regarding our debt and interest.

**Loss on Extinguishment of Debt**

Loss on extinguishment of debt was $4 million and $28 million during 2017 and 2016, respectively, and primarily related to the write-off of debt discount and issuance costs associated with amendments and restatements to our First Lien Credit Agreement, as well as the voluntary paydown of $260 million of the second lien term loan, as defined herein, in July and October 2016.

**Other Income (Expense)**

Other income (expense) was primarily attributable to net foreign currency gains of $24 million and losses of $16 million during 2017 and 2016, respectively, related to the conversion of intercompany loans that are denominated in Canadian dollars. Other expense during 2016 also includes a net loss on the settlement of derivative contracts that were executed to hedge future cash flows associated with the ADT Acquisition.

**Income Tax Benefit**

Income tax benefit was $764 million during 2017, resulting in an effective tax rate for the period of 181.3%… The effective tax rate for 2017 reflects the favorable impact of Tax Reform offset by the unfavorable impact of permanent tax adjustments.

Tax Reform was signed into law on December 22, 2017. The legislation, among other things, reduced the U.S. federal corporate income tax rate from 35.0% to 21.0%, imposed a mandatory one-time tax on accumulated earnings of foreign subsidiaries, imposed significant limitations on the deductibility of interest, allowed for the full expensing of capital expenditures, and put into effect the migration from a “worldwide” system of taxation to a modified territorial system. In response to Tax Reform, SAB 118 allowed companies to record provisional estimates of the effects of the legislative change, and a one-year measurement period to finalize the accounting of those effects. As of December 31, 2017, we had not finalized our analysis of the implications of this legislative change; however, our net deferred tax assets and liabilities were revalued at the newly enacted U.S. corporate rate, and provisional amounts associated with the legislative changes were recognized in our tax benefit in 2017. The total provisional amount recorded as of December 31, 2017 was $690 million and included a remeasurement of our net deferred tax assets and liabilities as well as the impact of the mandatory one-time tax on accumulated earnings of foreign subsidiaries. As of December 31, 2017, we completed the accounting for the tax effects of Tax Reform and recorded no material changes to the provisional estimates recorded in the 2017 financial statements.

Income tax benefit was $266 million during 2016, resulting in an effective tax rate for the period of 33.2%… The effective tax rate for 2016 primarily reflects the impact of permanent tax adjustments mainly related to non-deductible acquisition costs associated with the ADT Acquisition.

The effective tax rates for 2017 and 2016 reflect the tax impact of permanent tax adjustments, state tax expense, changes in tax laws, and non-U.S. net earnings. 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, recurring factors such as changes in the overall effective state tax rate, as well as fluctuations in pre-tax income or loss. Discrete items and permanent tax adjustments will have
a greater impact on the effective tax rate when pre-tax income is lower. Refer to Note 7 “Income Taxes” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.

NON-GAAP MEASURES

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

Adjusted EBITDA

We believe that the presentation of Adjusted EBITDA is appropriate to provide additional information to investors about certain non-cash items and about unusual items that we do not expect to continue at the same level in the future, as well as other items. 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) purchase accounting adjustments under GAAP, (vii) merger, restructuring, integration, and other, (viii) goodwill impairment losses, (ix) financing and consent fees, (x) foreign currency gains/losses, (xi) losses on extinguishment of debt, (xii) radio conversion costs, (xiii) management fees and other charges, and (xiv) other 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 as calculated in accordance with GAAP. In addition, Adjusted EBITDA may be presented on a supplemental pro forma basis. Refer to the “—Supplemental Management’s Discussion and Analysis of Financial Condition and Results of Operations” section for further discussion regarding the presentation of supplemental pro forma financial information.

Free Cash Flow

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

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

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

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

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>($609,155)</td>
<td>$342,627</td>
<td>($536,587)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>663,204</td>
<td>732,841</td>
<td>521,491</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>(23,463)</td>
<td>(764,313)</td>
<td>(266,151)</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,930,929</td>
<td>1,863,299</td>
<td>1,232,967</td>
</tr>
<tr>
<td>Merger, restructuring, integration and other</td>
<td>(3,344)</td>
<td>64,828</td>
<td>393,788</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>87,962</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Financing and consent fees (1)</td>
<td>8,857</td>
<td>63,593</td>
<td>5,302</td>
</tr>
<tr>
<td>Foreign currency losses / (gains) (2)</td>
<td>3,228</td>
<td>(23,804)</td>
<td>16,042</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>274,836</td>
<td>4,331</td>
<td>28,293</td>
</tr>
<tr>
<td>Amortization of deferred revenue fair value adjustment (3)</td>
<td>166</td>
<td>—</td>
<td>62,845</td>
</tr>
<tr>
<td>Other non-cash items</td>
<td>1,650</td>
<td>12,899</td>
<td>16,276</td>
</tr>
<tr>
<td>Radio conversion costs (4)</td>
<td>5,099</td>
<td>12,244</td>
<td>34,405</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition costs</td>
<td>59,928</td>
<td>51,491</td>
<td>16,769</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition revenue</td>
<td>(79,136)</td>
<td>(46,454)</td>
<td>(10,717)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>135,012</td>
<td>11,276</td>
<td>4,625</td>
</tr>
<tr>
<td>Management fees and other charges (5)</td>
<td>(2,276)</td>
<td>27,945</td>
<td>13,541</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>$2,453,497</td>
<td>$2,352,803</td>
<td>$1,532,889</td>
</tr>
</tbody>
</table>

(1) In 2017, relates to fees incurred in connection with the Special Dividend and amendments and restatements related to the First Lien Credit Agreement.
(2) Relates to the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
(3) Represents adjustments related to the fair value of deferred revenue under GAAP, primarily related to the ADT Acquisition in 2016 and the Red Hawk Acquisition in 2018.
(4) Represents costs associated with upgrading cellular technology used in many of our security systems.
(5) In 2018, primarily includes income of approximately $22 million of one-time licensing fees, as well as a gain of $7.5 million from the sale of equity in a third party that we received as part of a settlement during the second quarter of 2018 partially offset by $14 million in compensation arrangements related to acquisitions. In 2017 and 2016, primarily represents fees under a Management Consulting Agreement, which was terminated in connection with the consummation of the IPO.

2018 Compared to 2017

During 2018, Adjusted EBITDA increased by $101 million. This increase was primarily due to an increase in revenue from contractual monthly recurring fees for monitoring and other recurring services, as well as higher revenue on transactions in which security equipment is sold outright to customers partially offset by the associated costs. The remainder of this increase was attributable to a decrease in selling, general and administrative expenses, excluding items outside of our definition of Adjusted EBITDA.

2017 Compared to 2016

During 2017, Adjusted EBITDA increased by $820 million. This increase was primarily due to incremental revenue net of incremental costs associated with The ADT Corporation business. The remainder of this increase was attributable to revenue growth, excluding the impact of purchase accounting, and a decrease in selling, general and administrative expenses, excluding items outside of our definition of Adjusted EBITDA, partially offset by increase in cost of revenue.

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

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

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$1,787,607</td>
<td>$1,591,930</td>
<td>$617,523</td>
</tr>
<tr>
<td>Dealer generated customer accounts and bulk account purchases</td>
<td>(693,525)</td>
<td>(653,222)</td>
<td>(407,102)</td>
</tr>
<tr>
<td>Subscriber system assets and deferred subscriber installation costs</td>
<td>(576,290)</td>
<td>(582,723)</td>
<td>(468,594)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(126,799)</td>
<td>(130,624)</td>
<td>(78,499)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$390,993</td>
<td>$225,361</td>
<td>$(336,672)</td>
</tr>
</tbody>
</table>

Cash Flows from Operating Activities

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

Cash Outlays Related to Capital Expenditures

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

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

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

We are a highly leveraged company with significant debt service requirements. As of December 31, 2018, we had $363 million in cash and cash equivalents and $350 million available under our revolving credit facility. The carrying value of total debt outstanding was $10,002 million as of December 31, 2018. On February 15, 2019, we entered into an additional first lien revolving credit agreement with an aggregate available commitment of up to $50 million maturing on March 16, 2023.
**Initial Public Offering**

In January 2018, in connection with the consummation of our IPO, we received net proceeds of $1,406 million, after deducting underwriting discounts, commissions, and offering expenses.

On February 21, 2018, we used approximately $649 million of the proceeds from the IPO to redeem $594 million aggregate principal amount of the Prime Notes and pay the related call premium.

On July 2, 2018, we redeemed the original stated value of $750 million of the Koch Preferred Securities for total consideration of approximately $949 million using proceeds from the IPO and cash on hand. The total consideration paid includes approximately $103 million related to the redemption premium and tax reimbursements, as well as $96 million related to the accumulated dividend obligation on the Koch Preferred Securities. We recognized a loss on extinguishment of debt of $213 million as a result of the redemption. The dividend obligation incurred on the Koch Preferred Securities was $51 million, $86 million, and $53 million in 2018, 2017, and 2016, respectively. The remaining proceeds from the IPO were used to pay IPO related fees and expenses and for general corporate purposes.

**Long-Term Debt**

As of December 31, 2018, we have the following outstanding debt balances (excluding capital leases, deferred financing costs, discount, and fair value adjustments):

<table>
<thead>
<tr>
<th>Debt Description</th>
<th>Issued</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Interest Payable</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Term B-1 Loan</td>
<td>5/2/2016</td>
<td>5/2/2022</td>
<td>LIBOR +2.75%</td>
<td>Quarterly</td>
<td>$3,924,438</td>
</tr>
<tr>
<td>Prime Notes</td>
<td>5/2/2016</td>
<td>5/15/2023</td>
<td>9.250%</td>
<td>5/15 and 11/15</td>
<td>$2,546,000</td>
</tr>
<tr>
<td>ADT Notes due 2020</td>
<td>12/18/2014</td>
<td>3/15/2020</td>
<td>5.250%</td>
<td>3/15 and 9/15</td>
<td>$300,000</td>
</tr>
<tr>
<td>ADT Notes due 2021</td>
<td>10/1/2013</td>
<td>10/15/2021</td>
<td>6.250%</td>
<td>4/15 and 10/15</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2022</td>
<td>7/5/2012</td>
<td>7/15/2022</td>
<td>3.500%</td>
<td>1/15 and 7/15</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2023</td>
<td>1/14/2013</td>
<td>6/15/2023</td>
<td>4.125%</td>
<td>6/15 and 12/15</td>
<td>$700,000</td>
</tr>
<tr>
<td>ADT Notes due 2032</td>
<td>5/2/2016</td>
<td>7/15/2032</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>$728,016</td>
</tr>
<tr>
<td>ADT Notes due 2042</td>
<td>7/5/2012</td>
<td>7/15/2042</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>$21,896</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$10,220,350</td>
</tr>
</tbody>
</table>

**First Lien Credit Agreement**

Concurrently with the consummation of the Formation Transactions, we entered into a first lien credit agreement, which has since been amended and restated on May 2, 2016, June 23, 2016, December 28, 2016, February 13, 2017, June 29, 2017, March 16, 2018, and December 3, 2018 (together with these subsequent amendments and restatements, the “First Lien Credit Agreement”). The First Lien Credit Agreement consists of the following:

- As of December 31, 2018, the First Lien Term B-1 Loan has an outstanding aggregate principal balance of $3,924 million, which represents the following events:
  - July 1, 2015 - $1,095 million of borrowings in connection with the Formation Transactions;
  - May 2, 2016 - $1,555 million of borrowings in connection with the ADT Acquisition;
  - June 23, 2016 - $125 million of borrowings in order to payoff and terminate a second lien term loan;
  - February 13, 2017 - $800 million of borrowings in order to fund the Special Dividend;
  - December 3, 2018 - $425 million of borrowings in order to partially fund the Red Hawk Acquisition and to fund the partial redemption of the Prime Notes in February 2019; and
  - Reduced by regularly scheduled quarterly principal payments.

The First Lien Term B-1 Loan requires scheduled quarterly payments equal to 0.25% of the aggregate outstanding principal amount, or approximately $10 million per quarter, with the remaining balance payable at maturity. In addition, we are required to make annual prepayments on the outstanding First Lien Term B-1 Loan with a percentage of our excess cash flow, as defined in the First Lien Credit Agreement, if our excess cash flow exceeds a certain specified threshold. We are not currently required to make any annual prepayments based on our excess cash flow. We may make voluntarily prepayments on the First Lien Term B-1 Loan at any time prior to maturity at par. The First Lien Term B-1 Loan has a variable interest
rate calculated as, at our option, either (a) LIBOR determined by reference to the costs of funds for Eurodollar deposits for the interest period relevant to such borrowing, adjusted for certain additional costs ("Adjusted LIBOR") with a floor of 1.00%, or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the prime rate published by The Wall Street Journal, and (iii) one-month adjusted LIBOR plus 1.00% per annum ("Base Rate"), in each case, plus the applicable margin of 2.75% for Adjusted LIBOR loans and 1.75% for Base Rate loans. We have interest rate swap contracts with the objective of managing exposure to variability in interest rates on our debt.

- The First Lien Credit Agreement includes a first lien revolving credit facility with an aggregate available commitment of up to $350 million through March 16, 2023 ("First Lien Revolving Credit Facility"). As of December 31, 2018, there were no outstanding amounts under the First Lien Revolving Credit Facility.

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

Prime Notes

As of December 31, 2018, the Prime Notes have an outstanding balance of $2,546 million, which represents the following events:

- May 2, 2016 - $3,140 million of borrowings in connection with the ADT Acquisition; and
- February 21, 2018 - $594 million of the aggregate principal amount was voluntarily redeemed at a price of $649 million using proceeds from the IPO

The Prime Notes are due at maturity, however, may be redeemed at our option as follows:

- Prior to May 15, 2019, in whole at any time or in part from time to time, (a) at a redemption price equal to 100% of the principal amount of the Prime Notes redeemed, plus a make-whole premium and accrued and unpaid interest as of, but excluding, the redemption date or (b) for up to 40% of the original aggregate principal amount of the Prime Notes and in an aggregate amount equal to the net cash proceeds of any equity offerings, at a redemption price equal to 109.250%, plus accrued and unpaid interest, so long as at least 50% of the original aggregate principal amount of the Prime Notes shall remain outstanding after each such redemption.
- On or after May 15, 2019, in whole at any time or in part from time to time, at a redemption price equal to 104.625% of the principal amount of the Prime Notes redeemed and accrued and unpaid interest as of, but excluding, the redemption date. The redemption price decreases to 102.313% on or after May 15, 2020, and decreases to 100.000% on or after May 15, 2021.

On February 1, 2019, we redeemed $300 million aggregate principal amount of the outstanding Prime Notes for a total redemption price of $319 million. Following the partial redemption, the aggregate outstanding principal amount of the Prime Notes was $2,246 million.

ADT Notes

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

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

We may redeem the ADT Notes, in whole at any time or in part from time to time, at a redemption price equal to the principal amount of the notes to be redeemed, plus a make-whole premium, plus accrued and unpaid interest as of, but excluding, the redemption date.
Debt Covenants

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

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

Additionally, upon the occurrence of specified change of control events, we must offer to purchase the Prime Notes and ADT Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

As of December 31, 2018, we were in compliance with all financial covenant and other maintenance tests for all our debt obligations.

Dividends

Our board of directors declared the following cash dividends on our common stock in 2018:

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

During 2018, we declared dividends of $107 million (or $0.14 per share), of which $79 million was paid. During 2017, we declared and paid $750 million (or $1.17 per share) related to the Special Dividend. There were no dividends declared or paid in 2016.

Effective March 11, 2019, we declared a cash dividend on our common stock of $0.035 per share payable to common stockholders of record on April 2, 2019. This dividend will be paid on April 12, 2019.

Dividend Reinvestment Plan and Share Repurchase Program

On February 27, 2019, we approved a dividend reinvestment plan (“DRIP”) which will allow 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. In addition, on February 27, 2019 we approved a share repurchase program which will permit us to repurchase up to $150 million of our shares of common stock through February 27, 2021. We may effect these repurchases pursuant to one or more trading plans to be adopted in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions or pursuant to an accelerated share repurchase program. We intend to conduct the share repurchase program in accordance with Securities Exchange Act Rule 10b-18. We are not obligated to repurchase any of our shares of common stock and the timing and amount of any repurchases will depend on legal requirements, market conditions, stock price, alternative uses of capital, and other factors.
Cash Flow Analysis

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>$1,787,607</td>
<td>$1,591,930</td>
<td>$617,523</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>$(1,738,210)</td>
<td>$(1,413,310)</td>
<td>$(9,411,714)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>$193,001</td>
<td>$(143,069)</td>
<td>$8,828,775</td>
</tr>
</tbody>
</table>

Cash Flows from Operating Activities

During 2018, cash flows provided by operating activities increased by approximately $196 million compared to 2017 due to the following: (i) an increase in revenue from contractual monthly recurring fees for monitoring and other recurring services; (ii) an increase in revenue from transactions in which security equipment is sold outright to customers partially offset by the associated costs; (iii) a decrease in cash paid related to acquisition, integration, and restructuring costs associated with the ADT Acquisition; and (iv) a decrease in cash paid of $55 million for fees associated with the Special Dividend and fees in connection with amendments and restatements to the First Lien Credit Agreement. These increases in cash flows provided by operating activities were partially offset by a net increase in cash interest paid of $27 million due to the Koch Redemption and higher interest rates on variable-rate debt, including the impact of interest rate swaps, partially offset by a decrease in cash interest paid due to the partial redemption of the Prime Notes in 2018. The remainder of the increase in cash flows provided by operating activities relates to changes in assets and liabilities due to the volume and timing of other operating cash receipts and payments with respect to when the transactions are reflected in earnings.

During 2017, cash flows provided by operating activities increased by approximately $974 million compared to 2016 based on the activity described below.

Net cash provided by operating activities for 2017 resulted from $1,550 million of net income, exclusive of depreciation and intangible assets amortization and other non-cash items, and reflects: (i) cash interest paid of $661 million, (ii) cash paid of $64 million for fees associated with the Special Dividend and fees in connection with amendments and restatements to the First Lien Credit Agreement, (iii) restructuring payments of $25 million and integration payments of $21 million primarily associated with the ADT Acquisition, (iv) cash paid for fees under the Management Consulting Agreement of $20 million, (v) cash paid for radio conversion costs of $13 million, and (vi) other cash payments of $10 million. The remainder relates to changes in assets and liabilities due to the volume and timing of other operating cash receipts and payments.

Net cash provided by operating activities for 2016 resulted from $620 million of net income, exclusive of depreciation and intangible assets amortization and other non-cash items, and reflects: (i) cash interest paid of $431 million, (ii) transaction costs of $347 million associated with the ADT Acquisition, (iii) cash paid of $29 million for fees in connection with amendments and restatements to the First Lien Credit Agreement, (iv) cash paid for radio conversion costs of $43 million, (v) restructuring payments of $52 million primarily associated with the ADT Acquisition, (iv) other cash payments of $28 million that are primarily related to integration costs of $13 million, management consulting fees of $13 million, and $2 million of other items. The remainder relates to changes in assets and liabilities due to the volume and timing of other operating cash receipts and payments.

Cash Flows from Investing Activities

We make certain investments in our business that are intended to grow our customer base, enhance the overall customer experience, improve the productivity of our field workforce, and support greater efficiency of our back-office systems and our customer care centers.

During 2018, cash flows used in investing activities increased by approximately $325 million compared to 2017 due to the following: (i) an increase in cash used for business acquisitions, net of cash acquired, of $289 million primarily due to the Red Hawk Acquisition in 2018; and (ii) an increase in dealer generated customer accounts and bulk account purchases of $40 million due to an increase in volume purchased and average cost.

During 2017, cash flows used in investing activities decreased by approximately $7,998 million compared to 2016 due to the following: (i) a decrease in cash used for business acquisitions, net of cash acquired, of $8,438 million due to the ADT Acquisition in 2016; (ii) an increase in dealer generated customer accounts and bulk account purchases of $246 million; (iii) an increase in subscriber system asset additions of $114 million; and (iv) an increase in capital expenditures of $52 million. The
increase in dealer generated customer accounts and bulk account purchases, subscriber system asset additions, and capital expenditures is due to incremental volume as a result of the timing of the ADT Acquisition in 2016. Additionally, we received net proceeds of $42 million from the termination of derivative financial instruments related to the ADT Acquisition during 2016.

Cash Flows from Financing Activities

During 2018, net cash provided by financing activities was primarily attributable to net proceeds from the IPO of $1,406 million, after deducting related fees, offset by net repayments on our long-term borrowings of $1,130 million and dividend payments on our common stock of $79 million. The net repayments on our long-term borrowings include the redemption of the Koch Preferred Securities of $853 million and the repayment of long-term borrowings of $700 million primarily due to the partial redemption of the Prime Notes, offset by net proceeds of $423 million from additional long-term borrowings.

During 2017, net cash used in financing activities was primarily attributable to dividend payments of $750 million, offset by net proceeds from long-term borrowings of $619 million. The net proceeds from long-term borrowings includes $800 million from additional long-term borrowings, partially offset by repayments of $140 million under our revolving credit facility, principal paydowns of $27 million, and capital lease payments of $14 million.

During 2016, net cash provided by financing activities was primarily attributable to proceeds from borrowings and equity capital contributions, as well as proceeds from the issuance of the Koch Preferred Securities, to fund the ADT Acquisition. The proceeds, as well as repayments of long-term borrowings, were primarily attributable to the amendments and restatements to the First Lien Credit Agreement. Additionally, repayments of long-term borrowings include $260 million of voluntary prepayments of the outstanding principal balance of a second lien term loan, as well as a $22 million paydown of the outstanding balance on a revolving credit facility. We also incurred approximately $104 million in deferred financing costs associated with the long-term borrowings and the issuance of the Koch Preferred Securities and paid $35 million primarily associated with escrow payments to former ASG and Protection One shareholders.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table provides a summary of our commitments and contractual obligations for debt, leases, and other purchase obligations as of December 31, 2018.

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt principal (1)</td>
<td>$39,841</td>
<td>$339,841</td>
<td>$1,039,841</td>
<td>$4,804,791</td>
<td>$3,246,000</td>
<td>$750,036</td>
<td>$10,220,350</td>
</tr>
<tr>
<td>Interest payments (2)</td>
<td>622,300</td>
<td>621,221</td>
<td>613,068</td>
<td>409,645</td>
<td>160,604</td>
<td>339,698</td>
<td>2,766,536</td>
</tr>
<tr>
<td>Operating leases (3)</td>
<td>40,192</td>
<td>31,885</td>
<td>26,336</td>
<td>22,751</td>
<td>16,731</td>
<td>17,727</td>
<td>155,622</td>
</tr>
<tr>
<td>Capital leases (4)</td>
<td>20,604</td>
<td>16,735</td>
<td>10,728</td>
<td>5,386</td>
<td>696</td>
<td>—</td>
<td>54,149</td>
</tr>
<tr>
<td>Purchase obligations (5)</td>
<td>64,791</td>
<td>10,643</td>
<td>5,025</td>
<td>1,013</td>
<td>1,013</td>
<td>1,013</td>
<td>83,498</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$787,728</td>
<td>$1,020,325</td>
<td>$1,694,998</td>
<td>$5,243,586</td>
<td>$3,425,044</td>
<td>$1,108,474</td>
<td>$13,280,155</td>
</tr>
</tbody>
</table>

(1) Represents the contractual principal payments of our debt obligations as of December 31, 2018, and excludes capital lease obligations, discounts, deferred financing costs, and purchase accounting fair value adjustments. Refer to Note 5 “Debt” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.
(2) Represents the estimated interest payments on our debt obligations as of December 31, 2018. Interest payments on our fixed-rate debt are calculated based on the contractual terms. Interest payments on our variable-rate debt, including the effects of our interest rate swaps, are calculated based on a forward LIBOR curve (or floor, whichever is higher) plus the applicable margin in effect as of December 31, 2018. Refer to Note 5 “Debt” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.
(3) Represents the minimum lease payments under non-cancelable operating leases as of December 31, 2018. Some agreements have renewal options. Our future operating lease obligations would change if we exercised these renewal options and if we entered into additional operating leases. Refer to Note 8 “Commitments and Contingencies” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.
(4) Represents the principal and interest payments on our capital lease obligations as of December 31, 2018. Refer to Note 8 “Commitments and Contingencies” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.
(5) Represents contractual obligations for purchases of goods or services, including purchase orders, related to agreements entered into in the ordinary course of business that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction as of December 31, 2018. Refer to Note 8 “Commitments and Contingencies” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.

We have not included in the contractual obligations table approximately $80 million of unrecognized tax benefits, excluding interest and penalties, relating to various tax positions we have taken. These liabilities may increase or decrease over time primarily as a result of tax examinations, and given the status of the examinations, we cannot reliably estimate the period of any cash settlement with the respective taxing authorities. Refer to Note 7 “Income Taxes” in the Notes to Consolidated Financial Statements in Item 15 for further discussion. In addition, we have not included the minimum required contributions to our defined benefit.
plans as the aggregate contributions are not material. Refer to Note 11 “Retirements Plans” in Notes to Consolidated Financial Statements in Item 15 for further discussion.

As of December 31, 2018, our guarantees totaled $54 million and primarily related to standby letters of credit on our insurance programs.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2018, our guarantees totaled $54 million and primarily related to standby letters of credit on our insurance programs. We do not have any other material off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue Recognition

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

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

As of January 1, 2018, due to the cumulative impact of adopting this new standard, we recorded a net increase to the opening balance of stockholders’ equity of $34 million, which is net of tax of $12 million.

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

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

In transactions involving security systems that are sold outright to the customer, our performance obligations generally include monitoring, related services, and the sale and installation of the security systems. For such arrangements, we allocate a portion of the transaction price to each performance obligation based on a relative standalone selling price. Revenue associated with the sale and installation of security systems is recognized once installation is complete and is reflected in installation and other revenue in the Consolidated Statements of Operations. Revenue associated with monitoring and related services is recognized as those services are provided and is reflected in monitoring and related services revenue in the Consolidated Statements of Operations.
Early termination of the contract by the customer results in a termination charge in accordance with the contract terms. Contract termination charges are recognized in monitoring and related services revenue in the Consolidated Statements of Operations when collectability is probable. Amounts collected from customers for sales and other taxes are reported net of the related amounts remitted.

Customer billings for services not yet rendered are deferred and recognized as revenue as services are provided. These fees are recorded as current deferred revenue in the Consolidated Balance Sheets as we expect to satisfy any remaining performance obligations, as well as recognize the related revenue, within the next twelve months. Accordingly, we have 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) we recognize revenue in proportion to the amount it has the right to invoice for services performed.

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

We capitalize certain costs associated with transactions in which we retain ownership of the security system as well as incremental selling expenses related to acquiring customers. These costs include equipment, installation costs, and other incremental costs. Subscriber system assets represent capitalized equipment and installation costs incurred in connection with transactions in which we retain ownership of the security system. Upon customer termination, we may retrieve such assets. These assets have a probable future economic benefit for us as they contribute to the generation of future monitoring and related services revenue for us. Deferred subscriber acquisition costs, net represent incremental selling expenses (primarily commissions) related to acquiring customers.

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

### Definite-Lived Intangible Assets

Definite-lived intangible assets primarily include contracts and related customer and dealer relationships that originated from the Formation Transactions and the ADT Acquisition as well as contracts with customers purchased under the ADT Authorized Dealer Program, or from other third parties.

The amortizable life and method of amortization of our contracts and related customer relationships acquired as part of the Formation Transactions and the ADT Acquisition are based on management estimates about the amounts and timing of expected future revenue from customer accounts and average customer account life as of the Formation Transactions and the ADT Acquisition. The amortizable life and method of amortization of our dealer relationships are based on management estimates about the longevity of the underlying dealer network and the attrition of those respective dealers that existed as of the Formation Transactions and the ADT Acquisition. Contracts and related customer relationships acquired as part of the Red Hawk Acquisition are amortized over a period of 10 to 15 years on a straight-line basis. Other definite-lived intangible assets are amortized over a period of up to 10 years on a straight-line basis.

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

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

Long-Lived Asset Impairments

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

Goodwill and Indefinite-Lived Intangible Assets Impairment

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

Goodwill

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

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

As of December 31, 2018, we have approximately $200 million of goodwill allocated to our Canada reporting unit, which reflects a goodwill impairment loss of $88 million recorded due to its underperformance in 2018. During the fourth quarter there were changes to the Canadian leadership team and also revisions to our outlook for the reporting unit completed as part of our annual budgeting process. As a result of the goodwill impairment loss, the carrying value of the Canada reporting unit approximates its fair value, and as such, is considered at risk of future impairment. If our assumptions are not realized, or if there are changes in any of the assumptions in the future due to a change in economic conditions, it is possible that an impairment charge may need to be recorded in the future. Our other reporting units are not considered at risk due to the excess of their fair values over their carrying values. Refer to Note 4 “Goodwill and Other Intangible Assets” in the Notes to Consolidated Financial Statements in Item 15 for further discussion.

Indefinite-Lived Intangible Assets

Under a qualitative approach, the impairment review for an indefinite-lived intangible asset consists of an assessment of whether it is more-likely-than-not that an asset’s fair value is less than its carrying amount. If we elect to bypass the qualitative assessment for any indefinite-lived intangible asset, or if a qualitative assessment indicates it is more-likely-than-not that the estimated carrying value of such asset exceeds its fair value, we proceed to a quantitative approach.
Under a quantitative approach, we estimate the fair value of the asset and compare it to its carrying amount. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess. The fair value of an indefinite-lived intangible asset is determined based on the nature of the underlying asset. Our only indefinite-lived intangible asset is the ADT trade name. The fair value of the ADT trade name is determined under a relief from royalty method, which is an income approach that estimates the cost savings that accrue to us that we would otherwise have to pay in the form of royalties or license fees on revenue earned through the use of the asset. The utilization of the relief from royalty method requires us to make significant assumptions including revenue growth rates, the implied royalty rate, and the discount rate.

**Business Combinations**

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

**Loss Contingencies**

We record accruals for losses that we believe are probable to occur and are reasonably estimable. These accruals are based on judgment, the probability of losses, and where applicable, the consideration of opinions of internal and/or external legal counsel and actuarially determined estimates. Legal costs in connection with claims and lawsuits in the ordinary course of business are expensed as incurred. Additionally, we record insurance recovery receivables from third-party insurers when recovery has been determined to be probable.

**Income Taxes**

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

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. In determining taxable income for our consolidated financial statements, we must make certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain of the deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenue and expense. In tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. We record the effect of a tax rate or law change on our deferred tax assets and liabilities in the period of enactment. Future tax rate or law changes could have a material effect on our results of operations, financial condition, or cash flows.

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

We recognize positions taken or expected to be taken in a tax return in the financial statements when it is more likely than-not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement. We record liabilities for positions that have been taken but do not meet the more-likely-than-not recognition threshold. We adjust the liabilities for unrecognized tax benefits in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a change to the estimated income taxes.

Tax Reform was signed into law on December 22, 2017. The legislation, among other things, reduced the U.S. federal corporate income tax rate from 35% to 21%, imposed a mandatory one-time tax on accumulated earnings of foreign subsidiaries, imposed significant limitations on the deductibility of interest, allowed for the full expensing of capital expenditures, and put into effect the migration from a “worldwide” system of taxation to a modified territorial system. In response to Tax Reform, the SEC issued SAB 118 that allowed companies to record provisional estimates of the effects of the legislative change, and a one-year measurement period to finalize the accounting of those effects. The total provisional amount recorded in 2017 was $690 million and included a remeasurement of our net deferred tax assets and liabilities as well as the impact of the mandatory one-time tax on
accumulated earnings of foreign subsidiaries. As of December 31, 2018, we have completed the accounting for the tax effects of this legislative change, and recorded no material changes to the provisional estimates recorded in 2017.

ACCOUNTING PRONOUNCEMENTS

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

SUPPLEMENTAL MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We believe this section provides additional information to investors about our financial performance in a manner consistent with how management views our performance. The presentation of unaudited supplemental pro forma results is for informational purposes only, and is prepared on a basis consistent with Article 11 of Regulation S-X, however, it does not constitute Article 11 pro forma financial information since the unaudited supplemental pro forma year ended December 31, 2016 presented herein reflect the ADT Acquisition and the Formation Transactions as if they had occurred on January 1, 2015, to the extent they have not been fully reflected in our historical consolidated financial statements included elsewhere.

We have presented below the financial information and operating results for the year ended December 31, 2017 on a historical basis compared to the year ended December 31, 2016 on a supplemental pro forma basis.

Additionally, we have presented notes to our unaudited supplemental pro forma financial information that describe the supplemental pro forma adjustments and their underlying assumptions. The unaudited supplemental pro forma financial information set forth below is based upon available information and assumptions that we believe are reasonable. The historical financial information has been adjusted to give effect to supplemental pro forma events that are: (1) directly attributable to the ADT Acquisition and the Formation Transactions; (2) factually supportable; and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited supplemental pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of our financial condition or results of operations had the above transactions occurred on the date indicated. The unaudited supplemental pro forma financial information also should not be considered representative of our future financial condition or results of operations.
Unaudited Supplemental Pro Forma Results of Operations

(in thousands, except as otherwise indicated)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2017</th>
<th>Supplemental Pro Forma Year Ended December 31, 2016 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,029,279</td>
<td>$3,954,424</td>
</tr>
<tr>
<td>Installation and other</td>
<td>286,223</td>
<td>212,492</td>
</tr>
<tr>
<td>Total revenue</td>
<td>4,315,502</td>
<td>4,166,916</td>
</tr>
<tr>
<td>Cost of revenue (exclusive of depreciation and intangible asset amortization shown below)</td>
<td>895,736</td>
<td>869,689</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>1,209,200</td>
<td>1,238,923</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,863,299</td>
<td>1,574,219</td>
</tr>
<tr>
<td>Merger, restructuring, integration, and other</td>
<td>64,828</td>
<td>86,186</td>
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<tr>
<td>Operating income</td>
<td>282,439</td>
<td>397,899</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(732,841)</td>
<td>(750,006)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(4,331)</td>
<td>(28,293)</td>
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<tr>
<td>Other income (expense)</td>
<td>33,047</td>
<td>23,395</td>
</tr>
<tr>
<td>Loss before income taxes</td>
<td>(421,686)</td>
<td>(403,795)</td>
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<tr>
<td>Income tax benefit</td>
<td>764,313</td>
<td>118,854</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$342,627</td>
<td>$(284,941)</td>
</tr>
</tbody>
</table>

Key Performance Indicators: (2)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2017</th>
<th>Supplemental Pro Forma Year Ended December 31, 2016 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMR</td>
<td>$334,810</td>
<td>$327,948</td>
</tr>
<tr>
<td>Gross customer revenue attrition (percentage)</td>
<td>13.7%</td>
<td>14.8%</td>
</tr>
<tr>
<td>Adjusted EBITDA (3) and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplemental Pro Forma Adjusted EBITDA (3)</td>
<td>$2,352,803</td>
<td>$2,176,943</td>
</tr>
</tbody>
</table>

(1) Refer to Note 1 to Notes to the Unaudited Supplemental Pro Forma Financial Information presented in the Supplemental Management’s Discussion and Analysis of Financial Condition and Results of Operations.
(2) Refer to the “Item 7. Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Key Performance Indicators” section for the definitions of these key performance indicators.
(3) Adjusted EBITDA and Supplemental Pro Forma Adjusted EBITDA are non-GAAP measures. Refer to the “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Measures” section for the definitions thereof and below for reconciliations to net income (loss), the most comparable GAAP measure, as well as the equivalent reconciliations on a supplemental pro forma basis.

Year Ended December 31, 2017 Compared to Unaudited Supplemental Pro Forma Year Ended December 31, 2016

Total Revenue

Total revenue increased $149 million for the year ended December 31, 2017 as compared to the supplemental pro forma year ended December 31, 2016. This increase was a result of an increase in monitoring and related services of $75 million and an increase in installation and other revenue of $74 million.

The increase in monitoring and related services was primarily attributable to an increase in contractual monthly recurring fees for monitoring and other recurring services, which resulted from the addition of new customers and improvements in average pricing, partially offset by customer attrition. The improvement in average pricing was driven by the addition of new customers at higher rates, largely due to new subscribers generally selecting higher priced services as compared to our existing customers, as well as price escalations on our existing customer base. These factors also were the primary driver for an increase in RMR to $335 million as of December 31, 2017 from $328 million as of December 31, 2016. Gross customer revenue attrition improved to 13.7% as of December 31, 2017 from 14.8% as of December 31, 2016 as a result of our enhanced focus on high quality customer additions through our disciplined customer selection process.

The increase in installation and other revenue was due to (i) approximately $38 million related to revenue from security equipment sold outright to customers and (ii) approximately $36 million of additional revenue generated from new customer additions associated with the amortization of deferred installation revenue during the year ended December 31, 2017 as compared to the supplemental pro forma year ended December 31, 2016.
Cost of Revenue

Cost of revenue increased $26 million for the year ended December 31, 2017 as compared to the supplemental pro forma year ended December 31, 2016. The increase in cost of revenue was attributable to increased costs of approximately $25 million related to installation costs associated with a higher volume of sales where security-related equipment is sold outright to customers and approximately $23 million in field and maintenance service expenses incurred to enhance service levels and lower customer backlog. These were partially offset by decreased customer care expenses of approximately $22 million, which consisted of reduced software license expenses related to a newly adopted cloud computing accounting standard, partially offset by investments in customer care associated with enhanced customer revenue attrition improvement initiatives.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased $30 million for the year ended December 31, 2017 as compared to the supplemental pro forma year ended December 31, 2016. The decrease primarily relates to decreases in radio conversion costs of $56 million related to a program that began in 2015 to upgrade cellular technology used in many of our security systems and decreases related to reductions in costs as a result of the integration of The ADT Corporation business, including (i) general and administrative expenses of approximately $37 million, (ii) advertising costs of approximately $33 million, and (iii) selling and marketing costs of approximately $27 million.

These decreases were partially offset by costs of approximately $64 million of financing and consent fees incurred in 2017 and increased costs of approximately $35 million related to the amortization of deferred subscriber acquisition costs associated with direct and incremental costs incurred to acquire new customers. The remainder of the increases were primarily due to non-cash asset write-downs related to our strategic investments.

Depreciation and Intangible Asset Amortization

Depreciation and intangible asset amortization increased $289 million for the year ended December 31, 2017 as compared to the supplemental pro forma year ended December 31, 2016. This increase was primarily attributable to (i) higher depreciation expense of approximately $111 million related to subscriber system assets, which included costs associated with new customer additions and upgrades; (ii) increased amortization of approximately $104 million related to new customer contracts acquired as a result of the ADT Authorized Dealer Program; and (iii) increased amortization expense of $42 million primarily associated with the Protection One trade name, which we began amortizing in July 2016. The remainder of the increase was primarily due to increased software license expenses related to a newly adopted cloud computing standard mentioned above.

Merger, Restructuring, Integration, and Other

Merger, restructuring, integration, and other decreased $21 million for the year ended December 31, 2017 as compared to the supplemental pro forma year ended December 31, 2016. The decrease in merger, restructuring, integration, and other was primarily related to a decrease in restructuring charges of $35 million primarily related to the severance of certain former executives and employees of The ADT Corporation in connection with the ADT Acquisition included in the supplemental pro forma year ended December 31, 2016, which did not recur in 2017. These charges were partially offset by an increase in integration costs, as well as impairment charges primarily related to our strategic investments.

Interest Expense, net

Net interest expense decreased $17 million for the year ended December 31, 2017 as compared to the supplemental pro forma year ended December 31, 2016. Net interest expense is primarily comprised of interest expense on our long-term debt. The decrease in interest expense is primarily related to the voluntary paydown of $260 million of a second lien term loan in July and October 2016.

Loss on Extinguishment of Debt

Loss on extinguishment of debt was $4 million and $28 million during the year ended December 31, 2017 and the supplemental pro forma year ended December 31, 2016, respectively, and related to amendments and restatements to the First Lien Credit Agreement in 2017, and the write-off of debt discount and issuance costs associated with the voluntary paydown of $260 million of a second lien term loans in July and October 2016 and the amendments and restatements to the First Lien Credit Agreement in 2016.
Other Income (Expense)

Other income (expense) is attributable to net foreign currency gains of $24 million for the year ended December 31, 2017 and losses of $16 million for the supplemental pro forma year ended December 31, 2016 related to the conversion of intercompany loans that are denominated in Canadian dollars.

Income Tax Benefit

Income tax benefit for the year ended December 31, 2017 was $764 million as compared to $119 million for the supplemental pro forma year ended December 31, 2016, resulting in an effective tax rate of 181.3% as compared to an effective tax rate of 29.4% for the respective periods. Refer to the “—Income Tax Benefit” section above in “Results of Operations” for information on the Tax Reform impact on income tax benefit for the year ended December 31, 2017.

Adjusted EBITDA and Supplemental Pro Forma Adjusted EBITDA

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA and Supplemental Pro Forma Adjusted EBITDA, as applicable, for the periods presented:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year Ended December 31, 2017</th>
<th>Supplemental Pro Forma Year Ended December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss)</td>
<td>$342,627</td>
<td>($284,941)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>732,841</td>
<td>750,006</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>(764,313)</td>
<td>(118,854)</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,863,299</td>
<td>1,574,219</td>
</tr>
<tr>
<td>Merger, restructuring, integration and other</td>
<td>64,828</td>
<td>86,186</td>
</tr>
<tr>
<td>Financing and consent fees (1)</td>
<td>63,593</td>
<td>5,302</td>
</tr>
<tr>
<td>Foreign currency (gains)/losses (2)</td>
<td>(23,804)</td>
<td>16,042</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>4,331</td>
<td>28,293</td>
</tr>
<tr>
<td>Other non-cash items</td>
<td>12,899</td>
<td>16,276</td>
</tr>
<tr>
<td>Radio conversion costs (3)</td>
<td>12,244</td>
<td>67,816</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition costs</td>
<td>51,491</td>
<td>16,769</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition revenue</td>
<td>(46,454)</td>
<td>(10,717)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>11,276</td>
<td>10,108</td>
</tr>
<tr>
<td>Management fees and other charges (4)</td>
<td>27,945</td>
<td>20,438</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>$2,352,803</strong></td>
<td><strong>N/A</strong></td>
</tr>
<tr>
<td><strong>Supplemental Pro Forma Adjusted EBITDA</strong></td>
<td><strong>N/A</strong></td>
<td><strong>$2,176,943</strong></td>
</tr>
</tbody>
</table>

N/A—Not applicable
(1) In 2017, relates to fees incurred in connection with the Special Dividend and amendments and restatements related to the First Lien Credit Agreement.
(2) Relates to the conversion of intercompany loans that are denominated in Canadian dollars to U.S. dollars.
(3) Represents costs associated with upgrading cellular technology used in many of our security systems.
(4) Includes $20 million of Management Consulting Agreement fees during 2017 and supplemental pro forma 2016. Such agreement was terminated in connection with the consummation of the IPO.

Adjusted EBITDA for the year ended December 31, 2017 increased by $176 million as compared to the Supplemental Pro Forma Adjusted EBITDA for the supplemental pro forma year ended December 31, 2016. This increase was driven by an increase in revenue as well as reductions in selling, general and administrative expenses, excluding items outside of our definition of Adjusted EBITDA, which were partially offset by increases in cost of revenue.

For further details on the drivers of these changes, refer to the discussions above.
NOTES TO THE UNAUDITED SUPPLEMENTAL PRO FORMA FINANCIAL INFORMATION PRESENTED IN THE SUPPLEMENTAL MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS


<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>ADT Inc. Historical</th>
<th>The ADT Corporation Historical 1(a)</th>
<th>Acquisition Adjustments</th>
<th>Supplemental Pro Forma December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$2,748,222</td>
<td>$1,143,357</td>
<td>$62,845</td>
<td>1(b) $3,954,424</td>
</tr>
<tr>
<td>Installation and other</td>
<td>201,544</td>
<td>69,352</td>
<td>(58,404)</td>
<td>1(b) 212,492</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>2,949,766</td>
<td>1,212,709</td>
<td>4,441</td>
<td>1(b) 4,166,916</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>693,430</td>
<td>176,259</td>
<td>—</td>
<td>869,689</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>858,896</td>
<td>425,315</td>
<td>(45,288)</td>
<td>1(c) 1,238,923</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,232,967</td>
<td>394,827</td>
<td>(53,575)</td>
<td>1(d) 1,574,219</td>
</tr>
<tr>
<td>Merger, restructuring, integration, and other</td>
<td>393,788</td>
<td>46,595</td>
<td>(354,197)</td>
<td>1(e) 86,186</td>
</tr>
<tr>
<td><strong>Operating (loss) income</strong></td>
<td>(229,315)</td>
<td>169,713</td>
<td>457,501</td>
<td>397,899</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(521,491)</td>
<td>(71,605)</td>
<td>(156,910)</td>
<td>1(f) (750,006)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(28,293)</td>
<td>—</td>
<td>—</td>
<td>(28,293)</td>
</tr>
<tr>
<td>Other (expense) income</td>
<td>(23,639)</td>
<td>—</td>
<td>—</td>
<td>(23,395)</td>
</tr>
<tr>
<td><strong>(Loss) income before income taxes</strong></td>
<td>(802,738)</td>
<td>98,352</td>
<td>300,591</td>
<td>(403,795)</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>266,151</td>
<td>(31,869)</td>
<td>(115,428)</td>
<td>1(g) 118,854</td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
<td>$ (536,587)</td>
<td>$ 66,483</td>
<td>$ 185,163</td>
<td>$(284,941)</td>
</tr>
</tbody>
</table>

1(a) The ADT Corporation’s historical combined statement of operations data for the period January 1, 2016 to May 1, 2016 has been derived by adding the historical consolidated statements of operations for the three months ended March 31, 2016 and the historical consolidated statement of operations data for the period April 1, 2016 to May 1, 2016. Certain expenses have been reclassified to conform to current period presentation.

1(b) Reflects the impact of:
(i) the reversal of a purchase accounting adjustment related to the write-down to fair value of deferred revenue associated with services not yet rendered of $63 million that is directly related to the ADT Acquisition, but does not have a continuing impact on the Company; and
(ii) the elimination of The ADT Corporation historical amortization of deferred installation revenue of $58 million as a result of the purchase price allocation for the ADT Acquisition as if the acquisition had occurred on January 1, 2015 because the application of this purchase accounting adjustment has a continuing impact on the Company.

1(c) Reflects the impact of:
(i) the elimination of The ADT Corporation historical amortization of deferred subscriber acquisition costs of $52 million as a result of the purchase price allocation for the ADT Acquisition as if the acquisition had occurred on January 1, 2015 because the application of this purchase accounting adjustment has a continuing impact on the Company; and
(ii) an increase in management fees to our Sponsor of $7 million associated a management consulting agreement directly related to the ADT Acquisition as if the acquisition had occurred on January 1, 2015 because it has a continuing impact on the Company due to the term of the agreement.

1(d) To record the following net decrease in depreciation and intangible asset amortization as a result of the purchase price allocation associated with the ADT Acquisition:

- Amortization of intangible assets (i) $234,284
- Subscriber system asset and property and equipment depreciation (i) 106,968
- Elimination of historical The ADT Corporation depreciation and amortization expense (394,827)

Net supplemental pro forma adjustment $ (53,575)

(i) Primarily consists of amortization of customer relationships and dealer relationships under the ADT Authorized Dealer Program. As of the acquisition date, customer relationships have a weighted-average remaining useful life of approximately 6 years and are amortized on an accelerated basis.

(ii) As of the acquisition date, subscriber system assets have a weighted-average remaining useful life of approximately 7 years and are depreciated on an accelerated basis. Property and equipment has a remaining average life of 3 years and are depreciated on a straight-line basis.

1(e) To remove transaction costs associated with the ADT Acquisition, as these costs will not have a continuing impact on the Company’s results.

1(f) To record incremental interest expense (including related amortization of debt issuance costs and discount) of $168 million associated with borrowings to fund the ADT Acquisition as a result of:
(i) the incremental first lien term loan facility of $1,555 million; (ii) the issuance of $3,140 million of Prime Notes; (iii) the amortization of issuance costs and fees associated with a $255 million revolving credit facility; (iv) the Koch Preferred Securities, which have an aggregate stated value of $750 million (dividends for the Koch Preferred Securities are recorded as interest expense); and (v) the amortization of the fair value adjustment made to the ADT Notes assumed as a result of the acquisition. These increases are net of the removal of interest expense of $11 million on The ADT Corporation debt repaid (including related amortization of capitalized debt acquisition costs) in connection with the consummation of the acquisition.
1(g) To record the income tax expense impact of the supplemental pro forma adjustments at the blended statutory rate of 38.4%.

**Components of Unaudited Supplemental Pro Forma Adjusted EBITDA**

The following table presents a reconciliation of Supplemental Pro Forma Adjusted EBITDA to net loss for the supplemental pro forma year ended December 31, 2016.

The unaudited supplemental pro forma year ended December 31, 2016 has been derived from (i) the Company’s historical consolidated financial information for the year ended December 31, 2016 included in this document, (ii) The ADT Corporation’s historical condensed consolidated financial information for the three months ended March 31, 2016, and (iii) The ADT Corporation’s historical condensed consolidated financial information for the period April 1, 2016 to May 1, 2016, as illustrated in the table below:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>ADT Inc. Historical December 31, 2016</th>
<th>The ADT Corporation Historical</th>
<th>Pro Forma Adjustments</th>
<th>Supplemental Pro Forma December 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>$(536,587)</td>
<td>$66,483</td>
<td>$185,163</td>
<td>$(284,941)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>521,491</td>
<td>71,605</td>
<td>156,910</td>
<td>750,006</td>
</tr>
<tr>
<td>Income tax (benefit) expense</td>
<td>(266,151)</td>
<td>31,869</td>
<td>115,428</td>
<td>(118,854)</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,232,967</td>
<td>394,827</td>
<td>(53,575)</td>
<td>1,574,219</td>
</tr>
<tr>
<td>Merger, restructuring, integration and other</td>
<td>393,788</td>
<td>46,595</td>
<td>(354,197)</td>
<td>86,186</td>
</tr>
<tr>
<td>Financing and consent fees</td>
<td>5,302</td>
<td>—</td>
<td>—</td>
<td>5,302</td>
</tr>
<tr>
<td>Foreign currency losses</td>
<td>16,042</td>
<td>—</td>
<td>—</td>
<td>16,042</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>28,293</td>
<td>—</td>
<td>—</td>
<td>28,293</td>
</tr>
<tr>
<td>Purchase accounting deferred revenue fair value adjustment</td>
<td>62,845</td>
<td>—</td>
<td>(62,845)</td>
<td>—</td>
</tr>
<tr>
<td>Other non-cash items</td>
<td>16,276</td>
<td>—</td>
<td>—</td>
<td>16,276</td>
</tr>
<tr>
<td>Radio conversion costs</td>
<td>34,405</td>
<td>33,411</td>
<td>—</td>
<td>67,816</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition costs</td>
<td>16,769</td>
<td>52,009</td>
<td>(52,009)</td>
<td>16,769</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition revenue</td>
<td>(10,717)</td>
<td>(58,404)</td>
<td>58,404</td>
<td>(10,717)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>4,625</td>
<td>5,483</td>
<td>—</td>
<td>10,108</td>
</tr>
<tr>
<td>Management fees and other charges</td>
<td>13,541</td>
<td>176</td>
<td>6,721</td>
<td>20,438</td>
</tr>
<tr>
<td><strong>Supplemental Pro Forma Adjusted EBITDA</strong></td>
<td>$1,532,889</td>
<td>$644,054</td>
<td>—</td>
<td>$2,176,943</td>
</tr>
</tbody>
</table>

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

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

**Interest Rate Risk**

Our debt includes fixed-rate debt, as well as variable-rate debt and revolving credit facility that bear interest based on LIBOR. As a result, we are exposed to fluctuations in interest rates on our debt. As of December 31, 2018 and 2017, the carrying value of our debt, excluding capital leases, was $9,952 million and $10,128 million, respectively. As of December 31, 2018 and 2017, the fair value of our debt, excluding capital leases, was $9,828 million and $10,869 million, respectively.

As of December 31, 2018 and 2017, a hypothetical 10% change in interest rates would change the fair value of our debt by approximately $244 million and $241 million, respectively. As of December 31, 2018 and 2017, the exposure associated with our variable-rate debt to a hypothetical 10% increase or decrease in interest rates would not be material to earnings, fair values, or cash flows. Refer to Note 5 “Debt” for further discussion.

To help manage borrowing costs, we may from time to time enter into interest rate swap transactions with financial institutions acting as principal counterparties. As of December 31, 2018, we had interest rate swap contracts outstanding with notional amounts aggregating $3,500 million used to hedge the majority of our variable-rate debt. In January and February 2019, we executed additional interest rate swaps with an aggregate notional amount of $425 million and $300 million, respectively. Refer to Note 9 “Derivative Financial Instruments” and Note 19 “Subsequent Events” for further discussion.
**Foreign Currency Risk**

We have exposure to the effects of foreign currency exchange rate fluctuations on the results of our Canadian operations. Our Canadian operations use the Canadian dollar to conduct business, but our results are reported in U.S. dollars. The effects of these translation adjustments are reported as a component of accumulated other comprehensive (loss) income (“AOCI”) in the Consolidated Statements of Stockholders’ Equity.

We are also exposed to the foreign currency exchange rate fluctuations to the extent that we enter into transactions denominated in currencies other than our subsidiaries’ respective functional currencies. We may from time to time use financial derivatives, which may include forward foreign currency exchange contracts and foreign currency options, to hedge this risk. We generally do not hedge investments in foreign subsidiaries if such investments are long-term in nature.

We recognized net foreign currency losses of $3 million and gains of $24 million during 2018 and 2017, respectively, related to the conversion of intercompany loans that are denominated in Canadian dollars. Such amounts are included in other income (expense) in the Consolidated Statements of Operations. During the first quarter of 2018, we designated certain of the intercompany loans to be of a long-term-investment nature and began recognizing the related foreign currency gains and losses in AOCI in the Consolidated Statements of Stockholders’ Equity.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

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

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“the Exchange Act”)) as of the end of the period covered by this Annual Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2018, our disclosure controls and procedures are effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed in the reports that we file or submit under the Exchange Act, and that information is accumulated and communicated to the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

**Management's Report on Internal Control over Financial Reporting**

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

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

Our management performed an assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2018 based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on our assessment and those criteria, our management determined that the internal control over financial reporting was effective as of December 31, 2018.

The scope of our management's assessment of the effectiveness of the internal control over financial reporting included all of our consolidated operations except for the operations of Red Hawk Fire & Security, which we acquired in December 2018. Red
Hawk Fire & Security operations represented 2% of our consolidated total assets and under 1% of our consolidated total revenue as of and for the year ended December 31, 2018.

This Annual Report is not required to include an attestation report by our independent registered public accounting firm due to a transition period established by the rules of the SEC for newly public companies.

Changes in Internal Control over Financial Reporting

We are in the process of integrating Red Hawk Fire & Security into our overall internal control over financial reporting processes.

Except as described above, there were no changes in our internal control over financial reporting identified in our management’s evaluation pursuant to Rules 13a-15(d) and 15d-15(d) of the Exchange Act during the three months ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.
PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item, other than the information regarding our executive officers set forth below required by Item 401 of Regulation S-K, is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year covered by this report.

Executive Officers of the Registrant

The following table sets forth the name, age, and position of each of our executive officers as of March 11, 2019.

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>James D. DeVries</td>
<td>55</td>
<td>President, Chief Executive Officer, Director</td>
</tr>
<tr>
<td>Daniel M. Bresingham</td>
<td>47</td>
<td>Executive Vice President, Commercial</td>
</tr>
<tr>
<td>David Smail</td>
<td>53</td>
<td>Executive Vice President, Chief Legal Officer and Secretary</td>
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<tr>
<td>Jeffrey Likosar</td>
<td>48</td>
<td>Executive Vice President, Chief Financial Officer and Treasurer</td>
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<tr>
<td>Jamie E. Haenggi</td>
<td>49</td>
<td>Senior Vice President and Chief Customer Officer</td>
</tr>
<tr>
<td>Donald Young</td>
<td>54</td>
<td>Executive Vice President, Field Operations and Chief Information Officer</td>
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<tr>
<td>Jochen Koedijk</td>
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<td>Senior Vice President and Chief Marketing Officer</td>
</tr>
<tr>
<td>Jay Darfler</td>
<td>42</td>
<td>Senior Vice President, Emerging Growth Markets</td>
</tr>
<tr>
<td>Kenneth Porpora</td>
<td>42</td>
<td>Senior Vice President and Chief Growth Officer</td>
</tr>
<tr>
<td>Zachary Susil</td>
<td>36</td>
<td>Vice President, Controller</td>
</tr>
<tr>
<td>Amelia O. Pulliam</td>
<td>47</td>
<td>Senior Vice President, Chief Human Resources Officer</td>
</tr>
</tbody>
</table>

The following are brief biographies describing the backgrounds of our executive officers.

**James D. DeVries** is our President and Chief Executive Officer. Mr. DeVries was appointed as our President in September 2017 and as our Chief Executive Officer in December 2018. From May 2, 2016 to September 2017, Mr. DeVries served as our Executive Vice President and Chief Operating Officer. From December 2014 to May 2016, Mr. DeVries served as Executive Vice President of Brand Operations at Allstate Insurance Company, the second largest personal lines insurer in the United States. During his tenure at Allstate, Mr. DeVries led the operations organization, comprising approximately 7,000 employees in the United States, Northern Ireland, and India, and was responsible for, among other things, customer care centers, outbound and inbound phone sales, procurement, technical support, life underwriting and claims, real estate, administration, and fleet management. From March 2008 to December 2014, Mr. DeVries served as Executive Vice President and Chief Administrative Officer of Allstate, where he was responsible for, among other things, real estate and administration, human resources, and procurement. Prior to joining Allstate in 2008, Mr. DeVries served in various executive and management roles at Principal Financial Group, Ameritech, Quaker Oats Company, and Andrew Corporation. Mr. DeVries is a board member of Amsted Industries Inc., a diversified global manufacturer of industrial components serving primarily the railroad, vehicular, and construction and building markets, and a past board member of the Human Resources Management Association of Chicago, the Chicago Public Library Foundation, and the Boys & Girls Clubs of Central Iowa. Mr. DeVries received a bachelor’s degree from Trinity College, which is now known as Trinity International University, a master’s degree from Loyola University, and a Master of Business Administration from the Kellogg School of Management at Northwestern University.

**Daniel M. Bresingham** is our Executive Vice President, Commercial. Previously, Mr. Bresingham served as our Executive Vice President and Chief Administrative Officer from March 2018 to December 2018. From October 2016 to March 2018, Mr. Bresingham was our Executive Vice President, Chief of Staff, and Treasurer. Prior to that, Mr. Bresingham served as Chief Financial Officer of Prime Borrower from July 2015 to October 2016. From April 2010 to June 2015, Mr. Bresingham served as the Chief Financial Officer of Protection One. Prior to joining the Company, Mr. Bresingham served as Chief Financial Officer of Stanley Convergent Security Solutions from January 2007 through April 2010 and was the Controller of HSM Electronic Protection Services from November 2004 to January 2007. Mr. Bresingham also has senior management experience in the telecommunications industry and public accounting experience from his time at Arthur Andersen and PricewaterhouseCoopers. Mr. Bresingham holds a bachelor’s degree in Accounting from the University of Illinois at Urbana-Champaign and an M.B.A. from the University of Chicago.
David Smail is our Executive Vice President, Chief Legal Officer and Secretary. From August 2015 to September 2018, Mr. Smail served as Executive Vice President & Chief Legal Officer for Scientific Games Corporation, a leading developer and provider of technology-based products, systems, platforms, and services for the global gaming and lottery industries. Prior to that he held the role of Executive Vice President & General Counsel at Morgans Hotel Group, an international hospitality company, and before that was Executive Vice President and Group General Counsel of global advertising and communications services business Havas S.A. He also was previously a partner in the international law firm Hogan Lovells (previously Hogan & Hartson). Mr. Smail holds a bachelor’s degree in Biology from Macalester College and a Juris Doctor degree from Harvard Law School.

Jeffrey Likosar is our Executive Vice President, Chief Financial Officer and (since March 2018) Treasurer. From February 2014 to September 2016, Mr. Likosar served as CFO of Gardner Denver, a leading global provider of high-quality industrial equipment, technologies, and services to a broad and diverse customer base through a family of highly recognized brands. Mr. Likosar was responsible for all aspects of the financial function in this role. From November 2008 to February 2014, Mr. Likosar served in various capacities at Dell Inc., a privately-owned multinational computer technology company, including as Chief Financial Officer, End User Computing and Operations, and Vice President of Financial Planning and Analysis and Acquisition Integration. Prior to joining Dell, Mr. Likosar spent most of his career at GE across the Appliances, Plastics, and Aviation Divisions. His roles included Chief Financial Officer of Resins (in GE’s Plastics Division) and Chief Financial Officer of Military Systems (in GE’s Aviation Division), in addition to various other roles in the Plastics and Appliances Divisions. Mr. Likosar began his career at GE Appliances as an analyst in the Financial Management Program and holds a bachelor’s degree in Business Administration from the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill.

Jamie E. Haenggi is our Senior Vice President and Chief Customer Officer. Previously, Ms. Haenggi was our Senior Vice President and Chief Growth Officer from March 2018 to July 2018 and our Senior Vice President and Chief Sales and Marketing Officer from July 2015 to March 2018. Previously, Ms. Haenggi was the Chief Revenue Officer of Protection One from June 2010 to June 2015. Ms. Haenggi has spent over 20 years in the security industry in a wide range of sales, marketing, and operational positions. Prior to working at Protection One, Ms. Haenggi served as Chief Marketing Officer at Vonage. She has also held leadership positions at National Guardian, Holmes Protection, and ADT Security Services, Inc. At ADT Security Services, Inc., she served as Vice President of Marketing and later as Vice President of Worldwide Marketing. Ms. Haenggi received her bachelor’s degree in International Relations and Japanese from the University of Minnesota.

Donald Young is our Chief Information Officer and Executive Vice President, Field Operations. Previously Mr. Young was our Senior Vice President and Chief Information Officer from May 2016 to December 2018. Mr. Young served as the Chief Operating Officer and Chief Information Officer of Prime Borrower from July 2015 to May 2016, and for Protection One from June 2010 to July 2015. Mr. Young joined the alarm industry in 1988 after serving four years in the United States Air Force as a Computer Programmer Analyst. In 1988, Mr. Young first joined SecurityLink as Operations Manager. In 2001, Mr. Young became SecurityLink’s Chief Information Officer. Following the sale of SecurityLink, he was the Vice President of Information Technology at ADT Security Services, Inc. Mr. Young became Chief Information Officer at HSM in 2004. After the January 2007 sale of HSM to StanleyWorks, he was retained as Chief Information Officer of Stanley Convergent Solutions through May 2010.

Jochen Koedijk is our Senior Vice President and Chief Marketing Officer and has served in this role since July 2018. Previously, Mr. Koedijk was at Chewy.com where he served as Vice President, Marketing from 2017 until July 2018. Prior to Chewy.com, Mr. Koedijk held roles at Amazon and Electronic Arts. During his time at Amazon from 2014 to 2017, he led worldwide Social Media and New Channel Advertising. As a member of Electronic Arts’ digital business unit leadership team, Mr. Koedijk led in-house global performance marketing operations for the company’s Console, PC, and Mobile games business lines. Mr. Koedijk has nearly 20 years of experience in marketing and web development in the eCommerce retail and video games industries in the U.S. and Europe. Mr. Koedijk received a master’s degree in Business Administration and a master’s degree in Social Sciences from the VU University in Amsterdam, The Netherlands.

Jay Darfler is our Senior Vice President, Emerging Growth Markets and has served in this position since May 2016. Previously, Mr. Darfler served as Vice President, Product Development & Connected Home of Cross Country Home Services from 2012 to 2016. Mr. Darfler has also served as Vice President and Divisional Merchandise Manager, Services for OfficeMax. Mr. Darfler has nearly 20 years of experience in emerging markets and commercializing new products and/or services. Mr. Darfler graduated from the University of Illinois at Urbana-Champaign with a degree in Finance.

Kenneth Porpora is our Senior Vice President and Chief Growth Officer, and has served in this role since December 1, 2018. Mr. Porpora was previously ADT’s President, Field Operations from August 2015 to December 2018. Mr. Porpora was the Chief Financial Officer of ADT’s Residential Business Unit from October 2013 to August 2015 and the Vice President of various financial and data analytics leadership roles from 2009 to October 2013. Mr. Porpora has spent 20 years in the security industry, at ADT, in a wide range of finance, sales, marketing, data analytics, and operational positions. Mr. Porpora received his bachelor’s degree in Finance from Florida Atlantic University.
Zachary Susil is our Vice President, Controller, and has served in this position since January 2017. Previously, Mr. Susil served as Director of External Reporting and Accounting Research and Policy for The ADT Corporation from November 2015 to December 2016 and Director of Accounting Research and Policy from March 2015 to October 2015. Mr. Susil held various accounting positions at The ADT Corporation from September 2012. Prior to joining The ADT Corporation, Mr. Susil held positions at Tyco International Ltd and Ernst & Young LLP. Mr. Susil has more than 10 years of accounting experience and is a Certified Public Accountant in the state of Florida. Mr. Susil graduated from the University of Florida with a master’s degree in Accounting.

Amelia O. Pulliam is our Senior Vice President, Chief Human Resources Officer, and has served in this position since August 2016. In this role, she is responsible for leading all aspects of the company-wide human resources strategy and people practices for ADT’s employees across the U.S. and Canada. Ms. Pulliam joined ADT in August 2014 as Vice President, Talent Management, and was responsible for developing the talent and assessment practices for the company. Prior to joining ADT, Ms. Pulliam was with Coca Cola Enterprises from 2007 to 2014, and in her last post served as Vice President, HR Strategy/M&A and Employee Communications. Ms. Pulliam has nearly 20 years of experience in the field of Human Resources spanning the retail, manufacturing, and services industries in the U.S. and Europe. Ms. Pulliam graduated from the University of South Florida with a degree in Criminology.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year covered by this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year covered by this report. Also, incorporated herein by reference is information concerning compensation plans under which our equity securities are authorized for issuance which is found in Item 5 of this Annual Report on Form 10-K under the caption "Securities Authorized for Issuance Under Equity Compensation Plans."

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

The information required by this Item is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year covered by this report.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this Item is incorporated by reference to our Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the year covered by this report.
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. Financial Statements

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

2. Financial Statement Schedules

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

3. Exhibits

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

Exhibits Index

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

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Exhibit Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1*</td>
<td>Amended and Restated Certificate of Incorporation of ADT Inc.</td>
</tr>
<tr>
<td>2.2</td>
<td>Amended and Restated Bylaws of ADT Inc.</td>
</tr>
<tr>
<td>4.1</td>
<td>Indenture, dated as of July 5, 2012, by and between The ADT Corporation and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.2</td>
<td>First Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.3</td>
<td>Second Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.4</td>
<td>Third Supplemental Indenture, dated as of July 5, 2012, by and among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.5</td>
<td>Fourth Supplemental Indenture, dated as of January 14, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.6</td>
<td>Fifth Supplemental Indenture, dated as of October 1, 2013, by and between The ADT Corporation and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.7</td>
<td>Sixth Supplemental Indenture, dated as of April 8, 2016, under 2012 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.8</td>
<td>Seventh Supplemental Indenture, dated as of April 22, 2016, under 2012 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.9</td>
<td>Eighth Supplemental Indenture, dated as of May 2, 2016, under 2012 Base Indenture, by and among Prime Finance, Inc., The ADT Corporation and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.10*</td>
<td>Ninth Supplemental Indenture, dated as of November 15, 2017, under 2012 Base Indenture, by and among The ADT Security Corporation, Datashield, LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.11*</td>
<td>Tenth Supplemental Indenture, dated as of April 18, 2018, under 2012 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.12*</td>
<td>Eleventh Supplemental Indenture, dated as of August 17, 2018, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.13*</td>
<td>Twelfth Supplemental Indenture, dated as of January 7, 2019, under 2012 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.14*</td>
<td>Thirteenth Supplemental Indenture, dated as of January 30, 2019, under 2012 Base Indenture, by and among The ADT Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.15</td>
<td>Indenture, dated as of March 19, 2014, by and between The ADT Corporation and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.16</td>
<td>Officer’s Certificate, dated as of December 18, 2014, of The ADT Corporation, establishing the terms of its 5.250% Senior Notes due 2020 (including form Note)</td>
</tr>
<tr>
<td>4.17</td>
<td>First Supplemental Indenture, dated as of April 8, 2016 under 2014 Base Indenture, by and among The ADT Corporation, the guarantors party thereto and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.18</td>
<td>Second Supplemental Indenture, dated as of May 2, 2016, under 2014 Base Indenture, by and among Prime Finance, Inc., The ADT Corporation and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.19*</td>
<td>Third Supplemental Indenture, dated as of November 15, 2017, under 2014 Base Indenture, by and among The ADT Security Corporation, Datashield, LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.20*</td>
<td>Fourth Supplemental Indenture, dated as of April 18, 2018, under 2014 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.21*</td>
<td>Fifth Supplemental Indenture, dated as of August 17, 2018, under 2014 Base Indenture, by and among The ADT Security Corporation, MSA Systems Integration, Inc. and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.22*</td>
<td>Sixth Supplemental Indenture, dated as of January 7, 2019, under 2014 Base Indenture, by and among The ADT Security Corporation, the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.23*</td>
<td>Seventh Supplemental Indenture, dated as of January 30, 2019, under 2014 Base Indenture, by and among The ADT Security Corporation, Advanced Cabling Systems, LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.24</td>
<td>Indenture, dated as of May 2, 2016, by and between Prime Security One MS, Inc. and the Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.25</td>
<td>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</td>
</tr>
<tr>
<td>4.26</td>
<td>Second Supplemental Indenture, dated as of August 9, 2016, by and between The ADT Corporation, the Notes Guarantors and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.27*</td>
<td>Third Supplemental Indenture, dated as of November 15, 2017, by and among The ADT Security Corporation, Datashield, LLC and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.28*</td>
<td>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</td>
</tr>
<tr>
<td>4.29*</td>
<td>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</td>
</tr>
<tr>
<td>4.30*</td>
<td>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</td>
</tr>
<tr>
<td>4.31*</td>
<td>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</td>
</tr>
<tr>
<td>4.32</td>
<td>Second Lien Notes Indenture, dated as of May 2, 2016, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Prime Guarantors and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.33</td>
<td>Second Lien Notes Supplemental Indenture, dated as of May 2, 2016, by and among Prime Security Services Borrower, LLC, Prime Finance, Inc., Prime Guarantors and ADT Guarantors</td>
</tr>
<tr>
<td>4.35*</td>
<td>Second Lien Notes Third Supplemental Indenture, dated as of April 18, 2018, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>4.37*</td>
<td>Second Lien Notes Fifth Supplemental Indenture, dated as of January 7, 2019, by and among Prime Security Services Borrower, LLC, Prime Finance Inc., the guarantors party thereto and Wells Fargo Bank, National Association</td>
</tr>
<tr>
<td>10.1</td>
<td>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</td>
</tr>
<tr>
<td>10.2</td>
<td>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</td>
</tr>
<tr>
<td>10.3</td>
<td>Supplement No. 1, dated as of May 2, 2016, to the Collateral Agreement (First Lien) dated as of July 1, 2015 by Prime Security Services Borrower, LLC and Barclays Bank PLC, as Collateral Agent</td>
</tr>
<tr>
<td>10.4</td>
<td>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</td>
</tr>
<tr>
<td>10.5</td>
<td>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</td>
</tr>
<tr>
<td>10.6</td>
<td>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</td>
</tr>
<tr>
<td>10.7</td>
<td>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</td>
</tr>
<tr>
<td>10.8*</td>
<td>Supplement No. 1 to the Collateral Agreement (Second Lien), dated as of April 18, 2018, 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</td>
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<td>Page</td>
<td>Description</td>
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<tr>
<td>10.9*</td>
<td>Supplement No. 2 to the Collateral Agreement (Second Lien), dated as of August 17, 2018, 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</td>
</tr>
<tr>
<td>10.10*</td>
<td>Supplement No. 3 to the Collateral Agreement (Second Lien), dated as of January 7, 2019, 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</td>
</tr>
<tr>
<td>10.11*</td>
<td>Supplement No. 4 to the Collateral Agreement (Second Lien), dated as of January 30, 2019, 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</td>
</tr>
<tr>
<td>10.12</td>
<td>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</td>
</tr>
<tr>
<td>10.13</td>
<td>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</td>
</tr>
<tr>
<td>10.14</td>
<td>Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, by the pledgors party thereto</td>
</tr>
<tr>
<td>10.15</td>
<td>Consent and Acknowledgment (Other First Lien Obligations) (March 2014 Indenture), dated as of May 2, 2016, by Wells Fargo Bank, National Association, as an Other First Lien Obligations Agent</td>
</tr>
<tr>
<td>10.16</td>
<td>Consent and Acknowledgment (Other First Lien Obligations) (July 2012 Indenture), dated as of May 2, 2016, by Wells Fargo Bank, National Association, as an Other First Lien Obligations Agent</td>
</tr>
<tr>
<td>10.17</td>
<td>Consent and Acknowledgment (Other First Lien Obligations) (2032 Notes), dated as of May 2, 2016, by Wells Fargo Bank, National Association, as an Other First Lien Obligations Agent</td>
</tr>
<tr>
<td>10.18</td>
<td>Consent and Acknowledgment (Other Second Lien Obligations), dated as of May 2, 2016, by Wells Fargo Bank, National Association, as an Other Second Lien Obligations Agent</td>
</tr>
<tr>
<td>10.19</td>
<td>Consent of Grantors (First Lien/First Lien Intercreditor Agreement), dated as of May 2, 2016, by the grantors party thereto</td>
</tr>
<tr>
<td>10.20</td>
<td>Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement by the pledgors party thereto</td>
</tr>
<tr>
<td>10.23</td>
<td>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</td>
</tr>
<tr>
<td>10.24</td>
<td>Patent Agreement, dated as of September 26, 2012, by and between Tyco International Ltd. and The ADT Corporation</td>
</tr>
<tr>
<td>10.25</td>
<td>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</td>
</tr>
<tr>
<td>10.26</td>
<td>ADT LLC Supplemental Savings and Retirement Plan, effective as of April 1, 2017</td>
</tr>
<tr>
<td>10.27</td>
<td>Stockholders Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</td>
</tr>
<tr>
<td>10.28</td>
<td>Registration Rights Agreement by and between the ADT Inc. and Prime Securities Services TopCo, LP</td>
</tr>
<tr>
<td>10.29</td>
<td>Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Donald Young</td>
</tr>
<tr>
<td>10.30</td>
<td>Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Jamie Haennig</td>
</tr>
<tr>
<td>10.31</td>
<td>Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and P. Gray Finney</td>
</tr>
<tr>
<td>10.32</td>
<td>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</td>
</tr>
<tr>
<td>10.33</td>
<td>Amended and Restated Employment Agreement, dated December 19, 2017, between The ADT Security Corporation (together with any of its subsidiaries and Affiliates) and Timothy J. Whall</td>
</tr>
<tr>
<td>10.34</td>
<td>Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and James D. DeVries</td>
</tr>
<tr>
<td>10.35</td>
<td>Amended and Restated Employment Agreement, dated December 19, 2017, between ADT LLC, (together with any of its subsidiaries and Affiliates) and Jeffrey Likosar</td>
</tr>
<tr>
<td>10.36</td>
<td>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</td>
</tr>
<tr>
<td>10.37*</td>
<td>Acknowledgment of and Consent to First Lien/Second Lien Intercreditor Agreement, dated January 30, 2019 by the pledgor party thereto</td>
</tr>
<tr>
<td>10.38</td>
<td>ADT Inc. 2018 Omnibus Incentive Plan</td>
</tr>
<tr>
<td>10.39</td>
<td>Form of Restricted Stock Unit Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan</td>
</tr>
</tbody>
</table>
Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan

Form of Non-Qualified Option Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan (Class B Unit Redemption)

Form of Common Stock Award Agreement for use under the ADT Inc. 2018 Omnibus Incentive Plan

ADT Inc. 2018 Omnibus Incentive Plan Restricted Stock Unit Non-Employee Director Award Agreement

Amendment to the Registration Rights Agreement between ADT Inc. and Prime Security Services TopCo Parent, L.P.

Timothy J. Whall’s Retirement Agreement

Second Amended & Restated Employment Agreement with James D. DeVries

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.

Amendment to Second Amended & Restated Employment Agreement of James D. DeVries

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

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

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

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

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

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

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

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

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

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

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

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

Consent of Grantor (First Lien/First Lien Intercreditor Agreement), dated as of October 31, 2017, by the grantor party thereto

Consent of Grantor (First Lien/First Lien Intercreditor Agreement), dated as of January 22, 2018, by the grantor party thereto

Consent of Grantors (First Lien/First Lien Intercreditor Agreement), dated as of February 28, 2018, by the grantors party thereto

Consent of Grantor (First Lien/First Lien Intercreditor Agreement), dated as of August 17, 2018, by the grantor party thereto

Consent of Grantors (First Lien/First Lien Intercreditor Agreement), dated as of January 7, 2019, by the grantors party thereto

Consent of Grantor (First Lien/First Lien Intercreditor Agreement), dated as of January 30, 2019, by the grantor party thereto

Acknowledgment of and Consent to First Lien/Second Lien Intercreditor Agreement, dated October 31, 2017 by the pledgor party thereto

Acknowledgment of and Consent to First Lien/Second Lien Intercreditor Agreement, dated January 22, 2018 by the pledgor party thereto

Acknowledgment of and Consent to First Lien/Second Lien Intercreditor Agreement, dated February 28, 2018 by the pledgors party thereto

Acknowledgment of and Consent to First Lien/Second Lien Intercreditor Agreement, dated August 17, 2018 by the pledgor party thereto

Acknowledgment of and Consent to First Lien/Second Lien Intercreditor Agreement, dated January 7, 2019 by the pledgors party thereto

Subsidiaries of ADT Inc.

Consent of Independent Registered Public Accounting Firm and Consent of Independent Registered Certified Public Accounting Firm

Certification of CEO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)

Certification of CFO, pursuant to SEC Rule 13a-14(a) and 15d-14(a)
ITEM 16. FORM 10-K SUMMARY.

None.

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SIGNATURES

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

ADT Inc.

Date: March 11, 2019

By: /s/ James D. DeVries

Name: James D. DeVries

Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 11, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ James D. DeVries</td>
<td>Chief Executive Officer and Director</td>
</tr>
<tr>
<td>/s/ Jeffrey Likosar</td>
<td>(Principal Executive Officer)</td>
</tr>
<tr>
<td>/s/ Marc E. Becker</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>/s/ Reed B. Rayman</td>
<td>(Principal Financial and Accounting Officer)</td>
</tr>
<tr>
<td>/s/ Matthew H. Nord</td>
<td>Director</td>
</tr>
<tr>
<td>/s/ Andrew D. Africk</td>
<td>(Chairman)</td>
</tr>
<tr>
<td>/s/ Eric L. Press</td>
<td>Director</td>
</tr>
<tr>
<td>/s/ Lee J. Solomon</td>
<td>Director</td>
</tr>
<tr>
<td>/s/ Stephanie Drescher</td>
<td>Director</td>
</tr>
<tr>
<td>/s/ David Ryan</td>
<td>Director</td>
</tr>
<tr>
<td>/s/ Matthew E. Winter</td>
<td>Director</td>
</tr>
<tr>
<td>/s/ Tracey Griffin</td>
<td>Director</td>
</tr>
<tr>
<td>/s/ Timothy J. Whall</td>
<td>Director</td>
</tr>
</tbody>
</table>

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of ADT Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ADT Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive (loss) income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Fort Lauderdale, Florida
March 11, 2019

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$363,177</td>
<td>$122,899</td>
</tr>
<tr>
<td>Accounts receivable trade, less allowance for doubtful accounts of $39,765 and $34,042, respectively</td>
<td>245,714</td>
<td>148,822</td>
</tr>
<tr>
<td>Inventories</td>
<td>89,178</td>
<td>85,672</td>
</tr>
<tr>
<td>Work-in-progress</td>
<td>26,137</td>
<td>21,252</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>129,811</td>
<td>77,241</td>
</tr>
<tr>
<td>Total current assets</td>
<td>854,017</td>
<td>455,886</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>326,565</td>
<td>332,445</td>
</tr>
<tr>
<td>Subscriber system assets, net</td>
<td>2,907,701</td>
<td>2,892,683</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>7,488,194</td>
<td>7,856,775</td>
</tr>
<tr>
<td>Goodwill</td>
<td>5,081,887</td>
<td>5,070,586</td>
</tr>
<tr>
<td>Deferred subscriber acquisition costs, net</td>
<td>429,965</td>
<td>282,478</td>
</tr>
<tr>
<td>Other assets</td>
<td>120,279</td>
<td>123,967</td>
</tr>
<tr>
<td>Total assets</td>
<td>$17,208,608</td>
<td>$17,014,820</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and stockholders' equity</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>$58,184</td>
<td>$48,060</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>221,341</td>
<td>187,695</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>334,886</td>
<td>309,157</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>398,079</td>
<td>351,340</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,012,490</td>
<td>896,252</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>9,944,112</td>
<td>10,121,126</td>
</tr>
<tr>
<td>Mandatorily redeemable preferred securities—authorized 1,000,000 shares Series A of $0.01 par value; issued and outstanding 750,000 shares as of December 31, 2017</td>
<td>—</td>
<td>682,449</td>
</tr>
<tr>
<td>Deferred subscriber acquisition revenue</td>
<td>544,429</td>
<td>368,669</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1,342,168</td>
<td>1,376,708</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>140,604</td>
<td>136,504</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>12,983,803</td>
<td>13,581,708</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitments and contingencies (Note 8)</th>
<th></th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Stockholders' equity:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock—authorized 3,999,000,000 shares of $0.01 par value; issued and outstanding shares of 766,881,453 and 641,118,571 as of December 31, 2018 and 2017, respectively</td>
<td>7,669</td>
<td>2</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>5,969,347</td>
<td>4,435,329</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(1,680,432)</td>
<td>(998,212)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(71,779)</td>
<td>(4,007)</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>4,224,805</td>
<td>3,433,112</td>
</tr>
<tr>
<td>Total liabilities and stockholders' equity</td>
<td>$17,208,608</td>
<td>$17,014,820</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements

F-3
### ADT INC. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF OPERATIONS

( in thousands, except per share data)

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,109,939</td>
<td>$4,029,279</td>
<td>$2,748,222</td>
</tr>
<tr>
<td>Installation and other</td>
<td>471,734</td>
<td>286,223</td>
<td>201,544</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>4,581,673</strong></td>
<td><strong>4,315,502</strong></td>
<td><strong>2,949,766</strong></td>
</tr>
<tr>
<td>Cost of revenue (exclusive of depreciation and amortization shown separately below)</td>
<td>1,041,336</td>
<td>895,736</td>
<td>693,430</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>1,246,950</td>
<td>1,209,200</td>
<td>858,896</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,930,929</td>
<td>1,863,299</td>
<td>1,232,967</td>
</tr>
<tr>
<td>Merger, restructuring, integration, and other</td>
<td>(3,344)</td>
<td>64,828</td>
<td>393,788</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>87,962</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>277,840</td>
<td>282,439</td>
<td>(229,315)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(663,204)</td>
<td>(732,841)</td>
<td>(521,491)</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(274,836)</td>
<td>(4,331)</td>
<td>(28,293)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>27,582</td>
<td>33,047</td>
<td>(23,639)</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(632,618)</td>
<td>(421,686)</td>
<td>(802,738)</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>23,463</td>
<td>764,313</td>
<td>266,151</td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
<td><strong>(609,155)</strong></td>
<td><strong>342,627</strong></td>
<td><strong>(536,587)</strong></td>
</tr>
</tbody>
</table>

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

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

#### Weighted-average number of shares:

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

See Notes to Consolidated Financial Statements
### ADT INC. AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**
( in thousands )

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (loss) income</td>
<td>$(609,155)</td>
<td>$342,627</td>
<td>$(536,587)</td>
</tr>
<tr>
<td>Other comprehensive (loss) income, net of tax:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(21,284)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency translation</td>
<td>(44,656)</td>
<td>23,720</td>
<td>(30,663)</td>
</tr>
<tr>
<td>Defined benefit pension plans</td>
<td>(1,832)</td>
<td>780</td>
<td>2,156</td>
</tr>
<tr>
<td>Total other comprehensive (loss) income, net of tax</td>
<td>(67,772)</td>
<td>24,500</td>
<td>(28,507)</td>
</tr>
<tr>
<td>Comprehensive (loss) income</td>
<td>$(676,927)</td>
<td>$367,127</td>
<td>$(565,094)</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements
<table>
<thead>
<tr>
<th>Balance as of December 31, 2015</th>
<th>Number of Common Shares</th>
<th>Common Stock</th>
<th>Additional Paid-In Capital</th>
<th>Accumulated Deficit</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Total Stockholders' Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>640,723</td>
<td>$757,150</td>
<td>$757,150</td>
<td>$ (54,253)</td>
<td>$—</td>
<td>$—</td>
<td>$702,897</td>
</tr>
<tr>
<td>Issuance of shares</td>
<td>324</td>
<td>2</td>
<td>4,013</td>
<td>—</td>
<td>—</td>
<td>4,015</td>
</tr>
<tr>
<td>Equity capital contributions</td>
<td>—</td>
<td>—</td>
<td>3,658,186</td>
<td>—</td>
<td>—</td>
<td>3,658,186</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(536,587)</td>
<td>(536,587)</td>
</tr>
<tr>
<td>Other comprehensive loss, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(28,507)</td>
<td>(28,507)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>—</td>
<td>—</td>
<td>4,625</td>
<td>—</td>
<td>—</td>
<td>4,625</td>
</tr>
<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
<td>347</td>
<td>—</td>
<td>—</td>
<td>347</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2016</strong></td>
<td><strong>641,047</strong></td>
<td><strong>2</strong></td>
<td><strong>4,424,321</strong></td>
<td><strong>(590,840)</strong></td>
<td><strong>(28,507)</strong></td>
<td><strong>3,804,976</strong></td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>342,627</td>
</tr>
<tr>
<td>Dividends</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(749,999)</td>
<td>(749,999)</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>24,500</td>
<td>24,500</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>68</td>
<td>—</td>
<td>11,276</td>
<td>—</td>
<td>—</td>
<td>11,276</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>—</td>
<td>347</td>
<td>—</td>
<td>—</td>
<td>347</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2017</strong></td>
<td><strong>641,119</strong></td>
<td><strong>2</strong></td>
<td><strong>4,435,329</strong></td>
<td><strong>(998,212)</strong></td>
<td><strong>(4,007)</strong></td>
<td><strong>3,433,112</strong></td>
</tr>
<tr>
<td>Adoption of accounting standard, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>34,430</td>
<td>34,430</td>
</tr>
<tr>
<td>Common stock issued for initial public offering proceeds, net of related fees and tax benefit</td>
<td>105,000</td>
<td>1,050</td>
<td>1,405,678</td>
<td>—</td>
<td>—</td>
<td>1,406,728</td>
</tr>
<tr>
<td>Net loss</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(609,155)</td>
<td>—</td>
<td>(609,155)</td>
</tr>
<tr>
<td>Dividends</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(107,355)</td>
<td>—</td>
<td>(107,355)</td>
</tr>
<tr>
<td>Other comprehensive loss, net of tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(67,772)</td>
<td>—</td>
<td>(67,772)</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>20,756</td>
<td>—</td>
<td>135,012</td>
<td>—</td>
<td>—</td>
<td>135,012</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>6,617</td>
<td>(6,672)</td>
<td>(140)</td>
<td>—</td>
<td>(195)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2018</strong></td>
<td><strong>766,881</strong></td>
<td><strong>7,669</strong></td>
<td><strong>5,969,347</strong></td>
<td><strong>(1,680,432)</strong></td>
<td><strong>(71,779)</strong></td>
<td><strong>4,224,805</strong></td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements
ADT INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
( in thousands ) 

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$(609,155)</td>
<td>$342,627</td>
<td>$(536,587)</td>
</tr>
<tr>
<td>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,930,929</td>
<td>1,863,299</td>
<td>1,232,967</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition costs</td>
<td>59,928</td>
<td>51,491</td>
<td>16,769</td>
</tr>
<tr>
<td>Amortization of deferred subscriber acquisition revenue</td>
<td>(79,136)</td>
<td>(46,454)</td>
<td>(10,717)</td>
</tr>
<tr>
<td>Amortization of deferred revenue fair value adjustment</td>
<td>166</td>
<td>—</td>
<td>62,845</td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td>135,012</td>
<td>11,276</td>
<td>4,625</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>(27,338)</td>
<td>(776,683)</td>
<td>(272,512)</td>
</tr>
<tr>
<td>Provision for losses on accounts receivable and inventory</td>
<td>61,026</td>
<td>56,687</td>
<td>37,620</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>274,836</td>
<td>4,331</td>
<td>24,787</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>87,962</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other non-cash items, net</td>
<td>20,079</td>
<td>43,107</td>
<td>60,038</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities, net of the effects of acquisitions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>(60,686)</td>
<td>(60,113)</td>
<td>(34,221)</td>
</tr>
<tr>
<td>Inventories and work-in-progress</td>
<td>(2,602)</td>
<td>4,944</td>
<td>(8,797)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>9,007</td>
<td>(30,695)</td>
<td>(9,103)</td>
</tr>
<tr>
<td>Deferred subscriber acquisition costs</td>
<td>(184,674)</td>
<td>(165,120)</td>
<td>(144,583)</td>
</tr>
<tr>
<td>Deferred subscriber acquisition revenue</td>
<td>256,498</td>
<td>247,479</td>
<td>167,784</td>
</tr>
<tr>
<td>Other, net</td>
<td>(84,245)</td>
<td>45,754</td>
<td>26,608</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,787,607</td>
<td>1,591,930</td>
<td>617,523</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dealer generated customer accounts and bulk account purchases</td>
<td>(693,525)</td>
<td>(653,222)</td>
<td>(407,102)</td>
</tr>
<tr>
<td>Subscriber system assets and deferred subscriber installation costs</td>
<td>(576,290)</td>
<td>(582,723)</td>
<td>(468,594)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>(126,799)</td>
<td>(130,624)</td>
<td>(78,499)</td>
</tr>
<tr>
<td>Acquisition of businesses, net of cash acquired</td>
<td>(352,819)</td>
<td>(63,518)</td>
<td>(8,501,542)</td>
</tr>
<tr>
<td>Proceeds received from settlement of derivative contracts, net</td>
<td>—</td>
<td>—</td>
<td>41,586</td>
</tr>
<tr>
<td>Other investing, net</td>
<td>11,223</td>
<td>16,777</td>
<td>2,437</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,738,210)</td>
<td>(1,413,310)</td>
<td>(9,411,714)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from initial public offering, net of related fees</td>
<td>1,406,019</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>422,875</td>
<td>1,344,126</td>
<td>6,040,019</td>
</tr>
<tr>
<td>Repayment of long-term borrowings, including call premiums</td>
<td>(699,637)</td>
<td>(724,999)</td>
<td>(1,392,549)</td>
</tr>
<tr>
<td>Proceeds from issuance of mandatorily redeemable preferred securities</td>
<td>—</td>
<td>—</td>
<td>658,551</td>
</tr>
<tr>
<td>Repayment of mandatorily redeemable preferred securities, including redemption premium</td>
<td>(852,769)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Equity capital contributions</td>
<td>—</td>
<td>—</td>
<td>3,662,201</td>
</tr>
<tr>
<td>Dividends on common stock</td>
<td>(79,439)</td>
<td>(749,999)</td>
<td>—</td>
</tr>
<tr>
<td>Deferred financing costs</td>
<td>(337)</td>
<td>(400)</td>
<td>(104,205)</td>
</tr>
<tr>
<td>Other financing, net</td>
<td>(3,711)</td>
<td>(11,797)</td>
<td>(35,242)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>193,001</td>
<td>(143,069)</td>
<td>8,828,775</td>
</tr>
<tr>
<td><strong>Effect of currency translation on cash</strong></td>
<td>(2,018)</td>
<td>338</td>
<td>(1,297)</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents and restricted cash and cash equivalents</strong></td>
<td>240,380</td>
<td>35,889</td>
<td>33,287</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents and restricted cash and cash equivalents at beginning of period</strong></td>
<td>126,782</td>
<td>90,893</td>
<td>57,606</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents and restricted cash and cash equivalents at end of period</strong></td>
<td>$367,162</td>
<td>$126,782</td>
<td>$90,893</td>
</tr>
</tbody>
</table>

**Supplementary cash flow information:**

Interest paid, net of interest income | $688,121 | $661,250 | $430,686
<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes paid, net of refunds</td>
<td>6,346</td>
<td>19,433</td>
<td>5,446</td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements

F-7
1. Description of Business and Summary of Significant Accounting Policies

Organization and Business

ADT Inc. (formerly named Prime Security Services Parent Inc.) ("ADT Inc."), a company incorporated in the State of Delaware, and its wholly owned subsidiaries (collectively, the "Company"), is a leading provider of monitored security and interactive home and business automation solutions in the United States (or "U.S.")) and Canada. The Company is majority-owned by Prime Security Services TopCo Parent, L.P. ("Ultimate Parent"). Ultimate Parent is owned by Apollo Investment Fund VIII, L.P. and related funds that are directly or indirectly managed by Apollo Global Management, LLC, its subsidiaries and its affiliates ("Apollo" or the "Sponsor"), and management investors.

On July 1, 2015, ADT Inc. acquired Protection One, Inc. and ASG Intermediate Holding Corp. (collectively, the “Formation Transactions”), which were instrumental in the formation of the Company. Prior to the Formation Transactions, ADT Inc. was a holding company with no assets or liabilities. On May 2, 2016, the Company acquired The ADT Security Corporation (formerly named The ADT Corporation) ("The ADT Corporation") ("ADT Acquisition"). The Company primarily conducts business under the ADT brand name.

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

Significant Accounting Policies

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), which require the Company to select accounting policies and make estimates that affect the reported amount of assets, liabilities, revenue, and expenses, and the related disclosure of contingent assets and contingent liabilities. The Company’s estimates are based on the relevant information available at the end of each period. Actual results could differ materially from these estimates under different assumptions or market conditions.

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

Basis of Presentation and Consolidation

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

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

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

Foreign Currency Translation and Transaction Gains and Losses

The Company’s reporting currency is the U.S. dollar. The functional currency of the Company’s Canadian subsidiaries is the Canadian dollar. The Company’s Canadian subsidiaries’ financial statements are translated into U.S. dollars using the foreign exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated using the end-of-period spot foreign exchange rate. Revenue, expenses, and cash flows are translated at the average foreign exchange rate for each period. Equity accounts are translated at historical foreign exchange rates. The effects of these translation adjustments are reported as a component of accumulated other comprehensive (loss) income ("AOCI") in the Consolidated Statements of Stockholders’ Equity.

For any transaction that is denominated in a currency different from the entity’s functional currency, a gain or loss is recorded based on the difference between the foreign exchange rate at the transaction date and the foreign exchange rate at the transaction settlement date (or rate at period end, if unsettled). The Company recognized foreign currency (losses) gains related to the
conversion of intercompany loans that are denominated in Canadian dollars within other income (expense) in the Consolidated Statements of Operations of $(3) million, $24 million, and $(16) million during 2018, 2017, and 2016, respectively.

During the first quarter of 2018, the Company designated certain intercompany loans that are denominated in Canadian dollars to be of a long-term-investment nature and began recognizing the related foreign currency losses and gains in AOCI in the Consolidated Statements of Stockholders’ Equity.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less from the time of purchase are considered to be cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are cash and cash equivalents that are restricted for a specific purpose and cannot be included in the general cash and cash equivalents account. Restricted cash and cash equivalents are reflected in prepaid expenses and other current assets in the Consolidated Balance Sheets.

Accounts Receivable, net

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$34,042</td>
<td>$28,109</td>
<td>$1,498</td>
</tr>
<tr>
<td>Provision for bad debt expense</td>
<td>54,558</td>
<td>54,074</td>
<td>37,407</td>
</tr>
<tr>
<td>Deductions and other</td>
<td>(48,835)</td>
<td>(48,141)</td>
<td>(10,796)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$39,765</td>
<td>$34,042</td>
<td>$28,109</td>
</tr>
</tbody>
</table>

Inventories

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

Work-in-Progress

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

Property and Equipment, net

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

<table>
<thead>
<tr>
<th></th>
<th>Up to 40 years</th>
<th>Up to 14 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and related improvements</td>
<td>Up to 40 years</td>
<td>Lesser of remaining term of the lease or economic useful life</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Up to 40 years</td>
<td>3 to 14 years</td>
</tr>
<tr>
<td>Capitalized software</td>
<td>Up to 40 years</td>
<td>3 to 10 years</td>
</tr>
<tr>
<td>Machinery, equipment, and other</td>
<td>Up to 40 years</td>
<td>Up to 10 years</td>
</tr>
</tbody>
</table>

Depreciation expense is included in depreciation and intangible asset amortization in the Consolidated Statements of Operations and was $166 million, $151 million, and $77 million in 2018, 2017, and 2016, respectively. Repairs and maintenance expenditures are expensed when incurred.
The carrying value of property and equipment, net as of December 31, 2018 and 2017 was as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$13,381</td>
<td>$13,381</td>
</tr>
<tr>
<td>Buildings and leasehold improvements</td>
<td>$84,905</td>
<td>$78,298</td>
</tr>
<tr>
<td>Capitalized software</td>
<td>$378,002</td>
<td>$247,661</td>
</tr>
<tr>
<td>Machinery, equipment, and other</td>
<td>$150,484</td>
<td>$122,748</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>$21,634</td>
<td>$52,610</td>
</tr>
<tr>
<td>Capital leases</td>
<td>$69,873</td>
<td>$49,740</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>$(391,714)</td>
<td>$(231,993)</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>$326,565</strong></td>
<td><strong>$332,445</strong></td>
</tr>
</tbody>
</table>

Included in accumulated depreciation in the table above is accumulated depreciation related to capital leases of facilities, vehicles, and equipment of $32 million and $22 million as of December 31, 2018 and 2017, respectively.

**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 on the Consolidated Balance Sheets. These assets embody a probable future economic benefit as they contribute to the generation of future monitoring and related services revenue for the Company.

Subscriber system assets represent capitalized equipment and installation costs incurred in connection with the 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 was $549 million, $537 million, and $346 million during 2018, 2017, and 2016, respectively, and is included in depreciation and intangible asset amortization in the Consolidated Statements of Operations.

The carrying value of subscriber system assets, net as of December 31, 2018 and 2017 was as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross carrying amount</td>
<td>$4,304,279</td>
<td>$3,762,905</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>$(1,396,578)</td>
<td>$(870,222)</td>
</tr>
<tr>
<td><strong>Subscriber system assets, net</strong></td>
<td><strong>$2,907,701</strong></td>
<td><strong>$2,892,683</strong></td>
</tr>
</tbody>
</table>

Deferred subscriber acquisition costs, net represent incremental selling expenses (primarily commissions) related to acquiring customers. Amortization expense relating to deferred subscriber acquisition costs included in selling, general and administrative expenses in the Consolidated Statements of Operations was $60 million, $51 million, and $17 million during 2018, 2017, and 2016, respectively.

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

**Long-Lived Asset Impairments**

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

There were no material long-lived asset impairments in 2018, 2017, or 2016.

**Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of December 31, 2018 and 2017 consisted of the following:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued interest</td>
<td>$85,046</td>
<td>$91,592</td>
</tr>
<tr>
<td>Payroll-related accruals</td>
<td>105,089</td>
<td>94,501</td>
</tr>
<tr>
<td>Other accrued liabilities</td>
<td>207,944</td>
<td>165,247</td>
</tr>
<tr>
<td><strong>Accrued expenses and other current liabilities</strong></td>
<td><strong>$398,079</strong></td>
<td><strong>$351,340</strong></td>
</tr>
</tbody>
</table>

**Advertising**

Advertising costs were $143 million, $134 million, and $105 million in 2018, 2017, and 2016, respectively. These costs are expensed when incurred and are included in selling, general and administrative expenses in the Consolidated Statements of Operations.

**Radio Conversion Costs**

In 2015, the Company began a program to replace 2G cellular technology used in many of its security systems. During 2018, 2017, and 2016, the Company incurred charges of $5 million, $12 million, and $34 million, respectively, related to this program, which includes costs related to The ADT Corporation customers under a similar program from the date of the ADT Acquisition. These costs are reflected in selling, general and administrative expenses in the Consolidated Statements of Operations.

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

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

**Other Income (Expense)**

During 2018, other income (expense) included approximately $22 million of licensing fees, as well as a gain of $7.5 million from the sale of equity in a third party that the Company received as part of a settlement, as described below. During 2017, other income (expense) primarily included net foreign currency transaction gains of $24 million from the conversion of intercompany loans that are denominated in Canadian dollars. During 2016, other income (expense) primarily included net foreign currency transaction losses from the conversion of intercompany loans that are denominated in Canadian dollars of $16 million.

**Concentration of Credit Risks**

The primary financial instruments that could potentially subject the Company to concentrations of credit risks are accounts receivable. The Company’s concentration of credit risk with respect to accounts receivable is limited due to the significant size of its customer base.

**Fair Value of Financial Instruments**

The Company’s financial instruments primarily consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, debt, preferred securities, 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 values.
Cash Equivalents - Included in cash and cash equivalents are investments in money market mutual funds, which totaled $221 million and $51 million as of December 31, 2018 and 2017, respectively. These investments are classified as Level 1 for purposes of fair value measurement.

Long-Term Debt Instruments - The fair values of the Company’s debt instruments were determined using broker-quoted market prices, which are considered Level 2 inputs. The carrying amount of debt outstanding, if any, under the Company’s revolving credit facility approximates fair value as interest rates on these borrowings approximate current market rates and are considered Level 2 inputs. Refer to Note 5 “Debt” for further discussion.

The carrying value and fair value of the Company’s long-term debt instruments that are subject to fair value disclosures as of December 31, 2018 and 2017 were as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2018</th>
<th></th>
<th>December 31, 2017</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Value</td>
<td>Fair Value</td>
<td>Carrying Value</td>
<td>Fair Value</td>
<td></td>
</tr>
<tr>
<td>Debt instruments, excluding capital lease obligations</td>
<td>$9,952,385</td>
<td>$9,828,274</td>
<td>$10,128,020</td>
<td>$10,868,626</td>
</tr>
</tbody>
</table>

Koch Preferred Securities - The Company redeemed the Koch Preferred Securities in full on July 2, 2018.

As of December 31, 2017, the Koch Preferred Securities had a carrying value and fair value of $682 million and $925 million, respectively. The fair value was estimated using a discounted cash flow approach in conjunction with a binomial lattice interest rate model to incorporate the contractual dividends and the Company’s ability to redeem the Koch Preferred Securities. Key input assumptions to the valuation analysis included the credit spread, yield volatility, and expected time to redemption, which are considered Level 3 inputs. The credit spread was estimated using the credit spread at issuance of the Koch Preferred Securities and adjusted for the change in observed publicly traded debt of the Company between the issuance date and the measurement date. The yield volatility estimate was based on the historical yield volatility observed from comparable public high yield debt. The expected time to redemption was based on the Company’s expectations regarding redemption following the IPO. Refer to Note 6 “Mandatorily Redeemable Preferred Securities” for further discussion.

Derivative Financial Instruments - Derivative financial instruments are reported at fair value as either assets or liabilities in the Consolidated Balance Sheets. These fair values are primarily calculated using discounted cash flow analysis valuation techniques that incorporate observable inputs, such as quoted forward interest rates, and incorporate credit risk adjustments to reflect the risk of default by the counterparty or the Company. The inputs to these valuations are considered Level 2 inputs. Refer to Note 9 “Derivative Financial Instruments” for further discussion.

Guarantees

In the normal course of business, the Company is liable for contract completion and product performance. The Company does not believe such obligations will significantly affect its financial position, results of operations, or cash flows. As of December 31, 2018 and 2017, the Company had no material guarantees other than $54 million in each of the respective periods, primarily in standby letters of credit related to its insurance programs.

Settlements

In January 2018, the Company received $10 million in connection with a litigation settlement, which is reflected as a benefit to selling, general and administrative expenses in the Consolidated Statement of Operations for 2018.

In February 2018, the Company entered into a settlement agreement (“February 2018 Settlement Agreement”), the terms of which entitled the Company to receive $7.5 million of non-cash compensation in the form of an equity interest in the counterparty to the agreement (“Counterparty”), which the Company recognized as a benefit to selling, general and administrative expenses in 2018. Additionally, the February 2018 Settlement Agreement entitled the Company to receive $24 million in licensing fees over a forty-eight-month period.

In the second quarter of 2018, the Counterparty was acquired by a third party. The terms of the acquisition entitled the Company to approximately $15 million in exchange for the Company’s equity interest in the Counterparty. Additionally, as a result of the Counterparty’s acquisition, the Company concluded that amounts due under the license arrangement were probable of being collected. The Company received approximately $12 million in cash associated with its equity interest during the second quarter of 2018, and recorded a gain on investment of $7.5 million, which is reflected in other income (expense) in the Consolidated Statements of Operations. The Company also recorded a benefit of $22 million associated with the license arrangement, which
Recently Adopted Accounting Pronouncements

Revenue Recognition

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

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

As of January 1, 2018, due to the cumulative impact of adopting this new standard, the Company recorded a net increase to the opening balance of stockholders’ equity of $34 million, which is net of tax of $12 million. The impact to the line items in the Consolidated Balance Sheet was as follows:

\[
\begin{array}{lcc}
\text{(in thousands)} & \text{Balance as of December 31, 2017} & \text{Revenue Standard Adoption Adjustment} & \text{Balance as of January 1, 2018} \\
\hline
\text{Assets} & & & \\
\text{Prepaid expenses and other current assets} & $77,241 & $6,615 & $83,856 \\
\text{Deferred subscriber acquisition costs, net} & 282,478 & 33,380 & 315,858 \\
\text{Other assets} & 123,967 & 6,321 & 130,288 \\
\hline
\text{Liabilities} & & & \\
\text{Deferred tax liabilities} & 1,376,708 & 11,886 & 1,388,594 \\
\hline
\text{Stockholders’ Equity} & & & \\
\text{Accumulated deficit} & (998,212) & 34,430 & (963,782) \\
\hline
\end{array}
\]

Refer to Note 2 “Revenue” for further discussion related to the impact of adopting this standard.

Restricted Cash and Cash Equivalents

ASU 2016-18, Restricted Cash, amended the presentation of restricted cash within the statement of cash flows. The new guidance requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this guidance effective on January 1, 2018 using the retrospective transition method for all periods presented in the Consolidated Statements of Cash Flows.

F-13
The following table provides a reconciliation of the amount of cash and cash equivalents and restricted cash and cash equivalents reported within the Consolidated Balance Sheets to the total of the same such amounts shown in the Consolidated Statements of Cash Flows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 2017 2016</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$363,177 $122,899 $75,891</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents in prepaid expenses and other current assets</td>
<td>3,985 3,883 14,932</td>
</tr>
<tr>
<td>Restricted cash and cash equivalents in other assets</td>
<td>— — 70</td>
</tr>
<tr>
<td>Cash and cash equivalents and restricted cash and cash equivalents at end of period</td>
<td>$367,162 $126,782 $90,893</td>
</tr>
</tbody>
</table>

**Goodwill**

ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this new guidance, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying value. If the carrying amount exceeds fair value, an impairment loss is recognized in an amount equal to that excess. The Company adopted this guidance during the fourth quarter of 2018.

**Recently Issued Accounting Pronouncements**

**Lease Accounting**

ASU 2016-02, *Leases*, and related amendments, requires lessees to recognize a right-of-use asset and a lease liability for substantially all leases and to disclose key information about leasing arrangements. This guidance is effective for all public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and will be effective for the Company in the first quarter of 2019.

The guidance is to be adopted using a modified retrospective approach or an optional transition method. The Company has elected to adopt the guidance using the optional transition method, which allows entities to apply the guidance at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings, if any, in the period of adoption with no restatement of comparative periods. As part of the adoption, the Company has elected to apply the package of transitional practical expedients under which the Company will not not reassess prior conclusions about lease identification, lease classification, and initial direct costs of existing leases as of the date of adoption. Additionally, the Company has elected lessee and lessor practical expedients to not separate non-lease components from lease components. The Company did not elect to apply the hindsight transitional practical expedient to reassess the lease terms of existing lease arrangements as of the date of adoption or the short-term lease recognition exemption.

The Company has performed an impact analysis of the guidance and is in the final phase of implementing the guidance, which includes analyzing the impact of the guidance on existing lease contracts, reviewing the completeness of the existing lease portfolio, comparing accounting policies under current accounting guidance to the new accounting guidance, and implementing a new lease accounting system. Upon transition to the guidance as of the date of adoption, the Company expects to recognize approximately $115 million to $145 million of operating lease liabilities on the Consolidated Balance Sheets, with a corresponding amount of right-of-use assets, net of amounts reclassified from other assets and liabilities, as specified by the guidance. Further, the Company does not expect that the adoption of the guidance will have a material effect on the Consolidated Statements of Operations or Cash Flows.

**Other**

ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, and related amendments, introduces new guidance which makes substantive changes to the accounting for credit losses. This guidance introduces the current expected credit losses (“CECL”) model which applies to financial assets subject to credit losses and measured at amortized cost, as well as certain off-balance sheet credit exposures. The CECL model requires an entity to estimate credit losses expected over the life of an exposure, considering information about historical events, current conditions, and reasonable and supportable forecasts and is generally expected to result in earlier recognition of credit losses. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and will be effective for the Company in the first quarter of 2020. The Company is currently evaluating the impact of this guidance.

ASU 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, aligns the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that
is classified as a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and will be effective for the Company in the first quarter of 2020. Early adoption is permitted. Companies may apply this guidance either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact of this guidance.

2. Revenue

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

Deferred subscriber acquisition revenue is deferred and recorded as deferred subscriber acquisition revenue in the Consolidated Balance Sheets upon initiation of a monitoring contract. Deferred subscriber acquisition revenue is amortized in pools 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 $79 million, $46 million, and $11 million in 2018, 2017, and 2016, respectively.

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

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

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

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

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Year Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,109,939</td>
</tr>
<tr>
<td>Installation and other</td>
<td>471,734</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>$4,581,673</strong></td>
</tr>
</tbody>
</table>

F-15
The impact from the adoption of the new revenue standard on the Company’s consolidated financial statements as of and for the year ended December 31, 2018 was as follows:

<table>
<thead>
<tr>
<th>Statement of Operations (in thousands)</th>
<th>As Reported</th>
<th>Balances without Adoption of Standard</th>
<th>Effect of Adoption Increase / (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and related services</td>
<td>$4,109,939</td>
<td>$4,116,219</td>
<td>$(6,280)</td>
</tr>
<tr>
<td>Installation and other</td>
<td>471,734</td>
<td>464,581</td>
<td>7,153</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>4,581,673</td>
<td>4,580,800</td>
<td>873</td>
</tr>
<tr>
<td>Cost of revenue (exclusive of depreciation and amortization shown separately below)</td>
<td>1,041,336</td>
<td>1,041,336</td>
<td>0</td>
</tr>
<tr>
<td>Selling, general and administrative expenses (1)</td>
<td>1,246,950</td>
<td>1,273,515</td>
<td>(26,565)</td>
</tr>
<tr>
<td>Depreciation and intangible asset amortization</td>
<td>1,930,929</td>
<td>1,930,929</td>
<td>0</td>
</tr>
<tr>
<td>Merger, restructuring, integration, and other</td>
<td>(3,344)</td>
<td>(3,344)</td>
<td>0</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>87,962</td>
<td>87,962</td>
<td>0</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>277,840</td>
<td>250,402</td>
<td>27,438</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(663,204)</td>
<td>(663,204)</td>
<td>0</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(274,836)</td>
<td>(274,836)</td>
<td>0</td>
</tr>
<tr>
<td>Other income</td>
<td>27,582</td>
<td>27,582</td>
<td>0</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(632,618)</td>
<td>(660,056)</td>
<td>27,438</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>23,463</td>
<td>29,609</td>
<td>(6,146)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(609,155)</td>
<td>$(630,447)</td>
<td>21,292</td>
</tr>
</tbody>
</table>

(1) The effect of adoption includes approximately $19 million associated with non-cash amortization expense of deferred subscriber acquisition costs.

<table>
<thead>
<tr>
<th>Balance Sheet (in thousands)</th>
<th>As Reported</th>
<th>Balances without Adoption of Standard</th>
<th>Effect of Adoption Increase / (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>$129,811</td>
<td>$120,891</td>
<td>$8,920</td>
</tr>
<tr>
<td>Deferred subscriber acquisition costs, net</td>
<td>429,965</td>
<td>368,450</td>
<td>61,515</td>
</tr>
<tr>
<td>Other assets</td>
<td>120,279</td>
<td>116,960</td>
<td>3,319</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1,342,168</td>
<td>1,324,136</td>
<td>18,032</td>
</tr>
<tr>
<td>Stockholders' equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(1,680,432)</td>
<td>(1,736,154)</td>
<td>55,722</td>
</tr>
</tbody>
</table>

3. Acquisitions

From time to time, the Company may pursue acquisitions of companies that either strategically fit with the Company’s existing core business or expand the Company’s security, fire, and monitoring solutions in new and attractive adjacent markets.

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

The consolidated financial statements reflect the operations of an acquired business starting from the effective date of the acquisition. Expenses related to business acquisitions are recognized as incurred and are included in merger, restructuring, integration, and other in the Consolidated Statements of Operations.
**ADT Acquisition**

On May 2, 2016, the Company completed its acquisition of The ADT Corporation, a leading provider of monitored security and interactive automation solutions in the U.S. and Canada. The ADT Acquisition provided the Company the ability to continue to expand its market presence in the security industry by leveraging the ADT brand name and other best practices.

Upon completion of the ADT Acquisition, The ADT Corporation shareholders received $42.00 in cash, without interest and subject to applicable withholding taxes, for each share of common stock held immediately prior to the closing of the ADT Acquisition.

Additionally, pursuant to the agreement to acquire The ADT Corporation, all outstanding stock option awards, and restricted stock awards (except for certain performance share awards), held by The ADT Corporation employees were automatically canceled and converted into the right to receive cash consideration of $42.00 per share. Outstanding performance share awards held by The ADT Corporation employees were canceled and converted into the right to receive cash at 115% of the target award payable only if the requisite service period vesting conditions were met or if The ADT Corporation employee was separated from the Company under certain conditions. All remaining outstanding payments were made as of November 2018.

Total consideration in connection with the ADT Acquisition was $12,114 million, which includes the assumption of The ADT Corporation’s then outstanding debt (inclusive of capital lease obligations) at a fair value of $3,551 million on the acquisition date and cash at the time of closing of $54 million.

The Company funded the ADT Acquisition, as well as amounts due for merger costs, using the net proceeds from a combination of the following:

(i) equity proceeds of $3,571 million, net of issuance costs, which resulted from equity issuances by the Company and Ultimate Parent to the Company’s Sponsor and certain other investors;

(ii) incremental first lien term loan in an aggregate principal amount of $1,555 million and issuance of $3,140 million aggregate principal amount of second-priority secured notes. Refer to Note 5 “Debt” for further discussion; and

(iii) issuance by ADT Inc. of 750,000 shares of Series A preferred securities (“the Koch Preferred Securities”) and issuance by Ultimate Parent of detachable warrants for the purchase of Class A-1 Units in Ultimate Parent (“Warrants”) to an affiliate of Koch Industries, Inc. (“Koch Investor”) for an aggregate amount of $750 million. Refer to Note 6 “Mandatorily Redeemable Preferred Securities” for further discussion.

In 2016, the Company incurred $311 million in merger related costs on a pre-tax basis in connection with the ADT Acquisition. These costs consisted of (i) financing costs associated with unused bridge and backstop credit facilities, (ii) transaction fees paid to Apollo, (iii) incremental stock-based compensation expense as a result of the acceleration of vesting of all unvested stock options and restricted stock units outstanding as of the ADT Acquisition date, and (iv) other merger related costs such as advisory, legal, and accounting fees, as well as other professional costs. These costs are included in merger, restructuring, integration, and other in the Consolidated Statements of Operations.

**Pro Forma Results**

The following summary, prepared on a pro forma basis, presents the Company’s unaudited consolidated results of operations for 2016 as if the ADT Acquisition had been completed as of January 1, 2015. The pro forma results below include the impact of certain adjustments related to the amortization of intangible assets, merger related costs incurred as of the acquisition date, and interest expense on related borrowings, and in each case, the related income tax effects, as well as certain other post-acquisition adjustments directly attributable to the acquisition. This pro forma presentation does not include any impact of transaction synergies. The pro forma results are not necessarily indicative of the results of operations that actually would have been achieved had the ADT Acquisition been consummated as of that date:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2016 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$4,104,071</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(541,840)</td>
</tr>
</tbody>
</table>

Total revenue and net loss attributable to The ADT Corporation of $2,260 million and $78 million, respectively, are included in the Consolidated Statements of Operations from the acquisition date, May 2, 2016, to December 31, 2016.

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Red Hawk Acquisition

On December 3, 2018, the Company acquired all of the issued and outstanding capital stock of Fire & Security Holdings, LLC (“Red Hawk Fire & Security”), a leader in commercial fire, life safety, and security services, for total consideration of approximately $318 million, which includes the assumption of capital lease obligations of $16 million, and cash paid of approximately $301 million, net of cash acquired (“Red Hawk Acquisition”). The Company funded the Red Hawk Acquisition from a combination of additional debt financing and cash on hand. This acquisition is intended to accelerate the Company’s growth in the commercial security market and expand the Company’s product portfolio with the introduction of commercial fire safety related solutions.

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

<table>
<thead>
<tr>
<th>Fair value of assets acquired and liabilities assumed (in thousands)</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,257</td>
</tr>
<tr>
<td>Accounts receivable trade</td>
<td>73,100</td>
</tr>
<tr>
<td>Inventories</td>
<td>14,300</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>5,524</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>22,330</td>
</tr>
<tr>
<td>Goodwill</td>
<td>92,289</td>
</tr>
<tr>
<td>Contracts and related customer relationships</td>
<td>132,200</td>
</tr>
<tr>
<td>Other definite-lived intangible assets</td>
<td>11,220</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,475</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(14,883)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(10,400)</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>(10,165)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(707)</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>(15,657)</td>
</tr>
<tr>
<td><strong>Total consideration transferred</strong></td>
<td>$301,883</td>
</tr>
</tbody>
</table>

The purchase price allocation reflects preliminary fair value estimates based on management analysis, including preliminary work performed by third-party valuation specialists. The Company will finalize the purchase price allocation no later than one year from the acquisition date. The acquired contracts and related customer relationships will be amortized on a straight-line basis over 10 to 15 years while the acquired other definite-lived intangible assets will be amortized on a straight-line basis up to 5 years. The Company recorded approximately $92 million of goodwill, the majority of which is deductible for tax purposes, which reflects the strategic value of Red Hawk Fire & Security’s earnings growth potential to the Company. Additionally, the Company allocated the goodwill recognized as a result of the Red Hawk Acquisition to the Red Hawk reporting unit. Red Hawk Fire & Security’s impact on the Company’s Consolidated Statements of Operations during 2018 and pro-forma results for 2018 and 2017 is not material.

Other Acquisitions

In addition to the Red Hawk Acquisition, the Company acquired other businesses for total consideration of approximately $52 million and cash paid of $49 million, net of cash acquired, which resulted in the preliminary recognition of $24 million of goodwill and $20 million of contracts and related customer relationships during 2018. During 2017, the Company acquired other businesses for total consideration of approximately $79 million and cash paid of $64 million, net of cash acquired, which resulted in the recognition of $37 million of goodwill and $21 million of contracts and related customer relationships. The ADT Acquisition was the only acquisition during 2016.
4. Goodwill and Other Intangible Assets

**Goodwill**

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

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$5,070,586</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>116,110</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(87,962)</td>
</tr>
<tr>
<td>Currency translation and other</td>
<td>(16,847)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>$5,081,887</td>
</tr>
</tbody>
</table>

There were no material measurement period adjustments to purchase price allocations.

**Other Intangible Assets**

The gross carrying amounts, accumulated amortization, and net carrying amounts of the Company’s other intangible assets as of December 31, 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross Carrying Amount</td>
<td>Accumulated Amortization</td>
</tr>
<tr>
<td>Definite-lived intangible assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts and related customer relationships</td>
<td>$7,568,456</td>
<td>(2,816,079)</td>
</tr>
<tr>
<td>Dealer relationships</td>
<td>1,598,916</td>
<td>(230,511)</td>
</tr>
<tr>
<td>Other</td>
<td>210,802</td>
<td>(176,390)</td>
</tr>
<tr>
<td><strong>Total definite-lived intangible assets</strong></td>
<td>9,378,174</td>
<td>(3,222,980)</td>
</tr>
<tr>
<td>Indefinite-lived intangible assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade name</td>
<td>1,333,000</td>
<td>—</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>$10,711,174</td>
<td>(3,222,980)</td>
</tr>
</tbody>
</table>

**Definite-Lived Intangible Assets**

Definite-lived intangible assets primarily include contracts and related customer relationships and dealer relationships that originated from the Formation Transactions and the ADT Acquisition as well as contracts with customers purchased under the ADT Authorized Dealer Program (as defined below), or from other third parties.

The amortizable life and method of amortization of the Company’s contracts and related customer relationships acquired as part of the Formation Transactions and the ADT Acquisition are based on management estimates about the amounts and timing of estimated future revenue from customer accounts and average customer account life that existed as of the Formation Transactions and the ADT Acquisition. The amortizable life and method of amortization of the Company’s dealer relationships are based on management estimates about the longevity of the underlying dealer network and the attrition of those respective dealers that existed as of the Formation Transactions and the ADT Acquisition. Contracts and related customer relationships acquired as part of the Red Hawk Acquisition are amortized over a period of 10 to 15 years on a straight-line basis. Other definite-lived intangible assets are amortized over a period of up to 10 years on a straight-line basis.

The Company maintains agreements with a network of third-party independent alarm dealers who sell alarm equipment and ADT Authorized Dealer-branded monitoring and interactive services to end users (“ADT Authorized Dealer Program”). The dealers in this program generate new end-user contracts with customers which the Company has the right, but not the obligation, to purchase from the dealer. Purchases of contracts with customers under the ADT Authorized Dealer Program, or from other third parties, are considered asset acquisitions and are recorded at their contractually determined purchase price. The Company may charge back the purchase price of any end-user contract if the contract is canceled during the charge-back period, which is generally twelve to fifteen months from the date of purchase. The Company records the amount of the charge back as a reduction to the purchase price. The Company paid $694 million, $653 million, and $407 million for contracts with customers under the ADT Authorized Dealer Program and from other third parties in 2018, 2017, and 2016, respectively.
Purchases of contracts with customers under the ADT Authorized Dealer Program, or from other third parties, are accounted for using pools based on the month and year of acquisition. The Company amortizes its pooled contracts with customers using an accelerated method over the estimated life of the customer relationship, which is 15 years. The accelerated method for amortizing these contracts utilizes an average declining balance rate of approximately 300% and converts to straight-line methodology when the resulting amortization charge is greater than that from the accelerated method, resulting in an average amortization of approximately 65% of the pool within the first five years, 25% within the second five years, and 10% within the final five years.

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

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$ 4,999,028</td>
</tr>
<tr>
<td>Acquisition of customer relationships</td>
<td>$ 152,263</td>
</tr>
<tr>
<td>Customer contract additions, net of dealer charge-backs</td>
<td>$ 697,410</td>
</tr>
<tr>
<td>Amortization</td>
<td>(1,076,057)</td>
</tr>
<tr>
<td>Currency translation and other</td>
<td>(20,267)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td><strong>$ 4,752,377</strong></td>
</tr>
<tr>
<td></td>
<td><strong>2017</strong></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$ 5,290,634</td>
</tr>
<tr>
<td>Acquisition of customer relationships</td>
<td>$ 20,632</td>
</tr>
<tr>
<td>Customer contract additions, net of dealer charge-backs</td>
<td>$ 654,488</td>
</tr>
<tr>
<td>Amortization</td>
<td>(989,553)</td>
</tr>
<tr>
<td>Currency translation and other</td>
<td>22,827</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td><strong>$ 4,999,028</strong></td>
</tr>
</tbody>
</table>

The weighted-average amortization period for contracts and related customer relationships purchased under the ADT Authorized Dealer Program and from other third parties was 15 years in 2018 and 2017.

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

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Definite-lived intangible asset amortization expense</td>
<td>$ 1,206,536</td>
</tr>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Definite-lived intangible asset amortization expense</td>
<td>$ 1,164,283</td>
</tr>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Definite-lived intangible asset amortization expense</td>
<td>$ 800,203</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>1,188,577</td>
<td>1,125,714</td>
<td>1,015,858</td>
<td>665,241</td>
<td>307,912</td>
</tr>
</tbody>
</table>

Indefinite-Lived Intangible Assets

The Company’s indefinite-lived intangible assets as of December 31, 2018 and 2017 are solely comprised of $1,333 million related to the ADT trade name acquired as part of the ADT Acquisition.

Goodwill and Indefinite-Lived Intangible Assets Impairment

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

Goodwill

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

Indefinite-Lived Intangible Assets

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

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

Impairment Analysis

As of October 1, 2018, the Company qualitatively tested the goodwill associated with the U.S. reporting unit for impairment due to the recency of a quantitative test performed, which resulted in significant excess in fair value over carrying value, while the Company quantitatively tested the goodwill associated with the Canada reporting unit and the ADT trade name for impairment. Additionally, the Company did not test the goodwill associated with the Red Hawk reporting unit due to the recency of the Red Hawk Acquisition. Based on the results of the tests, the Company recorded a goodwill impairment loss of $88 million related to the Canada reporting unit. The key factor contributing to the goodwill impairment was the underperformance of the Canada reporting unit during 2018 relative to expectations, and as a result, the Company revised the forward-looking outlook for the Canada reporting unit in the fourth quarter of 2018. The Company concluded there were no other impairments associated with goodwill or the ADT trade name during 2018, 2017, or 2016.
5. Debt

Debt as of December 31, 2018 and 2017 was comprised of the following:

<table>
<thead>
<tr>
<th>Debt Description</th>
<th>Issued</th>
<th>Maturity</th>
<th>Interest Rate</th>
<th>Interest Payable</th>
<th>Interest Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Term B-1 Loan</td>
<td>5/2/2016</td>
<td>5/2/2022</td>
<td>LIBOR +2.75%</td>
<td>Quarterly</td>
<td>$3,924,438</td>
</tr>
<tr>
<td>Prime Notes</td>
<td>5/2/2016</td>
<td>5/15/2023</td>
<td>9.250%</td>
<td>5/15 and 11/15</td>
<td>$2,546,000</td>
</tr>
<tr>
<td>ADT Notes due 2020</td>
<td>12/18/2014</td>
<td>3/15/2020</td>
<td>5.250%</td>
<td>3/15 and 9/15</td>
<td>300,000</td>
</tr>
<tr>
<td>ADT Notes due 2021</td>
<td>10/1/2013</td>
<td>10/15/2021</td>
<td>6.250%</td>
<td>4/15 and 10/15</td>
<td>1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2022</td>
<td>7/5/2012</td>
<td>7/15/2022</td>
<td>3.500%</td>
<td>1/15 and 7/15</td>
<td>1,000,000</td>
</tr>
<tr>
<td>ADT Notes due 2023</td>
<td>1/14/2013</td>
<td>6/15/2023</td>
<td>4.125%</td>
<td>6/15 and 12/15</td>
<td>700,000</td>
</tr>
<tr>
<td>ADT Notes due 2032</td>
<td>5/2/2016</td>
<td>7/15/2032</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>728,016</td>
</tr>
<tr>
<td>ADT Notes due 2042</td>
<td>7/5/2012</td>
<td>7/15/2042</td>
<td>4.875%</td>
<td>1/15 and 7/15</td>
<td>21,896</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>49,911</td>
</tr>
<tr>
<td>Less: Unamortized debt discount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(19,642)</td>
</tr>
<tr>
<td>Less: Unamortized deferred financing costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(42,840)</td>
</tr>
<tr>
<td>Less: Unamortized purchase accounting fair value adjustment and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(205,483)</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10,002,296</td>
</tr>
<tr>
<td>Less: Current maturities of long-term debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(58,184)</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$9,944,112</td>
</tr>
</tbody>
</table>

N/A—Not applicable

_First Lien Credit Agreement_

Concurrently with the consummation of the Formation Transactions, the Company entered into a first lien credit agreement dated as of July 1, 2015 (together with the subsequent amendments and restatements described below, the “First Lien Credit Agreement”), which included a term loan facility with an initial aggregate principal amount of $1,095 million maturing on July 1, 2021 (“First Lien Term B Loan”) and a first lien revolving credit facility with an aggregate commitment of up to $95 million and maturing on July 1, 2020 (“2020 Revolving Credit Facility”).

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

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

_Amendment and Restatement dated as of May 2, 2016_

- The Company borrowed an incremental first lien term loan in an aggregate principal amount of $1,555 million and maturing on May 2, 2022 (“First Lien Term B-1 Loan”). The interest rate for the First Lien Term B-1 Loan was originally calculated as either (a) Adjusted LIBOR with a floor of 1.00% or (b) the Base Rate, plus an applicable margin of 4.50% for Adjusted LIBOR loans and 3.50% for Base Rate loans (subsequently reduced following amendments and restatements of the First Lien Credit Agreement described below) and is payable on each interest payment date, at least quarterly, in arrears.

- The Company entered into an incremental first lien revolving credit facility with an aggregate commitment of up to $255 million and maturing on May 2, 2021 (“2021 Revolving Credit Facility”) (collectively, with the 2020 Revolving Credit Facility, “Revolving Credit Facilities”).

- ADT Inc. and its domestic subsidiaries were added as guarantors under the First Lien Credit Agreement.
• The applicable margins utilized for the First Lien Term B Loan and the 2020 Revolving Credit Facility were increased from 4.00% to 4.50% for Adjusted LIBOR loans and from 3.00% to 3.50% for Base Rate loans.

Amendment and Restatement dated as of June 23, 2016

• The Company borrowed an incremental aggregate principal amount of $125 million of the First Lien Term B-1 Loan. The proceeds were used to pay down a portion of the outstanding principal balance of the Second Lien Term Loan (as defined below) on July 1, 2016.

• The Company reallocated an aggregate principal amount of $172 million from the First Lien Term B Loan to the First Lien Term B-1 Loan.

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

Amendment and Restatement dated as of December 28, 2016

• The Company allocated the remaining outstanding principal amount of $916 million from the First Lien Term B Loan to the First Lien Term B-1 Loan.

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

Amendment and Restatement dated as of February 13, 2017

• The Company borrowed an incremental aggregate principal amount of $800 million of the First Lien Term B-1 Loan.

• Certain covenants under the First Lien Credit Agreement governing restricted payments were amended to permit the Company to fund one or more distributions to the Company’s equity holders and Ultimate Parent in an aggregate amount not to exceed $795 million. The net proceeds from the incremental borrowing, together with cash on hand, were used to fund dividends of $750 million (“Special Dividend”) and to pay related fees and expenses of $45 million.

Amendment and Restatement dated as of June 29, 2017

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

Amendment and Restatement dated as of March 16, 2018

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

• The Company is required to pay a commitment fee between 0.375% and 0.50% (determined based on a net first lien leverage ratio) with respect to the unused commitments under the First Lien Revolving Credit Facility.

Amendment and Restatement dated as of December 3, 2018

• The Company borrowed an incremental aggregate principal amount of $425 million of the First Lien Term B-1 Loan. The Company used part of the proceeds and available cash on hand to fund the Red Hawk Acquisition. The remainder of the
proceeds were used to fund the partial redemption of the Prime Notes in February 2019. Refer to Note 19 “Subsequent Events” for further discussion.

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

The First Lien Term B-1 Loan requires scheduled quarterly payments equal to 0.25% of the aggregate outstanding principal amount, or approximately $10 million per quarter, with the remaining balance payable at maturity. In addition, the Company is required to make annual prepayments on the outstanding First Lien Term B-1 Loan with a percentage of the Company’s excess cash flow, as defined in the First Lien Credit Agreement, if the excess cash flow exceeds a certain specified threshold. The Company is not currently required to make any annual prepayments based on the Company’s excess cash flow. The Company may make voluntarily prepayments on the First Lien Term B-1 Loan at any time prior to maturity at par. The First Lien Term B-1 Loan has a variable interest rate calculated as, at the Company’s option, either (a) Adjusted LIBOR with a floor of 1.00% or (b) the Base Rate, plus a margin of 2.75% for Adjusted LIBOR loans and 1.75% for Base Rate loans and is payable on a quarterly basis. Refer to Note 9 “Derivative Financial Instruments” for further discussion regarding interest rate swaps.

The First Lien Term B-1 Loan was the only outstanding balance under the First Lien Credit Agreement as of December 31, 2018 and 2017 with an aggregate principal amount of $3,924 million and $3,536 million, respectively. In addition, the Company had $350 million in available borrowing capacity under revolving credit facilities of the First Lien Credit Agreement as of December 31, 2018 and 2017.

Second Lien Credit Agreement

Concurrently with the consummation of the Formation Transactions, the Company entered into a second lien credit agreement (“Second Lien Credit Agreement”), which included a second lien term loan facility with an initial aggregate principal amount of $260 million maturing on July 1, 2022 (“Second Lien Term B Loan”). The Second Lien Term B Loan was redeemed, and the Second Lien Credit Agreement was terminated in 2016 using proceeds from the incremental First Lien Term B-1 Loan borrowing in 2016 and cash on hand. Prior to termination, the interest rate for the Second Lien B Term Loan was calculated as a margin of 8.75% over, at the Company’s option, (a) Adjusted LIBOR with a 1.00% floor or (b) the Base Rate, payable in arrears.

Prime Notes

In connection with the ADT Acquisition, the Company completed the offering of $3,140 million aggregate principal amount of second-priority secured notes (“Prime Notes”).

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

The Prime Notes are due at maturity, however, may be redeemed at the Company’s option as follows:

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

- On or after May 15, 2019, in whole at any time or in part from time to time, at a redemption price equal to 104.625% of the principal amount of the Prime Notes redeemed and accrued and unpaid interest as of, but excluding, the redemption date. The redemption price decreases to 102.313% on or after May 15, 2020, and decreases to 100.000% on or after May 15, 2021.

On February 21, 2018, the Company used approximately $649 million of the net proceeds from the IPO to voluntarily redeem $594 million aggregate principal amount of the Prime Notes and pay the related call premium.
**ADT Notes**

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

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

The Company may redeem the ADT Notes, in whole at any time or in part from time to time, at a redemption price equal to the principal amount of the notes to be redeemed, plus a make-whole premium, plus accrued and unpaid interest as of, but excluding, the redemption date.

**Debt Covenants**

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

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

Additionally, upon the occurrence of specified change of control events, the Company must offer to purchase the Prime Notes and ADT Notes at 101% of the principal amount, plus accrued and unpaid interest, if any, to, but not including, the purchase date.

**Loss on Extinguishment of Debt**

Loss on extinguishment of debt includes the payment of call and redemption premiums, the write-off of unamortized deferred financing costs and discounts, and certain other expenses associated with debt extinguishment. During 2018, loss on extinguishment of debt included $62 million primarily associated with the partial redemption of the Prime Notes in February 2018. During 2017, loss on extinguishment of debt was not material. During 2016, loss on extinguishment of debt was $28 million and included $14 million related to amendments and restatements to the Company’s First Lien Credit Agreement and $14 million related to the voluntary payoff of the Second Lien Term Loan.

During 2018, additional fees and costs associated with debt modifications were $9 million and related to the amendments and restatements of the Company’s First Lien Credit Agreement. During 2017, similar fees were $64 million, of which $45 million related to the payment of the Special Dividend, and the remainder related to the amendments and restatements to the Company’s First Lien Credit Agreement. During 2016, similar fees were $22 million and related to the First Lien Credit Agreement Amendment, a significant portion of which was included in merger, restructuring, integration, and other in the Consolidated Statements of Operations.
Other

As of December 31, 2018, the aggregate annual maturities of debt, including capital lease obligations, are as follows:

(in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$60,445</td>
</tr>
<tr>
<td>2020</td>
<td>356,576</td>
</tr>
<tr>
<td>2021</td>
<td>1,050,569</td>
</tr>
<tr>
<td>2022</td>
<td>4,810,177</td>
</tr>
<tr>
<td>2023</td>
<td>3,246,696</td>
</tr>
<tr>
<td>Thereafter</td>
<td>750,036</td>
</tr>
<tr>
<td><strong>Total maturities of debt</strong></td>
<td><strong>10,274,499</strong></td>
</tr>
<tr>
<td>Less: unamortized discount and deferred financing costs</td>
<td>(62,482)</td>
</tr>
<tr>
<td>Less: unamortized purchase accounting fair value adjustment and other</td>
<td>(205,483)</td>
</tr>
<tr>
<td>Less: amount representing interest on capital leases</td>
<td>(4,238)</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td><strong>10,002,296</strong></td>
</tr>
<tr>
<td>Less: current maturities of long-term debt</td>
<td>(58,184)</td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td><strong>$9,944,112</strong></td>
</tr>
</tbody>
</table>

Interest expense on the Company’s debt, excluding interest income, was $620 million, $645 million, and $468 million during 2018, 2017, and 2016, respectively.

6. Mandatorily Redeemable Preferred Securities

On May 2, 2016, and in connection with the consummation of the ADT Acquisition, the Company issued 750,000 shares of the Koch Preferred Securities at a stated value of $1,000 per share and par value of $0.01 per share, and Ultimate Parent issued the Warrants to the Koch Investor for an aggregate amount $750 million. The Company allocated $659 million to the Koch Preferred Securities and reflected this amount net of issuance costs of $27 million, as a liability in the Consolidated Balance Sheet as these securities had a mandatory redemption feature that required repayment at 100% of the stated value, adjusted for any declared but unpaid dividends, on May 2, 2030. The Company allocated the remaining $91 million in proceeds to the Warrants, which was contributed by Ultimate Parent in the form of common equity to the Company, net of $4 million in issuance costs.

The Koch Preferred Securities were governed by the certificate of designation (“Certificate of Designation”) as well as an investor rights agreement between the Company, Prime Security Services Parent GP, LLC, as the general partner of Ultimate Parent, Ultimate Parent, and the Koch Investor (“Investors Rights Agreement”), both of which were terminated following the Koch Redemption (defined below). Collectively, these agreements contained certain designations, rights, preferences, powers, restrictions, and limitations that could have required the Company to redeem all or a portion of the Koch Preferred Securities or could have required that the Company obtain the consent of the holders of a majority of the Koch Preferred Securities before taking certain actions or entering into certain transactions. The Koch Preferred Securities had no voting rights, except with respect to certain specified actions, a payment priority, liquidation preference, and ranked senior to any other class or series of equity of the Company, subject to certain specified exceptions.

On December 8, 2017, the Koch Investor and the Company amended and restated the Certificate of Designation and the Investors Rights Agreement governing the Koch Preferred Securities (the “Amendments”). The Amendments provide that in the event the Company redeems the Koch Preferred Securities on or after June 30, 2018, but prior to May 2, 2019, the “make-whole” amounts payable in connection with such redemption will be reduced by an amount equal to the sum of (x) the difference between (A) the “make-whole” premium per share calculated on the basis of the accumulated stated value of such share as of such redemption date and (B) the “make-whole” premium per share calculated on the basis of the accumulated stated value of such share as of such redemption date equal to $1,000 (without regard to any compounding dividends with respect to such share as of such redemption date), plus (y) the difference between (A) the aggregate accumulated dividends as of such redemption date for any optional redemption and (B) the aggregate accumulated dividends as of such redemption date for any optional redemption, calculated assuming that (i) from June 30, 2017 to and including the redemption date, the accrued dividend rate was equal to the daily five-year treasury rate plus 9.00% per annum and (ii) dividends accrued on each date during such period accumulated in arrears on a stated value per share equal to $1,000. In addition, the Company agreed it will deposit into a segregated account an amount in cash equal to at least $750 million, which the Company deposited into such account in January 2018 in connection with the IPO, for the purpose of redeeming the Koch Preferred Securities at a future date. In May 2018, the Company entered into a written consent with the Koch Investor (“May 2018 Consent”), whereby the Company agreed to redeem all of the outstanding Koch Preferred Securities, which occurred on July 2, 2018 (“Koch Redemption”).
The Koch Preferred Securities accrued and accumulated preferential cumulative dividends in arrears on the then current stated value of the Koch Preferred Securities. Dividends were payable quarterly, in cash, at a rate equal to the daily five-year treasury rate plus 9.00% per annum. In the event that dividends for any quarter were not paid in cash, dividends for such quarter would accrue and accumulate at a rate equal to the daily five-year treasury rate plus 9.75% per annum and would be added to the then current stated value of the Koch Preferred Securities at the end of such quarter. The quarterly dividend obligation on the Koch Preferred Securities is reflected in interest expense, net in the Consolidated Statements of Operations. The dividend obligation incurred on the Koch Preferred Securities was $51 million, $86 million, and $53 million in 2018, 2017, and 2016, respectively.

Beginning in the third quarter of 2017, in lieu of declaring and paying the dividend obligation on the Koch Preferred Securities, the Company elected to increase the accumulated stated value of such securities, which increased the reported balance of mandatorily redeemable preferred securities on the Consolidated Balance Sheet. Prior to the Koch Redemption, the reported balance of mandatorily redeemable preferred securities on the Consolidated Balance Sheet reflected approximately $96 million associated with the dividend obligation on the Koch Preferred Securities, of which approximately $51 million related to 2018 and $45 million related to 2017. The Company paid $41 million related to the dividend obligation on the Koch Preferred Securities during the first half of 2017.

On July 2, 2018, the Company redeemed in full the original stated value of $750 million of the Koch Preferred Securities for total consideration of approximately $949 million, which included approximately $103 million related to the redemption premium and tax reimbursements, as well as the $96 million related to the accumulated dividend obligation. The Koch Redemption was funded with proceeds from the IPO and cash on hand. The Company recognized a loss on extinguishment of debt of $213 million in 2018 associated with the payment of the redemption premium, including tax reimbursements, and the write-off of unamortized discount and deferred financing costs.

7. Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. In determining taxable income, the Company must make certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain of the deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenue and expense. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. The Company records the effect of a tax rate or law change on the Company’s deferred tax assets and liabilities in the period of enactment.

The Company’s federal income tax accounts are determined on a consolidated return basis for U.S. entities and on a standalone basis for Canadian entities. In addition, the Company is subject to a tax sharing agreement for pre-2013 tax years. Refer to Note 8 “Commitments and Contingencies” for further discussion.

Tax Cuts and Jobs Act

The “Tax Cuts and Jobs Act” (“Tax Reform”) was signed into law on December 22, 2017. The legislation, among other things, reduced the U.S. federal corporate income tax rate from 35% to 21%, imposed a mandatory one-time tax on accumulated earnings of foreign subsidiaries, imposed significant limitations on the deductibility of interest, allowed for the full expensing of capital expenditures, and put into effect the migration from a “worldwide” system of taxation to a modified territorial system. In response to Tax Reform, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 118 (“SAB 118”) that allowed companies to record provisional estimates of the effects of the legislative change, and a one-year measurement period to finalize the accounting of those effects. The total provisional amount recorded in 2017 was $690 million and included a remeasurement of the Company’s net deferred tax assets and liabilities as well as the impact of the mandatory one-time tax on accumulated earnings of foreign subsidiaries. As of December 31, 2018, the Company has completed the accounting for the tax effects of this legislative change and recorded no material changes to the provisional estimates recorded in 2017.
Significant components of loss before income taxes for the periods presented are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2016</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>(510,251)</td>
<td>(386,894)</td>
<td>(792,118)</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td>(122,367)</td>
<td>(34,792)</td>
<td>(10,620)</td>
<td></td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td><strong>(632,618)</strong></td>
<td><strong>(421,686)</strong></td>
<td><strong>(802,738)</strong></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>837</td>
<td>3,924</td>
<td>(261)</td>
</tr>
<tr>
<td>State</td>
<td>6,511</td>
<td>(2,980)</td>
<td>1,630</td>
</tr>
<tr>
<td>Foreign</td>
<td>(3,473)</td>
<td>11,426</td>
<td>4,992</td>
</tr>
<tr>
<td><strong>Current income tax expense</strong></td>
<td><strong>3,875</strong></td>
<td><strong>12,370</strong></td>
<td><strong>6,361</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Federal</td>
<td>(23,872)</td>
<td>(767,901)</td>
</tr>
<tr>
<td>State</td>
<td>4,401</td>
<td>8,176</td>
</tr>
<tr>
<td>Foreign</td>
<td>(7,867)</td>
<td>(16,958)</td>
</tr>
<tr>
<td><strong>Deferred income tax benefit</strong></td>
<td><strong>(27,338)</strong></td>
<td><strong>(776,683)</strong></td>
</tr>
<tr>
<td><strong>Income tax benefit</strong></td>
<td><strong>(23,463)</strong></td>
<td><strong>(764,313)</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Statutory federal tax rate</td>
<td>21.0 %</td>
<td>35.0 %</td>
<td>35.0 %</td>
</tr>
<tr>
<td>Statutory state tax rate, net of federal benefits</td>
<td>1.4 %</td>
<td>1.2 %</td>
<td>1.5 %</td>
</tr>
<tr>
<td>Non-U.S. net earnings</td>
<td>0.8 %</td>
<td>(0.3)%</td>
<td>0.6 %</td>
</tr>
<tr>
<td>Non-deductible and non-taxable charges</td>
<td>(10.3)%</td>
<td>(11.3)%</td>
<td>(3.8)%</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>1.0 %</td>
<td>(2.1)%</td>
<td>— %</td>
</tr>
<tr>
<td>Unrecognized tax benefits</td>
<td>(0.9)%</td>
<td>(1.9)%</td>
<td>— %</td>
</tr>
<tr>
<td>Tax Reform</td>
<td>— %</td>
<td>163.7 %</td>
<td>— %</td>
</tr>
<tr>
<td>Non-deductible share-based compensation</td>
<td>(5.8)%</td>
<td>(0.8)%</td>
<td>(0.2)%</td>
</tr>
<tr>
<td>Prior year tax return adjustments</td>
<td>3.8 %</td>
<td>(0.3)%</td>
<td>(0.4)%</td>
</tr>
<tr>
<td>Legislative changes</td>
<td>(3.2)%</td>
<td>(1.2)%</td>
<td>(0.2)%</td>
</tr>
<tr>
<td>Non-deductible goodwill impairment</td>
<td>(3.7)%</td>
<td>— %</td>
<td>— %</td>
</tr>
<tr>
<td>Other</td>
<td>(0.4)%</td>
<td>(0.7)%</td>
<td>0.7 %</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td>3.7 %</td>
<td>181.3 %</td>
<td>33.2 %</td>
</tr>
</tbody>
</table>

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes.

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The components of the Company's net deferred income tax liability as of December 31, 2018 and 2017 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued liabilities and reserves</td>
<td>$79,609</td>
<td>$50,712</td>
</tr>
<tr>
<td>Tax loss and credit carryforwards</td>
<td>801,528</td>
<td>901,326</td>
</tr>
<tr>
<td>Postretirement benefits</td>
<td>10,564</td>
<td>11,574</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>104,211</td>
<td>56,487</td>
</tr>
<tr>
<td>Other</td>
<td>29,307</td>
<td>13,557</td>
</tr>
<tr>
<td><strong>Total gross deferred tax assets</strong></td>
<td>1,025,219</td>
<td>1,033,656</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>($9,558)</td>
<td>($16,730)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td>$1,015,661</td>
<td>$1,016,926</td>
</tr>
</tbody>
</table>

|                                      |                  |                  |
| **Deferred tax liabilities:**        |                  |                  |
| Subscriber system assets             | ($639,359)       | ($632,789)       |
| Intangible assets                    | (1,652,640)      | (1,734,396)      |
| Other                                | (63,789)         | (23,235)         |
| **Total gross deferred tax liabilities** | (2,355,788)   | (2,390,420)      |
| **Net deferred tax liability**       | ($1,340,127)     | ($1,373,494)     |

The valuation allowance for deferred tax assets relates to the uncertainty of the utilization of certain U.S. federal and state deferred tax assets. The Company believes that it is more-likely-than-not that it will generate sufficient future taxable income to realize the tax benefits related to its remaining deferred tax assets, primarily net operating loss (“NOL”) carryforwards, on the Company’s Consolidated Balance Sheet.

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

As of December 31, 2018, the Company had approximately $3,044 million of U.S. Federal NOL carryforwards with expiration periods between 2019 and 2036. Although future utilization will depend on the Company’s actual profitability and the result of income tax audits, the Company anticipates that the majority of its NOL carryforwards will be fully utilized prior to expiration. Most of the Company’s U.S. Federal NOL carryforwards are subject to limitation due to “ownership changes,” which have occurred under Internal Revenue Code (“Code”) Section 382. The Company does not, however, expect that this limitation will impact its ability to utilize its tax attributes. A valuation allowance has been recorded against the portion of the Company’s NOL that is not expected to be utilized prior to expiration or due to limitations.

**Unrecognized Tax Benefits**

The Company recognizes positions taken or expected to be taken in a tax return in the financial statements when it is more likely than-not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement. The Company records liabilities for positions that have been taken but do not meet the more-likely-than-not recognition threshold. The Company adjusts the liabilities for unrecognized tax benefits in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a change to the estimated income taxes. The Company includes interest and penalties associated with unrecognized tax benefits as income tax expense and as a component of the recorded balance of unrecognized tax benefits, which is reflected in other liabilities or net of related tax loss carryforwards in the Consolidated Balance Sheets. Interest and penalties associated with unrecognized tax benefits are not material to the Company’s consolidated financial statements for the periods presented.
As of December 31, 2018 and 2017, the Company had unrecognized tax benefits, exclusive of interest and penalties, of $80 million and $71 million, respectively. The following is a rollforward of unrecognized tax benefits for the periods presented:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$71,330</td>
</tr>
<tr>
<td>Gross increase related to prior year tax positions</td>
<td>17,738</td>
</tr>
<tr>
<td>Gross decrease related to prior year tax positions</td>
<td>(1,977)</td>
</tr>
<tr>
<td>Increases related to current year tax positions</td>
<td>228</td>
</tr>
<tr>
<td>Increases related to acquisitions</td>
<td>—</td>
</tr>
<tr>
<td>Decrease related to settlements with taxing authorities</td>
<td>(3,662)</td>
</tr>
<tr>
<td>Decreases related to lapse of statute of limitation</td>
<td>(2,178)</td>
</tr>
<tr>
<td>Other changes not impacting the statement of operations</td>
<td>(1,278)</td>
</tr>
<tr>
<td>Change in rate due to U.S. Tax Reform</td>
<td>—</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$80,201</td>
</tr>
</tbody>
</table>

During 2018, the Company’s gross increases and decreases related to prior year tax positions are primarily associated with deductions claimed in the Company’s pre-separation from Tyco tax returns. The Company’s uncertain tax positions relate to tax years that are subject to audit by the taxing authorities in the U.S. federal, state and local, and foreign jurisdictions. Based on the current tax statutes and status of its income tax audits, the Company does not expect any significant portion of its remaining unrecognized tax benefits to be resolved in the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction, various states, and Canada, and as a matter of course, the income tax returns are subject to audit by the taxing authorities. These audits may culminate in proposed assessments which may ultimately result in a change to the estimated income taxes. The following is a summary of open tax years by jurisdiction:

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Years Open to Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>2013 - 2017</td>
</tr>
<tr>
<td>State</td>
<td>2010 – 2017</td>
</tr>
<tr>
<td>Canada</td>
<td>2007 - 2017</td>
</tr>
</tbody>
</table>

8. Commitments and Contingencies

Lease Obligations

The Company leases facilities, vehicles, and equipment that have various lease terms and maturities that extend out through 2030. Rent expense, including vehicles, was $70 million, $70 million, and $55 million in 2018, 2017, and 2016, respectively. Sublease income was not material for all years presented.

The following table provides a schedule of minimum lease payments as of December 31, 2018:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
</tr>
<tr>
<td>2019</td>
<td>$40,192</td>
</tr>
<tr>
<td>2020</td>
<td>31,885</td>
</tr>
<tr>
<td>2021</td>
<td>26,336</td>
</tr>
<tr>
<td>2022</td>
<td>22,751</td>
</tr>
<tr>
<td>2023</td>
<td>16,731</td>
</tr>
<tr>
<td>Thereafter</td>
<td>17,727</td>
</tr>
<tr>
<td></td>
<td>155,622</td>
</tr>
<tr>
<td>Less sublease income</td>
<td>12,503</td>
</tr>
<tr>
<td>Less interest on capital leases</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>$143,119</td>
</tr>
</tbody>
</table>
**Purchase Obligations**

The following table provides a schedule of commitments related to agreements to purchase certain goods and services, including purchase orders, entered into in the ordinary course of business, as of December 31, 2018 ($ in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>64,791</td>
</tr>
<tr>
<td>2020</td>
<td>10,643</td>
</tr>
<tr>
<td>2021</td>
<td>5,025</td>
</tr>
<tr>
<td>2022</td>
<td>1,013</td>
</tr>
<tr>
<td>2023</td>
<td>1,013</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,013</td>
</tr>
<tr>
<td>Total</td>
<td>83,498</td>
</tr>
</tbody>
</table>

In May 2017, the Company entered into an agreement with one of its suppliers for the purchase of certain security system equipment and components. Based on certain milestones in the agreement, the Company could potentially be required to make purchases in aggregate of up to $150 million over a multi-year period. As of December 31, 2018, the Company does not have any purchase obligation under this agreement.

**Legal Proceedings**

The Company is subject to various claims and lawsuits in the ordinary course of business, including from time to time, contractual disputes, employment matters, product and general 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 it believes are probable to occur and are reasonably estimable. These accruals are based on judgment, the probability of losses, and where applicable, the consideration of opinions of internal and/or external legal counsel and actuarially determined estimates. 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 legal proceedings is 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.

**Environmental Matters**

On October 25, 2013, ADT was notified by subpoena that the Office of the Attorney General of California, in conjunction with the Alameda County District Attorney, is investigating whether certain of ADT’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 was also notified by the same parties that it was subject to a similar investigation. Both the Protection One and ADT investigations are ongoing but there has been no activity on the record since December 2016. The Company is attempting to coordinate joint handling of both investigations and continues to fully cooperate with the respective authorities.

**Wireless Encryption Litigation**

The Company is subject to five class action claims regarding wireless encryption in certain ADT security systems. Jurisdictionally, three of the five cases are in Federal Court (in districts within Illinois, Arizona, and California), and both of the remaining two cases are in Florida State Court (both in Palm Beach County Circuit Court). Each of the five plaintiffs brought a claim under the respective state’s consumer fraud statute alleging that The ADT Corporation and each of its consolidated subsidiaries prior to the consummation of the ADT Acquisition made misrepresentations and material omissions in its advertising regarding the unencrypted wireless signal pathways in certain security systems monitored by The ADT Corporation. The complaints in all five cases further allege that certain security systems monitored by The ADT Corporation are not secure because the wireless signal pathways are unencrypted and can be easily hacked. On January 10, 2017, the parties agreed to settle all five class action lawsuits. On October 16, 2017, the U.S. District Court for the Northern District of California entered an order granting preliminary approval of the settlement. Notice to class members was issued November 16, 2017, and the settlement is currently in the administration process. A fairness hearing regarding the settlement was conducted on February 1, 2018. The Court took the matter under advisement and subsequently stayed the settlement proceedings pending an appellate ruling on a related legal issue. The deadline for filing claims expired on February 26, 2018. Final approval of the settlement remains pending as a result of the stay. The settlement administrator will not pay any claims until the Court enters an order granting final approval of the settlement.

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Shareholder Litigation

Five substantially similar shareholder class action lawsuits related to the January 2018 IPO of ADT Inc. common stock were filed in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida in March, April, and May 2018 and have been consolidated for discovery and trial and entitled In re ADT Inc. Shareholder Litigation. The Lead Plaintiffs seek to represent a class of similarly situated shareholders and assert claims for alleged violations of the Securities Act of 1933, as amended (“Securities Act”). Plaintiffs allege that the Company defendants violated the Securities Act because the registration statement and prospectus used to effectuate the IPO were false and misleading in that they allegedly misled investors with respect to litigation involving the Company, the Company’s efforts to protect its intellectual property, and the competitive pressures faced by the Company. Defendants moved to dismiss the consolidated complaint and briefing on the motion is in progress. A similar shareholder class action lawsuit entitled Perdomo v. ADT Inc., also related to the January 2018 IPO was filed in the U.S. District Court for the Southern District of Florida in May 2018, for which the Plaintiff filed an Amended Complaint on January 15, 2019 as directed by the Court. In September and October 2018, four substantially similar shareholder derivative complaints entitled Velasco v. Whall; Myung v. Whall; Schoel v. Whall; and Bradel v. Whall, were also filed against various Company officers, directors and controlling shareholders in the U.S. District Court for the Southern District of Florida. Plaintiffs allege breaches of fiduciary duties as directors, officers, and/or controlling shareholders of the Company, unjust enrichment, and violations of the federal securities laws for alleged misrepresentations regarding competitive pressures in the marketplace, litigation involving Company intellectual property, and certain financial and operational metrics. Following a Scheduling Conference held on November 16, 2018, Plaintiffs in the four derivative cases voluntarily dismissed their respective complaints without prejudice.

California Independent Contractor Litigation

In August 2017, Jabra Shuheiber filed civil litigation in Marin County Superior Court on behalf of himself and two other individuals asserting wage and hour violations against the Company. The action is entitled Jabra Shuheiber v. ADT, LLC (Case Number CV 1702912, Superior Court, Marin County). Mr. Shuheiber was the owner/operator of a sub-contractor, Maximum Protection, Inc. (“MPI”), who employed the other two plaintiffs in the litigation. In August 2018, in response to the California Supreme Court’s decision in Dynamex Operations West, Inc. v. Superior Court of Los Angeles County, counsel for Mr. Shuheiber provided the Company with a proposed amended complaint that modified the wage and hour claims such that they were brought on a class basis. The proposed class is not clearly defined but appears to be two groups of individuals: 1) individual owners of sub-contractors who performed services for the sub-contractor; and 2) individuals with no ownership interest in a sub-contractor who were employed by the sub-contractor and provided services pursuant to a contract between the sub-contractor and the Company. In October 2018, the Company answered Plaintiffs First Amended Complaint and filed a Cross-Complaint against Plaintiff's sub-contracting company for indemnification pursuant to the term of ADT’s sub-contract.

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 not having a valid alarm permit. 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 on or after May 31, 2010 for a false alarm and for not having an alarm system permit: a pre-March 2009 class of customers installed by the Company; a pre-March 2009 class of customers installed by ADT Authorized Dealers; a post-March 2009 class of customers installed by the Company; and a post-March 2009 class of customers installed by ADT Authorized Dealers.

Tax Sharing Agreement

On September 28, 2012, Johnson Controls International plc (as successor to Tyco International Ltd., “Tyco”) distributed to its public stockholders The ADT Corporation’s common stock (“Separation from Tyco”), and The ADT Corporation became an independent public company. In connection with the Separation from Tyco, The ADT Corporation entered into a tax sharing agreement (“2012 Tax Sharing Agreement”) that governs the rights and obligations of The ADT Corporation, Tyco, and Pentair Ltd. (formerly Tyco Flow Control International, Ltd., “Pentair”) for certain pre-Separation from Tyco tax liabilities, including Tyco’s obligations under a 2007 tax sharing agreement (“2007 Tax Sharing Agreement”) among Tyco, Covidien (“Covidien”), now operating as a subsidiary of Medtronic, and TE Connectivity Ltd. (“TE Connectivity”). The 2012 Tax Sharing Agreement provides that The ADT Corporation, Tyco, and Pentair will share (i) certain pre-Separation from Tyco income tax liabilities that arise from adjustments made by tax authorities to The ADT Corporation’s, Tyco’s, and Pentair’s U.S. and certain non-U.S. income tax returns, and (ii) payments required to be made by Tyco in respect to the 2007 Tax Sharing Agreement (collectively, “Shared
For the interest rate swaps that are not designated as hedges, the change in fair value is recognized in interest expense, net in the Consolidated Statements of

In accordance with the 2012 Tax Sharing Agreement, Tyco is responsible for the first $500 million in cash of Shared Tax Liabilities. The ADT Corporation and

In conjunction with the Separation from Tyco, substantially all of Tyco’s outstanding equity awards were converted into like-kind awards of The ADT Corporation,

The 2012 Tax Sharing Agreement also provides that, if any party defaults in its obligation to another party to pay its share of the Distribution Taxes that arise as a result of no party’s fault, each non-defaulting party is required to pay, equally with any other non-defaulting party, the amounts in default. In addition, if another party to the 2012 Tax Sharing Agreement that is responsible for all or a portion of an income tax liability defaults in its payment of such liability to a taxing authority, The ADT Corporation could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. Accordingly, under certain circumstances, The ADT Corporation may be obligated to pay amounts in excess of its agreed-upon share of its, Tyco’s, and Pentair’s tax liabilities.

Tyco has the right to administer, control, and settle all U.S. income tax audits for the periods prior to and including the Separation from Tyco. The ultimate resolution of any matters challenged by the tax authorities is uncertain, and if the tax authorities were to prevail, it could have a material adverse impact on the Company’s financial position, results of operations, and cash flows, potentially including a significant reduction in or the elimination of the Company’s available NOL and credit carryforwards. Any reduction to the Company’s NOL and credit carryforwards would not be compensated for under the tax sharing agreement. The Company believes that its income tax reserves and the liabilities recorded for the 2012 Tax Sharing Agreement continue to be appropriate.

As of December 31, 2018, all tax years through 2012 have been audited and resolved with the IRS, with the only remaining item being the finalization of the Company’s carryforward attributes. The IRS and the Company are currently working to reconcile differences on the carryforward attributes. The 2010 through 2012 tax years remain subject to examination for state income tax purposes.

During 2018, 2017, and 2016, amounts recorded in connection with the 2012 Tax Sharing Agreement were not material.

9. 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 swaps are reported on the Consolidated Balance Sheets at fair value. For the interest rate swaps that are not designated as hedges, the change in fair value is recognized in interest expense, net in the Consolidated Statements of Operations. For the interest rate swaps that are designated as cash flow hedges, the change in fair value is recognized as a component of AOCI in the Consolidated Statements of Comprehensive (Loss) Income and is reclassified into interest expense, net in the same period in which the related interest on debt affects earnings.
Below is a summary of the Company’s derivative financial instruments as of December 31, 2018 (in thousands):

<table>
<thead>
<tr>
<th>Execution</th>
<th>Maturity</th>
<th>Designation</th>
<th>Notional Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2017</td>
<td>April 2020</td>
<td>Not designated</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>June 2018</td>
<td>April 2022</td>
<td>Cash flow hedge</td>
<td>1,500,000</td>
</tr>
<tr>
<td>August 2018</td>
<td>April 2022</td>
<td>Cash flow hedge</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Total notional amount</strong></td>
<td></td>
<td></td>
<td><strong>$3,500,000</strong></td>
</tr>
</tbody>
</table>

All interest rate swaps designated as cash flow hedges were highly effective as of December 31, 2018.

The Company's interest rate swaps did not have a material impact to the consolidated financial statements as of and for the years ended December 31, 2018 and 2017. During 2016, the Company terminated interest rate swaps acquired in connection with the ADT Acquisition, which resulted in the receipt of $42 million in net proceeds and is reflected within investing activities in the Consolidated Statements of Cash Flows, with no other material impact on the consolidated financial statements.

10. Restructuring

The Company has identified and pursued opportunities for cost savings through restructuring activities and workforce reductions to improve operating efficiencies, including certain restructuring actions entered into in connection with the ADT Acquisition. The Company incurred certain expenses related to facility exits and employee severance and other employee benefits as a direct result of these restructuring efforts. These charges are reflected in merger, restructuring, integration, and other in the Consolidated Statements of Operations.

The Company had accrued restructuring liabilities of $3 million and $9 million as of December 31, 2018 and 2017, respectively. The Company incurred restructuring charges of $4 million, $22 million, and $54 million in 2018, 2017, and 2016, respectively. Restructuring payments were $10 million, $25 million, and $52 million in 2018, 2017, and 2016, respectively. The restructuring activity for these years was primarily related to employee severance.

11. Retirements Plans

**Defined Contribution Plans**

The Company maintains several qualified defined contribution plans, which include 401(k) matching programs in the U.S., as well as similar matching programs in Canada. Expense for the defined contribution plans is computed as a percentage of participants’ compensation and was $28 million, $29 million, and $18 million in 2018, 2017, and 2016, respectively.

**Defined Benefit Plans**

The Company has retirement obligations that were assumed in connection with the ADT Acquisition. These retirement obligations relate to ADT’s defined benefit plans, which provide a defined benefit pension plan and certain other postretirement benefits to certain employees. The Company measures its retirement plans as of year-end. These plans were frozen prior to The ADT Corporation’s Separation from Tyco and are not material to the Company’s consolidated financial statements. As of December 31, 2018 and 2017, the fair values of pension plan assets were $61 million and $68 million, respectively, and the fair values of projected benefit obligations in aggregate were $85 million and $93 million, respectively. As a result, the plans were underfunded by approximately $24 million and $25 million as of December 31, 2018 and 2017, respectively, and were recorded as a net liability in other liabilities in the Consolidated Balance Sheets. Net periodic benefit cost associated with these plans was not material in 2018, 2017, and 2016.

**Deferred Compensation Plan**

Following the ADT Acquisition, the Company maintains the ADT non-qualified Supplemental Savings and Retirement Plan (“SSRP”), which permits eligible employees to defer a portion of their compensation. A record keeping account is set up for each participant and the participant chooses from a variety of measurement funds for the deemed investment of their accounts. The measurement funds correspond to a number of funds in the Company’s 401(k) plan and the account balance fluctuates with the investment returns on those funds. Deferred compensation liabilities were $17 million and $19 million as of December 31, 2018 and 2017, respectively, and were recorded in other liabilities in the Consolidated Balance Sheets. Deferred compensation expense was not material in 2018, 2017, and 2016.

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12. Share-Based Compensation

The Company grants share-based compensation awards to participants under the 2016 Equity Incentive Plan (“2016 Plan”) and the 2018 Omnibus Incentive Plan (“2018 Plan”). Prior to the IPO, Class B Unit awards ("Class B Units") were issued to certain participants by Ultimate Parent. Share-based compensation expense is included in selling, general and administrative expenses in the Consolidated Statements of Operations. During 2018, 2017, and 2016, share-based compensation expense totaled $135 million, $11 million, and $5 million, respectively.

2016 Plan

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

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

Class B Units

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

The grant date fair value was determined using a Black-Scholes valuation approach with the following assumptions:

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

The weighted-average grant date fair value per share of Class B Units granted in 2017 and 2016 was $4.07 and $3.85, respectively.

Share-based compensation expense associated with the Class B Unit Service Tranche was $9 million and $5 million during 2017 and 2016, respectively. Prior to redemption in connection with the IPO, the share-based compensation expense associated with the Class B Units was not material in 2018.

Class B Unit Redemption

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

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

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

The following table summarizes activity related to the Distributed Shares during 2018:

<table>
<thead>
<tr>
<th></th>
<th>Service Tranche</th>
<th>Performance Tranche</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of</td>
<td>Weighted-Average</td>
</tr>
<tr>
<td></td>
<td>Distributed</td>
<td>Grant Fair Value</td>
</tr>
<tr>
<td>Unvested as of January 1, 2018</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>Granted</td>
<td>10,328,044</td>
<td>14.00</td>
</tr>
<tr>
<td>Vested</td>
<td>(10,300,465)</td>
<td>14.00</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(27,579)</td>
<td>14.00</td>
</tr>
<tr>
<td>Unvested as of December 31, 2018</td>
<td>—</td>
<td>$ —</td>
</tr>
</tbody>
</table>

During 2018, share-based compensation expense associated with the Distributed Shares Service Tranche and Distributed Shares Performance Tranche was $28 million and $46 million, respectively.

As of December 31, 2018, there were approximately 10 million unvested shares in the Distributed Shares Performance Tranche with total unrecognized compensation cost of approximately $76 million, which will be recognized over a period of 1.7 years.

2018 Plan

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

Under the terms of the 2018 Plan, RSUs are entitled to dividend equivalent units (“DEUs”), which are granted as additional RSUs and are subject to the same vesting and forfeiture conditions as the underlying RSUs. DEUs are charged against accumulated deficit when dividends are paid.
The Company satisfies the exercise of options and the vesting of RSUs through the issuance of authorized but previously unissued common shares.

**Top-up Options**

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

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

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

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

<table>
<thead>
<tr>
<th>Service Tranche</th>
<th>Performance Tranche</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Top-up Options</td>
</tr>
<tr>
<td>Outstanding as of January 1, 2018</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>6,372,157</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(145,428)</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2018</td>
<td>6,226,729</td>
</tr>
<tr>
<td>Exercisable as of December 31, 2018</td>
<td>6,226,729</td>
</tr>
</tbody>
</table>

(a) The intrinsic value represents the amount by which the fair value of the Company’s stock exceeds the option exercise price as of December 31, 2018.

During 2018, share-based compensation expense associated with the Top-up Options Service Tranche and Top-up Options Performance Tranche was $32 million and $11 million, respectively.

As of December 31, 2018, there were approximately 6 million unvested options in the Top-up Options Performance Tranche with total unrecognized compensation cost of approximately $18 million, which will be recognized over a period of 1.8 years.
Options

In addition to the Top-up Options, the Company granted 6 million options under the 2018 Plan during 2018. These options are time-based awards that generally vest over a three year period from the date of grant and have an exercise price equal to the closing price per share of the Company’s common stock on the date of grant and a contractual term of ten years from the grant date.

Significant assumptions were used to estimate the grant fair value using the Black Scholes valuation approach. The Company used the following assumptions:

<table>
<thead>
<tr>
<th>Risk-free interest rate</th>
<th>2.52% - 2.85%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected exercise term (years)</td>
<td>6.5</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>1.0% - 2.1%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>30% - 39%</td>
</tr>
</tbody>
</table>

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

The weighted-average grant date fair value of all options granted during 2018 was $3.92.

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

<table>
<thead>
<tr>
<th>Number of Options</th>
<th>Weighted-Average Exercise Price</th>
<th>Aggregate Intrinsic Value (a)</th>
<th>Weighted-Average Remaining Contractual Term (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of January 1, 2018</td>
<td>—</td>
<td>$</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>5,702,910</td>
<td>12.49</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(916,921)</td>
<td>14.00</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2018</td>
<td>4,785,989</td>
<td>$12.19</td>
<td>—</td>
</tr>
<tr>
<td>Exercisable as of December 31, 2018</td>
<td>47,687</td>
<td>$13.71</td>
<td>—</td>
</tr>
</tbody>
</table>

(a) The intrinsic value represents the amount by which the fair value of the Company’s stock exceeds the option exercise price as of December 31, 2018.

During 2018, share-based compensation expense associated with the options under the 2018 Plan was $7 million.

As of December 31, 2018, total unrecognized compensation cost associated with the options under the 2018 Plan is $12 million, which will be recognized over a period of 2.1 years.

Restricted Stock Units

The Company granted 1.8 million RSUs (including DEUs) under the 2018 Plan during 2018. These RSUs are time-based awards that generally vest over a three year 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.

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The following table summarizes activity related to RSUs (including DEUs) granted under the 2018 Plan during 2018:

<table>
<thead>
<tr>
<th></th>
<th>Number of RSUs</th>
<th>Weighted-Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested as of January 1, 2018</td>
<td>—</td>
<td>$ —</td>
</tr>
<tr>
<td>Granted</td>
<td>1,787,627</td>
<td>11.68</td>
</tr>
<tr>
<td>Vested</td>
<td>(15,490)</td>
<td>13.94</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(248,839)</td>
<td>13.95</td>
</tr>
<tr>
<td>Unvested as of December 31, 2018</td>
<td>1,523,298</td>
<td>$ 11.28</td>
</tr>
</tbody>
</table>

The total intrinsic value of RSUs that vested and converted to common shares during 2018 was immaterial.

During 2018, share-based compensation expense associated with the RSUs under the 2018 Plan was $6 million.

As of December 31, 2018, total unrecognized compensation cost associated with the RSUs under the 2018 Plan is $11 million, which will be recognized over a period of 2.1 years.

13. Equity

In 2018, the Company completed an IPO in which the Company issued and sold 105,000,000 shares of common stock at an initial public offering price of $14.00 per share. The Company received net proceeds of $1,406 million, after deducting underwriting discounts, commissions, and offering expenses, from the sale of its shares in the IPO.

In 2017, the Company issued 67,400 shares of common stock to Ultimate Parent for total proceeds of approximately $490 thousand. Additionally, the Company issued 4,203 shares of common stock to former employees upon the exercise of options.

In 2016, as a result of the ADT Acquisition, the Company received equity proceeds in the amount of $3,571 million, net of issuance costs, which resulted from equity issuances by the Company and Ultimate Parent to the Company’s Sponsor and certain other investors. In addition, Ultimate Parent issued the Warrants, which proceeds of $91 million were contributed by Ultimate Parent in the form of common equity to the Company, net of $4 million in issuance costs. The Company also received $4 million in equity contributions from certain management investors during the fourth quarter of 2016. These contributions are reflected in the Consolidated Statements of Stockholders’ Equity for 2016.

Common Stock Dividends

The Company’s board of directors declared the following cash dividends on common stock in 2018:

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

During 2018, the Company declared dividends of $107 million (or $0.14 per share), of which $79 million was paid. During 2017, the Company declared and paid $750 million (or $1.17 per share) related to the Special Dividend. There were no dividends declared or paid in 2016.
Accumulated Other Comprehensive Loss

The following table summarizes the changes in AOCI:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Cash Flow Hedges</th>
<th>Foreign Currency Translation</th>
<th>Defined Benefit Pension Plans</th>
<th>Accumulated Other Comprehensive Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2015</strong></td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Pre-tax current period change</td>
<td>—</td>
<td>(30,663)</td>
<td>3,433</td>
<td>(27,230)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>—</td>
<td>—</td>
<td>(1,277)</td>
<td>(1,277)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2016</strong></td>
<td>—</td>
<td>(30,663)</td>
<td>2,156</td>
<td>(28,507)</td>
</tr>
<tr>
<td>Pre-tax current period change</td>
<td>—</td>
<td>25,889</td>
<td>1,115</td>
<td>27,004</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>—</td>
<td>(2,169)</td>
<td>(335)</td>
<td>(2,504)</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2017</strong></td>
<td>—</td>
<td>(6,943)</td>
<td>2,936</td>
<td>(4,007)</td>
</tr>
<tr>
<td>Pre-tax current period change</td>
<td>(28,030)</td>
<td>(51,502)</td>
<td>(2,478)</td>
<td>(82,010)</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>6,746</td>
<td>6,846</td>
<td>646</td>
<td>14,238</td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2018</strong></td>
<td>$ (21,284)</td>
<td>$ (51,599)</td>
<td>$ 1,104</td>
<td>$ (71,779)</td>
</tr>
</tbody>
</table>

There were no material reclassifications out of AOCI during 2018, 2017, and 2016.

14. Net (Loss) Income per Share

Basic net (loss) income per share is computed by dividing net (loss) income attributable to common shares by the weighted-average number of common shares outstanding for the period. Diluted net (loss) income per share is calculated by dividing net (loss) income available to common stockholders by the diluted weighted-average number of common shares outstanding for the period and would reflect the potential dilutive effect of common stock equivalents outstanding for the period determined using the treasury-stock method. For purposes of the diluted net loss per share calculation, all awards that potentially could be dilutive were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive, therefore, basic net loss per share is equal to diluted net loss per share for each net loss period presented.

For purposes of the diluted net (loss) income per share calculation, approximately 19 million, 2 million, and 2 million of shared-based compensation awards with performance conditions were excluded from the calculation of diluted net (loss) income per share as the performance conditions on these awards were not met for the years 2018, 2017, and 2016, respectively. In addition, there were anti-dilutive share-based compensation awards with service conditions of 15 million that were excluded from the calculation of diluted net (loss) income per share in 2018. There no material anti-dilutive share-based compensation awards in 2017 or 2016.

The computations of basic and diluted net (loss) income per share for the periods presented are as follows:

<table>
<thead>
<tr>
<th>(in thousands, except per share amounts)</th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>Numerator:</strong></td>
<td></td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>$ (609,155)</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
<td></td>
</tr>
<tr>
<td>Basic weighted-average shares outstanding</td>
<td>747,710</td>
</tr>
<tr>
<td>Dilutive effect of stock options</td>
<td>—</td>
</tr>
<tr>
<td>Diluted weighted-average shares outstanding</td>
<td>$ 747,710</td>
</tr>
<tr>
<td><strong>Net (loss) income per share:</strong></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$ (0.81)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (0.81)</td>
</tr>
</tbody>
</table>
15. Geographic Data

Revenue by geographic area for the periods presented was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 (in thousands)</td>
</tr>
<tr>
<td>United States</td>
<td>$ 4,352,570</td>
</tr>
<tr>
<td>Canada</td>
<td>229,103</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$ 4,581,673</td>
</tr>
</tbody>
</table>

Revenue is attributed to individual countries based upon the operating entity that records the transaction.

Approximately 95% of the Company’s total property and equipment, net and subscriber system assets, net are located in the U.S. as of December 31, 2018 and 2017, with the remainder residing in Canada.

16. Related Party Transactions

The Company’s related party transactions primarily relate to management, consulting, and transaction advisory services provided by Apollo and Apollo’s affiliates, as well as monitoring and related services provided to other entities controlled by Apollo. The following discussion is related to the Company’s significant related party transactions.

Management Consulting Agreement

In connection with the ADT Acquisition, the Company entered into a management consulting agreement relating to the provision of certain management consulting and advisory services to the Company with Apollo Management Holdings, L.P., an affiliate of the Company’s Sponsor. The agreement terminated in accordance with its terms in January 2018 upon consummation of the IPO.

Prior to the termination of the agreement, the Company was required to pay $5 million each quarter for the provision of services. Fees under the agreement were $1 million, $20 million, and $13 million in 2018, 2017, and 2016, respectively. These fees are included in selling, general and administrative expenses in the Consolidated Statements of Operations.

Transaction Fee Agreement

In connection with the ADT Acquisition, the Company entered into a transaction fee agreement relating to the provision of certain structuring, financial, investment banking, and other similar advisory services to the Company with Apollo Global Securities, LLC, an affiliate of the Company’s Sponsor. The Company incurred fees under this agreement for services provided in relation to the IPO and the amendments and restatements to the First Lien Credit Agreement during 2018 and 2017, however, such fees were not material.

During 2016, the Company incurred a one-time transaction fee of $65 million under this agreement in relation to services rendered in connection with structuring, arranging the financing, and performing other services in connection with the ADT Acquisition. In addition, the Company paid various structuring fees under this agreement associated with the ADT acquisition totaling approximately $9 million. These fees are included in merger, restructuring, integration, and other in the Consolidated Statements of Operations.

Koch

The Company identified the Koch Investor as a related party. Refer to Note 6 “Mandatorily Redeemable Preferred Securities” for further discussion of dividend obligations and fees incurred in connection with the Koch Preferred Securities.
17. Quarterly Financial Data

The following table presents quarterly financial data for the periods presented:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2018</th>
<th>June 30, 2018</th>
<th>September 30, 2018</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td>$1,116,448</td>
<td>$1,131,459</td>
<td>$1,148,316</td>
<td>$1,185,450</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>$71,385</td>
<td>$73,921</td>
<td>$121,847</td>
<td>$10,687</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>$(157,437)</td>
<td>$(66,705)</td>
<td>$(235,544)</td>
<td>$(149,469)</td>
</tr>
<tr>
<td><strong>Net loss per share:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>$(0.22)</td>
<td>$(0.09)</td>
<td>$(0.31)</td>
<td>$(0.20)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$(0.22)</td>
<td>$(0.09)</td>
<td>$(0.31)</td>
<td>$(0.20)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in thousands, except per share data)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
</tr>
<tr>
<td><strong>Net (loss) income</strong></td>
</tr>
<tr>
<td><strong>Net (loss) income per share:</strong></td>
</tr>
<tr>
<td>Basic</td>
</tr>
<tr>
<td>Diluted</td>
</tr>
</tbody>
</table>

**Goodwill Impairment** —The fourth quarter of 2018 operating income and net loss were impacted by the recognition of a goodwill impairment loss of $88 million, which impacts quarter over quarter and year over year comparability. Refer to Note 4 “Goodwill and Other Intangible Assets” for further discussion.

**Loss on Extinguishment of Debt** —The first quarter and third quarter of 2018 net income were impacted by the recognition of loss on extinguishment of debt related to the Prime Notes and Koch Redemption, respectively, which impacts quarter over quarter and year over year comparability. Refer to Note 5 “Debt” and Note 6 “Mandatorily Redeemable Preferred Securities” for further discussion.

**Tax Reform** —The fourth quarter of 2017 net income was impacted by the recognition of income tax amounts associated with Tax Reform, which impacts quarter over quarter and year over year comparability. Refer to Note 7 “Income Taxes” for further discussion.
### ADT INC.
**(PARENT COMPANY ONLY)**

**CONDENSED BALANCE SHEETS**
*(in thousands)*

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>December 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$8</td>
<td>$—</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>—</td>
<td>5,551</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>8</td>
<td>5,551</td>
</tr>
<tr>
<td>Investment in subsidiaries and other assets</td>
<td>4,252,763</td>
<td>4,110,010</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$4,252,771</td>
<td>$4,115,561</td>
</tr>
<tr>
<td>Liabilities and stockholders' equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends payable and other current liabilities</td>
<td>$26,532</td>
<td>$—</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>26,532</td>
<td>$—</td>
</tr>
<tr>
<td>Mandatorily redeemable preferred securities</td>
<td>—</td>
<td>682,449</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,434</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>27,966</td>
<td>682,449</td>
</tr>
<tr>
<td><strong>Total stockholders' equity</strong></td>
<td>4,224,805</td>
<td>3,433,112</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders' equity</strong></td>
<td>$4,252,771</td>
<td>$4,115,561</td>
</tr>
</tbody>
</table>

The accompanying note is an integral part of these condensed financial statements

F-43
ADT INC.  
(PARENT COMPANY ONLY)  
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME  
( in thousands, except share data)  

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling, general and administrative expenses</td>
<td>$ (515)</td>
<td>$ (45,000)</td>
<td>—</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(515)</td>
<td>(45,000)</td>
<td>—</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>(213,239)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(47,585)</td>
<td>(89,775)</td>
<td>(54,907)</td>
</tr>
<tr>
<td>Equity in net (loss) income of subsidiaries</td>
<td>(347,816)</td>
<td>451,901</td>
<td>(481,680)</td>
</tr>
<tr>
<td>(Loss) income before income taxes</td>
<td>(609,155)</td>
<td>317,126</td>
<td>(536,587)</td>
</tr>
<tr>
<td>Income tax benefit</td>
<td>—</td>
<td>25,501</td>
<td>—</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(609,155)</td>
<td>342,627</td>
<td>(536,587)</td>
</tr>
<tr>
<td>Other comprehensive (loss) income, net of tax:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive (loss) income</td>
<td>(67,772)</td>
<td>24,500</td>
<td>(28,507)</td>
</tr>
<tr>
<td>Comprehensive (loss) income</td>
<td>(676,927)</td>
<td>(367,127)</td>
<td>$ (565,094)</td>
</tr>
</tbody>
</table>

Net (loss) income per share:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>$ (0.81)</td>
<td>$ 0.53</td>
<td>$ (0.84)</td>
</tr>
<tr>
<td>Diluted</td>
<td>$ (0.81)</td>
<td>$ 0.53</td>
<td>$ (0.84)</td>
</tr>
</tbody>
</table>

Weighted-average number of shares:

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>747,710</td>
<td>641,074</td>
</tr>
<tr>
<td>2017</td>
<td>640,725</td>
<td>640,725</td>
</tr>
</tbody>
</table>

The accompanying note is an integral part of these condensed financial statements.
ADT INC.
(PARENT COMPANY ONLY)
CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

<table>
<thead>
<tr>
<th>Year Ended December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
</tr>
<tr>
<td>Net loss</td>
</tr>
<tr>
<td>Adjustments to reconcile net loss to net cash used in operating activities:</td>
</tr>
<tr>
<td>Equity in net loss of subsidiaries</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
</tr>
<tr>
<td>Other, net</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
</tr>
<tr>
<td>Contributions to subsidiaries</td>
</tr>
<tr>
<td>Distributions from subsidiaries</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
</tr>
<tr>
<td>Proceeds from initial public offering, net of related fees</td>
</tr>
<tr>
<td>Repayment of mandatorily redeemable preferred securities, including redemption premium</td>
</tr>
<tr>
<td>Dividends on common stock</td>
</tr>
<tr>
<td>Other financing</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
</tr>
</tbody>
</table>

**Supplementary cash flow information:**

| Non-cash contributions to subsidiaries | $ (135,012) |

A statement of cash flows has not been presented for the years ending 2017 and 2016 as ADT Inc. had no cash flow activities during those periods.

**Note to Condensed Financial Statements (Parent Company Only)**

1. **Basis of Presentation**

These condensed parent-company-only financial statements have been prepared in accordance with Rule 12-04, Schedule I of Regulation S-X, as the restricted net assets of the subsidiaries of ADT Inc. (as defined in Rule 4-08(e)(3) of Regulation S-X) exceed 25% of the consolidated net assets of the company. The ability of ADT Inc.’s operating subsidiaries to pay dividends may be restricted due to the terms of the subsidiaries’ First Lien Credit Agreement and the indentures governing the Prime Notes. Refer to Note 5 “Debt” for further discussion on restrictions.

These condensed parent-company-only financial statements have been prepared using the same accounting principles and policies described in Note 1 “Description of Business and Summary of Significant Accounting Policies” with the only exception being that the parent company accounts for its subsidiaries using the equity method of accounting. These condensed parent-company-only financial statements should be read in conjunction with the Company’s consolidated financial statements and related notes thereto.
2. Subsidiary Transactions

During 2018, ADT Inc. received cash distributions from its subsidiaries of approximately $296 million related to quarterly funding for dividend payments and the Koch Redemption.

During 2018, ADT Inc. contributed approximately $649 million to its subsidiaries to redeem $594 million aggregate principal amount of the Prime Notes and pay the related call premium. ADT Inc. made a non-cash contribution of approximately $135 million to its subsidiaries.

19. Subsequent Events

Common Stock Dividend

Effective March 11, 2019, the Company declared a cash dividend of $0.035 per share to common stockholders of record on April 2, 2019. This dividend will be paid on April 12, 2019.

Prime Notes Partial Redemption

On February 1, 2019, the Company redeemed $300 million aggregate principal amount of the outstanding Prime Notes for a total redemption price of $319 million. Following the partial redemption, the aggregate outstanding principal amount of the Prime Notes was $2,246 million.

Interest Rate Swaps

On January 14 and February 7, 2019, the Company executed additional LIBOR-based interest rate swap contracts in the notional amounts of $425 million and $300 million, respectively, and each maturing in April 2022. The Company entered into these interest rate swap contracts with the objective of managing exposure to variability in interest rates on the Company’s debt and has designated them as cash flow hedges.

Acquisitions

Subsequent to December 31, 2018, the Company completed two acquisitions for total consideration of approximately $55 million. The Company will account for these transactions as business combinations using the acquisition method of accounting.

Revolving Credit Agreement

On February 15, 2019, the Company entered into an additional first lien revolving credit agreement with an aggregate available commitment of up to $50 million maturing on March 16, 2023. Borrowings under this revolving credit facility will bear interest at a rate equal to, at the Company’s option, either (a) Adjusted LIBOR or (b) the Base Rate, plus the applicable margin of 2.75% for Adjusted LIBOR loans and 1.75% for Base Rate loans. Additionally, the Company is required to pay a commitment fee between 0.375% and 0.50% (determined based on a net first lien leverage ratio) with respect to the unused commitments under the revolving credit agreement.

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

Dividend Reinvestment Plan and Share Repurchase Program

On February 27, 2019, the Company approved a dividend reinvestment plan (“DRIP”) which will allow 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. In addition, on February 27, 2019 the Company approved a share repurchase program which will permit the Company to repurchase up to $150 million of the Company’s shares of common stock through February 27, 2021. The Company may effect these repurchases pursuant to one or more trading plans to be adopted in accordance with Securities Exchange Act Rule 10b5-1, in privately negotiated transactions, in open market transactions or pursuant to an accelerated share repurchase program. The Company intends to conduct the share repurchase program in accordance with Securities Exchange Act Rule 10b-18. The Company is not obligated to repurchase any of its shares of common stock and the timing and amount of any repurchases will depend on legal requirements, market conditions, stock price, alternative uses of capital, and other factors.
Radio Conversion Costs

In February 2019, the Company received notice from AT&T, the Company’s largest wireless network provider, that it will be retiring its 3G network by the first quarter of 2022, which is also the year the CDMA network used to provide services to some of the Company’s customers is being retired. The Company currently provide services to approximately 4 million customer sites that use 3G or CDMA cellular equipment, which number is diminishing on a monthly basis in the ordinary course of business due to attrition, upgrades and repairs. The Company’s plans to address this three-year transition are not yet finalized and the impact involves numerous estimates and variables. Among other factors, the Company will look to reduce any applicable costs to the Company, such as hardware costs currently estimated to be less than $90 per site, by exploring cost sharing opportunities, working with suppliers, carriers and customers, and to increase revenue by using the transition as an opportunity to sell new products and services in conjunction with replacing the radio and to more rapidly transition customers to the Company’s new Command and Control technology.
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
ADT INC.

ADT Inc. is a corporation organized and existing under the laws of the State of Delaware (the “Corporation”). The original certificate of incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on May 15, 2015, under the name “Apollo Security Services Parent, Inc.” This Amended and Restated Certificate of Incorporation of the Corporation (as the same may be further amended and/or restated, this “Amended and Restated Certificate of Incorporation”), which further amends and restates the Certificate of Incorporation of the Corporation, as heretofore amended, in its entirety, has been duly adopted by all necessary action of the board of directors of the Corporation (the “Board”) and the stockholders of the Corporation, pursuant to Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware, as the same now exists or may hereafter be amended and/or supplemented from time to time (the “DGCL”), to read as follows:

ARTICLE I
The name of the corporation (hereinafter the “Corporation”) is ADT Inc.

ARTICLE II
The address of the Corporation’s registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801. The name of the Corporation’s registered agent at such address is The Corporation Trust Company.

ARTICLE III
The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “DGCL”).

ARTICLE IV
Section 4.01 Authorized Capital Stock. The total number of shares of all classes of capital stock that the Corporation is authorized to issue is four billion (4,000,000,000) shares of capital stock, of which three billion, nine hundred ninety-nine million (3,999,000,000) shares shall be common stock, par value $0.01 per share (the “Common Stock”), and one million (1,000,000) shares shall be preferred securities, par value $0.01 per share (the “Preferred Securities”). Subject to the rights of the holders of any series of Preferred Securities then outstanding, the number of authorized shares of any of the Common Stock or Preferred Securities may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL or any successor provision thereof, and no vote of the holders of any of the Common Stock or Preferred Securities voting separately as a class shall be required therefor.

Section 4.02 Common Stock. The terms of the Common Stock set forth below shall be subject to the express terms of any series of Preferred Securities then outstanding.

(a) Voting Rights. Except as otherwise required by applicable law or this Amended and Restated Certificate of Incorporation, the holders of Common Stock, as such, shall be entitled to one vote per share on all matters submitted to a vote of the Corporation’s stockholders generally.

(b) Dividends. Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Securities or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends or distributions, the holders of Common Stock shall be entitled to receive, as, if and when declared by the Board out of the funds of the Corporation legally available therefor, such dividends (payable in cash, shares of stock of the Corporation, property or assets of the Corporation or otherwise) as the Board may from time to time in its sole discretion determine.
(c) **Liquidation.** In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the payment or provision for the payment of any debts and other liabilities of the Corporation, and subject to the rights, if any, of the holders of any outstanding series of Preferred Securities or other class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets upon any such liquidation, dissolution or winding up, the remaining assets of the Corporation available for distribution to stockholders shall be distributed among and paid to the holders of Common Stock ratably in proportion to the number of shares of Common Stock held by them respectively.

Section 4.03 **Preferred Securities.** The Board is authorized, by resolution or resolutions, to provide, out of the authorized but unissued shares of Preferred Securities, for the issuance from time to time of shares of Preferred Securities in one or more series and, by filing a certificate of designation (a “Preferred Securities Certificate of Designation”) pursuant to the applicable provisions of the DGCL, to establish from time to time the number of shares to be included in each such series, with such powers (including voting powers, if any), designations, preferences and relative, participating, optional or other rights, if any, and qualifications, limitations or restrictions thereof, if any, as are stated and expressed in the resolution or resolutions providing for the issuance thereof adopted by the Board, including, but not limited to, determination of any of the following:

(a) the distinctive designation of the series, whether by number, letter or title, and the number of shares which will constitute the series;

(b) the dividend rate, if any, and the times of payment of dividends, if any, on the shares of the series, whether such dividends will be cumulative and, if so, from what date or dates, and the relation which such dividends, if any, shall bear to the dividends payable on any other class or classes or series of stock;

(c) the price or prices at which, and the terms and conditions on which, the shares of the series may be redeemed at the option of the Corporation or the holder thereof or upon the happening of a specified event;

(d) whether or not the shares of the series will be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of such shares and, if so entitled, the amount of such fund and the terms and provisions relative to the operation thereof;

(e) the amounts payable on, and the preferences, if any, of the shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation or upon the happening of any other specified event;

(f) whether or not the shares of the series will be convertible into, or exchangeable for, at the option of either the holder or the Corporation or upon the happening of a specified event, shares of any other class or classes or series of stock of the Corporation and, if so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and any adjustments thereof, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

(g) whether or not the shares of the series will have priority over or be on a parity with or be junior to the shares of any other class or classes or series of stock of the Corporation in any respect, or will be entitled to the benefit of limitations restricting the issuance of shares of any other class or classes or series of stock of the Corporation, restricting the payment of dividends on or the making of other distributions in respect of shares of any other class or classes or series of stock of the Corporation ranking junior to the shares of the series as to dividends or distributions, or restricting the purchase or redemption of the shares of any such junior class or classes or series of stock of the Corporation, and the terms of any such restriction;

(h) whether or not the shares of the series will have voting rights or powers and, if so, the terms of such voting rights and powers; and

(i) any other powers, preferences and rights, and qualifications, limitations and restrictions thereof, of the series.
Except as otherwise required by law, holders of any series of Preferred Securities shall be entitled to only such voting rights and powers, if any, as shall expressly be granted thereto by this Amended and Restated Certificate of Incorporation. Except as otherwise expressly provided in this Amended and Restated Certificate of Incorporation, no vote of the holders of shares of Preferred Securities or Common Stock shall be a prerequisite to the issuance of any shares of any series of the Preferred Securities so authorized in accordance with this Amended and Restated Certificate of Incorporation. Except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Securities if the holders of such affected series are entitled, either separately as a class or together with the holders of one or more other such series as a separate class, to vote thereon pursuant to this Amended and Restated Certificate of Incorporation or pursuant to the DGCL. Unless otherwise provided by the Amended and Restated Certificate of Incorporation, the Board may, by resolution or resolutions, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of Preferred Securities established by a Preferred Securities Certificate of Designation pursuant to this Article IV and the DGCL and, if the number of shares of such series shall be so decreased, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Pursuant to the authority conferred upon the Board by this Section 4.03, the Board created a series of 750,000 shares of Preferred Securities designated as Series A Preferred Securities by filing the Certificate of Designation of Series A Preferred Securities of the Corporation with the Secretary of State of the State of Delaware on May 2, 2016, as amended by the Certificate of Amendment of the Certificate of Designation of Series A Preferred Securities of the Corporation filed with the Secretary of State of the State of Delaware on December 28, 2017, and as further amended by the Certificate of Amendment of the Certificate of Designation of Series A Preferred Securities of the Corporation filed with the Secretary of State of the State of Delaware on or around the date hereof (the “Series A Preferred Securities”). The voting powers, designations, preferences and relative, participating, optional or other special rights of the shares of the Series A Preferred Securities, and the qualifications, limitations and restrictions thereof are as set forth on Annex I hereto, and are incorporated herein by reference.

ARTICLE V

Section 5.01 General Powers. Except as otherwise provided by applicable law or this Amended and Restated Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board.

Section 5.02 Number of Directors. Except as otherwise provided for or fixed pursuant to Article IV and this Article V (relating to the rights of any series of Preferred Securities to elect additional directors), and subject to the terms of the Stockholders Agreement, dated on or about the date of the effectiveness of the filing of this Amended and Restated Certificate of Incorporation, by and among the Corporation and certain affiliates of Apollo (as defined in Article VII hereof) and the other parties thereto (as the same may be amended, supplemented, restated or otherwise modified from time to time, the “Stockholders Agreement”), the total number of directors shall be as determined from time to time exclusively by the Board; provided, that in no event shall the total number of directors be more than fifteen (15). Election of directors need not be by written ballot unless the Bylaws (as defined below) shall so require.

Section 5.03 Classified Board; Term of Office. The directors (other than those directors elected by the holders of any series of Preferred Securities, voting separately as a series or together with one or more other such series, as the case may be) shall be divided into three classes designated Class I, Class II and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of such directors. Class I directors shall initially serve for a term expiring at the second annual meeting of stockholders following the IPO Date and Class III directors shall initially serve for a term expiring at the third annual meeting of stockholders following the IPO Date. At each succeeding annual meeting, successors to the class of directors whose term expires at that annual meeting shall be elected for a term expiring at the third succeeding annual meeting of stockholders. If the number of such directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any such additional director of any class elected to fill a newly created directorship resulting from an increase in such class shall hold office.
for a term that shall coincide with the remaining term of that class, but in no case shall a decrease in the number of directors remove or shorten the term of any incumbent director. Each director shall hold office until the annual meeting at which his or her term expires and until his or her successor shall be elected and qualified, subject, however, to such director’s earlier death, resignation, retirement, removal or disqualification. The Board is authorized to assign members of the Board already in office to their respective class.

Section 5.04 Quorum. Notwithstanding anything to the contrary set forth in this Amended and Restated Certificate of Incorporation, the Bylaws or applicable law, but in addition to any requirements set forth in this Amended and Restated Certificate of Incorporation, the Bylaws and applicable law, if Apollo owns, beneficially or of record, any shares of stock of the Corporation and there is at least one member of the Board who is an Apollo Designee (as defined in the Stockholders Agreement), a quorum for the transaction of business at any meeting of the Board shall include at least one Apollo Designee unless each Apollo Designee provides notice in writing or by electronic transmission to the remaining members of the Board waiving his or her right to be included in the quorum at such meeting. Notwithstanding anything to the contrary set forth herein, but in addition to any other vote required by this Amended and Restated Certificate of Incorporation, the Bylaws or applicable law, at any time that Apollo owns, beneficially or of record, any shares of stock of the Corporation, the Corporation shall not (directly or indirectly, by merger, consolidation or otherwise) amend, alter or repeal this Section 5.04, or adopt any provision inconsistent herewith, without the prior written consent of Apollo.

Section 5.05 Vacancies. Except as otherwise provided by this Amended and Restated Certificate of Incorporation, and subject to the terms of the Stockholders Agreement, any vacancy resulting from the death, resignation, removal or disqualification of a director or other cause, or any newly created directorship in the Board, shall be filled only by a majority of the directors then in office, although less than a quorum, or by the sole remaining director, and shall not be filled by the stockholders of the Corporation; provided, that, (i) for so long as Apollo owns, beneficially or of record, any shares of stock of the Corporation, any vacancy resulting from the death, resignation, removal, disqualification or other cause in respect of any Apollo Designee shall be filled only by (x) a majority of the Apollo Designees then in office or (y) if there are no Apollo Designees then in office, Apollo, (ii) for so long as the Co-Invest Condition (as defined in the Stockholders Agreement) is satisfied, any vacancy resulting from the death, resignation, removal, disqualification or other cause in respect of any Apollo Designee shall be filled as set forth in the Stockholders Agreement, and (iii) for so long as the Koch Condition (as defined in the Stockholders Agreement) is satisfied, any vacancy resulting from the death, resignation, removal, disqualification or other cause in respect of the Koch Designee (as defined in the Stockholders Agreement) shall be filled as set forth in the Stockholders Agreement. Except as otherwise provided by this Amended and Restated Certificate of Incorporation, a director elected to fill a vacancy or newly created directorship shall hold office until the annual meeting of stockholders for the election of directors of the class to which he or she has been appointed and until his or her successor has been duly elected and qualified, subject, however, to such director’s earlier death, resignation, retirement, removal or disqualification.

Section 5.06 Removal of Directors. Except as otherwise provided by law, the Stockholders Agreement or this Amended and Restated Certificate of Incorporation, directors may be removed with or without cause by the affirmative vote of the holders of a majority in voting power of the outstanding shares of stock of the Corporation entitled to vote in an election of such directors; provided, however, that, from and after the Trigger Event (as defined below) any such director or all such directors may be removed only for cause and only by the affirmative vote of the holders of at least 66 2/3 % in voting power of all the

Section 5.07 Voting Rights of Preferred Securities. Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Securities shall have the right, voting separately as a series or separately as a class with one or more such other series of Preferred Securities, to elect directors, the election, term of office, removal, filling of vacancies (including filling any newly created directorships) any and other features of such directorships shall be governed by the terms of the other provisions of this Amended and Restated Certificate of
Incorporation (including any Preferred Securities Certificate of Designation). During any period when the holders of any series of Preferred Securities have the right to elect additional directors, then upon commencement and for the duration of the period during which such right continues: (i) the then otherwise total number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Securities shall be entitled to elect the additional directors so provided for or fixed pursuant to such provisions, and (ii) each such additional director shall serve until such director’s successor shall have been duly elected and qualified, or until such director’s right to hold such office terminates pursuant to such provisions, whichever occurs earlier, subject to his or her earlier death, resignation, retirement, removal or disqualification. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Securities having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, retirement, removal or disqualification of such additional directors, shall forthwith terminate and the total authorized number of directors of the Corporation shall be reduced accordingly.

ARTICLE VI

In furtherance and not in limitation of the rights, powers, privileges and discretionary authority granted or conferred by the DGCL or other statutes or laws of the State of Delaware, the Board is expressly authorized to make, alter, amend or repeal the bylaws of the Corporation (as the same may be amended and/or restated from time to time, the “Bylaws”), without any action on the part of the stockholders.

ARTICLE VII

Except as otherwise required by law, and subject to the rights of the holders of any series of Preferred Securities, special meetings of the stockholders of the Corporation may be called only by (x) the Chairman of the Board or (y) the Secretary of the Corporation at the direction of a majority of the directors then in office, and special meetings may not be called by any other person or persons. Notwithstanding the foregoing, until such time as Apollo Management VIII, L.P. and any of its Affiliates (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) (collectively, “Apollo”) ceases to beneficially own at least 50.1% of the outstanding shares of Common Stock (the “Trigger Event”), special meetings of the stockholders of the Corporation shall be called by the Secretary of the Corporation at the written request of the holders of a majority of the voting power of the then outstanding Common Stock. Business transacted at any special meeting of stockholders shall be limited to the purpose or purposes stated in the notice.

ARTICLE VIII

To the fullest extent permitted by the DGCL, as it now exists or may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty owed to the Corporation or its stockholders. Any repeal or amendment or modification of this Article VIII (including by changes in applicable law), or the adoption of any provision of this Amended and Restated Certificate of Incorporation inconsistent with this Article VIII, shall, to the extent permitted by applicable law, be prospective only (except to the extent such amendment or change in applicable law permits the Corporation to provide a broader limitation on a retroactive basis than permitted prior thereto), and shall not adversely affect any limitation on the personal liability of any director of the Corporation with respect to acts or omissions occurring prior to the time of such repeal or amendment or modification or adoption of such inconsistent provision. If any provision of the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of directors shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

ARTICLE IX

Subject to the rights of the holders of one or more series of Preferred Securities then outstanding to act by written consent as provided in any Preferred Securities Certificate of Designation, any action required or permitted to be taken by stockholders must be effected at a duly called annual or special meeting of stockholders; provided, that prior to the Trigger Event, any action required or permitted to be taken at any annual or special meeting of stockholders...
of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, is signed by or on behalf of the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation in accordance with the DGCL.

ARTICLE X

Section 10.01 Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “Proceeding”), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was, at any time during which this Amended and Restated Certificate of Incorporation is in effect (whether or not such person continues to serve in such capacity at the time any indemnification or payment of expenses pursuant hereto is sought or at the time any proceeding relating thereto exists or is brought), a director or officer of the Corporation or is or was at any such time serving at the request of the Corporation as a director, officer, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans maintained or sponsored by the Corporation (hereinafter, an “Indemnitee”), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, trustee, employee or agent or in any other capacity while serving as a director, officer, trustee, employee or agent, shall be (and shall be deemed to have a contractual right to be) indemnified and held harmless by the Corporation (and any successor of the Corporation by merger or otherwise) to the fullest extent permitted by the DGCL as the same exists or may hereafter be amended or modified from time to time (but, in the case of any such amendment or modification, only to the extent that such amendment or modification permits the Corporation to provide greater indemnification rights than said law permitted the Corporation to provide prior to such amendment or modification), against all expense, liability and loss (including attorneys’ fees, judgments, fines, excise taxes or penalties arising under the Employee Retirement Income Security Act of 1974 and amounts paid or to be paid in settlement) incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, trustee, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 10.04 of this Article X, the Corporation shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized in the first instance by the Board.

Section 10.02 Advancement of Expenses. The right to indemnification conferred upon Indemnitees in this Article X shall include the right, without the need for any action by the Board, to be paid by the Corporation (and any successor of the Corporation by merger or otherwise) the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within twenty (20) days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter, the “Undertaking”) by or on behalf of such director or officer to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal (a “Final Disposition”) that such director or officer is not entitled to be indemnified for such expenses under this Article X or otherwise.

Section 10.03 Nature of Rights; Other Sources. The rights conferred upon Indemnitees in this Article X shall be contract rights between the Corporation and each Indemnitee to whom such rights are extended that vest at the commencement of such person’s service to or at the request of the Corporation and all such rights shall continue as to an Indemnitee who has ceased to be a director or officer of the Corporation or ceased to serve at the Corporation’s request as a director, officer, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, as described herein, and shall inure to the benefit of the Indemnitee’s heirs, executors and administrators. The Corporation hereby acknowledges that certain Indemnitees may have certain rights to indemnification, advancement of expenses and/or insurance (other than directors’ and officers’ liability insurance or similar insurance obtained or maintained by or on behalf of the Corporation, its affiliates or any of the foregoing’s
Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 10.05 of this Article X that the procedures for providing indemnification for the same expenses or liabilities incurred by such Indemnitee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by an Indemnitee and shall be liable for the full amount of all losses, claims, damages, liabilities and expenses (including attorneys’ fees, judgments, fines, penalties and amounts paid in settlement) to the extent legally permitted and as required by the terms hereof, without regard to any rights an Indemnitee may have against the Other Indemnitors, and (iii) that it irrevocably waives, relinquishes and releases the Other Indemnitors from any and all claims against the Other Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Corporation further agrees that no advancement or payment to all of the rights of recovery of such Indemnitee against the Corporation. For the avoidance of doubt, no person or entity providing directors’ or officers’ liability insurance or similar insurance obtained or maintained by or on behalf of the Corporation, any of its affiliates or any of the foregoing’s respective subsidiaries, including any person or entity providing such insurance obtained or maintained as contemplated by Section 10.08, shall be an Other Indemnitee.

Section 10.04 Claims. To obtain indemnification under this Article X, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 10.04, a determination, if required by applicable law, with respect to the claimant’s entitlement thereto shall be made as follows: (i) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (ii) if no request is made by the claimant for a determination by Independent Counsel, (a) by a majority vote of Disinterested Directors (as hereinafter defined), even though less than a quorum, (b) if there are no such Disinterested Directors, or if a majority of the Disinterested Directors so directs, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to the claimant, or (c) if a majority of Disinterested Directors so directs, by a majority of the stockholders of the Corporation. In the event the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by the Board. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within ten (10) days after such determination.

Section 10.05 Enforcement. If a claim under Section 10.01 of this Article X is not paid in full by the Corporation within sixty (60) days after a written claim pursuant to Section 10.04 of this Article X has been received by the Corporation, or if a claim under Section 10.02 of this Article X is not paid in full by the Corporation within twenty (20) days after a written claim therefor has been made, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim to the fullest extent permitted by law. It shall be a defense to any such action that (x) in the case of a claim for indemnification, the claimant has not met the standard of conduct which makes it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed or (y) in the case of a claim for advancement or payment to all of the rights of recovery of such Indemnitee against the Corporation. For the avoidance of doubt, no person or entity providing directors’ or officers’ liability insurance or similar insurance obtained or maintained by or on behalf of the Corporation, any of its affiliates or any of the foregoing’s respective subsidiaries, including any person or entity providing such insurance obtained or maintained as contemplated by Section 10.08, shall be an Other Indemnitee.

Section 10.06 Procedures. If a determination shall have been made pursuant to Section 10.04 of this Article X that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 10.05 of this Article X. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 10.05 of this Article X that the procedures

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and presumptions of this Article X are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Article X.

Section 10.07 Non-Exclusive Rights. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Article X: (i) shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Amended and Restated Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise and (ii) cannot be terminated by the Corporation, the Board or the stockholders of the Corporation with respect to any act or omission that is the subject of the Proceeding for which indemnification or advancement of expenses is sought prior to the date of such termination. Any amendment, modification, alteration or repeal of this Article X (by merger, consolidation or otherwise) that in any way diminishes, limits, restricts, adversely affects or eliminates any right of an Indemnitee or his or her successors to indemnification, advancement of expenses or otherwise shall be prospective only and shall not, without the written consent of the Indemnitee, in any way diminish, limit, restrict, adversely affect or eliminate any such right with respect to any actual or alleged state of facts, occurrence, action or omission then or previously existing, or any action, suit or proceeding previously or thereafter brought or threatened based in whole or in part upon any such actual or alleged state of facts, occurrence, action or omission.

Section 10.08 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise, against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 10.09 Additional Rights. The Board may grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in connection with any Proceeding in advance of its final disposition, to any current or former employee or agent of the Corporation to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of current or former directors and officers of the Corporation.

Section 10.10 Severability. If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article X (including, without limitation, each portion of any Section of this Article X containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any Section of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

Section 10.11 Definitions; Construction. For purposes of this Article X: “Disinterested Director” means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by the claimant; and “Independent Counsel” means a law firm, a member of a law firm, or an independent practitioner, that is experienced in matters of corporate law and shall include any person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant’s rights under this Article X. Any reference to an officer of the Corporation in this Article X shall be deemed to refer exclusively to the officers appointed as such pursuant to the Bylaws by the Board or by an officer to whom the Board has delegated the power to appoint officers, and any reference to an officer of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be deemed to refer exclusively to an officer appointed by the board of directors (or equivalent governing body) of such other entity pursuant to the certificate of incorporation and bylaws (or equivalent organizational documents) of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. The fact that any person who is or was an employee of the Corporation or an employee of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise has been given or has used the title of “vice president” or any other title that could be construed to suggest or imply that such person is or may be an officer of the Corporation or of such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall not result in
opportunity such as identified person, directly or indirectly, took any of the actions noted in the immediately preceding clause (ii), pursued or acquired such competitive opportunity, contrary, not be obligated or liable to the corporation, any stockholder, director or officer of the corporation or any other person or entity by reason of the fact that such identified person, directly or indirectly, took any of the actions noted in the immediately preceding clause (ii), pursued or acquired such competitive opportunity.

ARTICLE XI

Section 11.01 Recognition of Corporate Opportunities. In recognition and anticipation that (i) certain directors, officers, principals, partners, members, managers, employees, agents and/or other representatives of Apollo, Koch, the Co-Investor and their respective Affiliates may serve as directors, officers or agents of the Corporation and its Affiliates, and (ii) Apollo, Koch, the Co-Investor and their respective Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation and Affiliates, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation and its Affiliates, directly or indirectly, may engage, the provisions of this Article XI are set forth to regulate and define the conduct of certain affairs of the Corporation and its Affiliates with respect to certain classes or categories of business opportunities as they may involve Apollo, Koch, the Co-Investor and their respective Affiliates and any person or entity who, while a stockholder, director, officer or agent of the Corporation or any of its Affiliates, is a director, officer, principal, partner, member, manager, employee, agent and/or other representative of Apollo, Koch, the Co-Investor and their respective Affiliates (each, an “identified person”), on the one hand, and the powers, rights, duties and liabilities of the Corporation and its Affiliates and its and their respective stockholders, directors, officers, and agents in connection therewith, on the other. To the fullest extent permitted by law (including, without limitation, the DGCL), and notwithstanding any other duty (contractual, fiduciary or otherwise, whether at law or in equity), each identified person (i) shall have the right to, and shall have no duty (contractual, fiduciary or otherwise, whether at law or in equity) not to, directly or indirectly engage in and possess interests in other business ventures of every type and description, including those engaged in the same or similar business activities or lines of business as the Corporation or any of its Affiliates or deemed to be competing with the Corporation or any of its Affiliates, on its own account, or in partnership with, or as a direct or indirect equity holder, controlling person, stockholder, director, officer, employee, agent, affiliate (including any portfolio company), member, financing source, investor, director or indirect manager, general or limited partner or assignee of any other person or entity with no obligation to offer to the Corporation or its subsidiaries or other Affiliates the right to participate therein and (ii) shall have the right to invest in, or provide services to, any person that is engaged in the same or similar business activities as the Corporation or its Affiliates or directly or indirectly competes with the Corporation or any of its Affiliates.

Section 11.02 Competitive Opportunities. In the event that any identified person acquires knowledge of a potential transaction or matter which may be an investment, corporate or business opportunity or prospective economic or competitive advantage in which the Corporation or its Affiliates could have an interest or expectancy (contractual, equitable or otherwise) (a “competitive opportunity”) or otherwise is then exploiting any competitive opportunity, to the fullest extent permitted under the DGCL and notwithstanding any other duty existing at law or in equity, the Corporation and its Affiliates will have no interest in, and no expectation (contractual, equitable or otherwise) that such competitive opportunity be offered to it. To the fullest extent permitted by law, any such interest or expectation (contractual, equitable or otherwise) is hereby renounced so that such identified person shall (i) have no duty to communicate or present such competitive opportunity to the Corporation or its Affiliates, (ii) have the right to either hold any such competitive opportunity for such identified person’s own account and benefit or the account of the former, current or future direct or indirect equity holders, controlling persons, stockholders, directors, officers, employees, agents, affiliates, members, financing sources, investors, direct or indirect managers, general or limited partners or assignees of any identified person or to direct, recommend, assign or otherwise transfer such competitive opportunity to persons or entities other than the Corporation or any of its subsidiaries, affiliates or direct or indirect equity holders and (iii) notwithstanding any provision in this amended and restated certificate of incorporation to the contrary, not be obligated or liable to the corporation, any stockholder, director or officer of the corporation or any other person or entity by reason of the fact that such identified person, directly or indirectly, took any of the actions noted in the immediately preceding clause (ii), pursued or acquired such competitive opportunity.
for itself or any other person or entity or failed to communicate or present such Competitive Opportunity to the Corporation or its Affiliates.

Section 11.03  Acknowledgement. Any person or entity purchasing or otherwise acquiring or holding any interest in any shares of capital stock of the Corporation or any other interest in the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article XI.

Section 11.04  Interpretation; Duties. In the event of a conflict or other inconsistency between this Article XI and any other Article or provision of this Amended and Restated Certificate of Incorporation, this Article XI shall prevail under all circumstances. Notwithstanding anything to the contrary herein, under no circumstances shall the provisions of this Article XI (other than this Section 11.04 of this Article XI) apply to (or result in or be deemed to result in a limitation or elimination of any duty (contractual, fiduciary or otherwise, whether at law or in equity)) owed by any employee of the Corporation or any of its subsidiaries, irrespective of whether such employee otherwise would be an Identified Person, and any Competitive Opportunity waived or renounced by any person or entity pursuant to such other provisions of this Article XI shall be expressly reserved and maintained by such person or entity, as applicable (and shall not be waived or renounced) as to any such employee.

Section 11.05  Section 122(17) of the DGCL. For the avoidance of doubt, subject to Section 11.04 of this Article XI, this Article XI is intended to constitute, with respect to the Identified Persons, a disclaimer and renunciation, to the fullest extent permitted under Section 122(17) of the DGCL, of any right of the Corporation or any of its Affiliates with respect to the matters set forth in this Article XI, and this Article XI shall be construed to effect such disclaimer and renunciation to the fullest extent permitted under the DGCL.

Section 11.06  Definitions. Solely for purposes of this Article XI, (i) “Affiliate” shall mean (a) with respect to Apollo, any person or entity that, directly or indirectly, is controlled by Apollo, controls Apollo, or is under common control with Apollo, (b) with respect to Koch, any person or entity that, directly or indirectly, is controlled by Koch, controls Koch, or is under common control with Koch, (c) with respect to the Co-Investor, any person or entity that, directly or indirectly, is controlled by the Co-Investor, controls the Co-Investor, or is under common control with the Co-Investor, but in each case in clauses (a) through (c), excluding (x) the Corporation, and (y) any entity that is controlled by the Corporation (including its direct and indirect subsidiaries), and (d) in respect of the Corporation, any person or entity that, directly or indirectly, is controlled by the Co-Investor, controls the Co-Investor, or is under common control with the Co-Investor, but in each case in clauses (a) through (c), excluding (x) the Corporation, and (y) any entity that is controlled by the Corporation (including its direct and indirect subsidiaries), and (d) in respect of the Corporation, any person or entity that, directly or indirectly, is controlled by the Corporation; (ii) “Apollo” shall mean Apollo Management VIII, L.P.; (iii) “Koch” shall mean Koch SV Investments, LLC; and (iv) the “Co-Investor” shall mean the entity set forth on Exhibit A attached to the Stockholders Agreement.

ARTICLE XII

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Corporation, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or stockholder of the Corporation, (c) any action asserting a claim arising pursuant to any provision of the DGCL or of this Amended and Restated Certificate of Incorporation or the Bylaws, or (d) any action asserting a claim against the Corporation or any director or officer of the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and, to the fullest extent permitted by law, to have consented to the provisions of this Article XII.

ARTICLE XIII

Section 13.01  Section 203 of the DGCL. The Corporation hereby expressly elects not to be governed by Section 203 of the DGCL.

Section 13.02  Interested Stockholders. Notwithstanding the foregoing, the Corporation shall not engage in any business combination (as defined below), at any point in time at which the Common Stock is registered
under Section 12(b) or 12(g) of the Exchange Act, with any interested stockholder (as defined below) for a period of three (3) years following the time that such stockholder became an interested stockholder, unless:

(a) prior to such time, the Board approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder, or

(b) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock (as defined below) of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (a) by persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or

(c) at or subsequent to such time, the business combination is approved by the Board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock of the Corporation which is not owned by the interested stockholder.

Section 13.03 Definitions. For purposes of this Article XIII only, references to:

(a) “affiliate” means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another person.

(b) “Apollo” means Apollo Management VIII, L.P. and its affiliates.

(c) “Apollo Direct Transferee” means any person that acquires (other than in a registered public offering) directly from Apollo or any of its affiliates or successors or any “group”, or any member of any such group, of which such persons are a party under Rule 13d-5 of the Exchange Act, beneficial ownership of 15% or more of the then outstanding voting stock of the Corporation.

(d) “Apollo Indirect Transferee” means any person that acquires (other than in a registered public offering) directly from any Apollo Direct Transferee or any other Apollo Indirect Transferee beneficial ownership of 15% or more of the then outstanding voting stock of the Corporation.

(e) “associate”, when used to indicate a relationship with any person, means: (i) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(f) “business combination”, when used in reference to the Corporation and any interested stockholder of the Corporation, means:

   (i) any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation (a) with the interested stockholder, or (b) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation Section 13.02 of this Article XIII is not applicable to the surviving entity;

   (ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Corporation, to or with the interested stockholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value
equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Corporation;

(iii) any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any stock of the Corporation or of such subsidiary to the interested stockholder, except: (a) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which securities were outstanding prior to the time that the interested stockholder became such; (b) pursuant to a merger under Section 251(g) of the DGCL; (c) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which security is distributed, pro rata to all holders of a class or series of stock of the Corporation subsequent to the time the interested stockholder became such; (d) pursuant to an exchange offer by the Corporation to purchase stock made on the same terms to all holders of said stock; or (e) any issuance or transfer of stock by the Corporation; provided, however, that in no case under items (c)-(e) of this subsection (iii) shall there be an increase in the interested stockholder’s proportionate share of the stock of any class or series of the Corporation or of the voting stock of the Corporation (except as a result of immaterial changes due to fractional share adjustments);

(iv) any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Corporation or of any such subsidiary which is owned by the interested stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the interested stockholder; or

(v) any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in subsections (i)-(iv) above) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(g) “control”, including the terms “controlling,” “controlled by” and “under common control with,” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of 20% or more of the outstanding voting stock of a corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Section, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(h) “interested stockholder” means any person (other than the Corporation or any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting stock of the Corporation, or (ii) is an affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting stock of the Corporation at any time within the three (3) year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder; and the affiliates and associates of such person; but “interested stockholder” shall not include (a) Apollo, any Apollo Direct Transferee, any Apollo Indirect Transferee or any of their respective affiliates or successors or any “group”, or any member of any such group, to which such persons are a party under Rule 13d-5 of the Exchange Act, or (b) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of any action taken solely by the Corporation, provided that such person shall be an interested stockholder if thereafter such person acquires additional shares of voting stock of the Corporation, except as a result of further corporate action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an interested stockholder, the voting stock of the Corporation deemed to be outstanding shall include stock deemed to be owned by the person through application of the definition of “owner” below but shall not include any other unissued stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.
“owner,” including the terms “own” and “owned,” when used with respect to any stock, means a person that individually or with or through any of its affiliates or associates:

(j) beneficially owns such stock, directly or indirectly; or

(k) has (i) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person’s affiliates or associates until such tendered stock is accepted for purchase or exchange; or (ii) the right to vote such stock pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any stock because of such person’s right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to ten (10) or more persons; or

(l) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (ii) of subsection (k) above), or disposing of such stock with any other person that beneficially owns, or whose affiliates or associates beneficially own, directly or indirectly, such stock.

(m) “person” means any individual, corporation, partnership, unincorporated association or other entity.

(n) “stock” means, with respect to any corporation, capital stock and, with respect to any other entity, any equity interest.

(o) “voting stock” means stock of any class or series entitled to vote generally in the election of directors.

ARTICLE XIV

If any provision or provisions of this Amended and Restated Certificate of Incorporation shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (i) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any Article (or section or subsection thereof) of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (ii) to the fullest extent possible, the provisions of this Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any Article (or any section or subsection thereof) of this Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

ARTICLE XV

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by this Amended and Restated Certificate of Incorporation and the DGCL, and all rights, preferences and privileges herein conferred upon stockholders by and pursuant to this Amended and Restated Certificate of Incorporation in its current form or as hereafter amended are granted subject to the right reserved in this Article XV. Notwithstanding the foregoing, from and after the occurrence of the Trigger Event, notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to greater or additional vote or consent required hereunder (including any vote of the holders of any particular class or classes or
series of stock required by law or by this Amended and Restated Certificate of Incorporation), the affirmative vote of the holders of at least 66 \( \frac{2}{3} \)\% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required to alter, amend or repeal Section 4.03 of Article IV, Articles V, VI, VII, VIII, IX, X, XI, XII and XIII, and this Article XV.

From and after the occurrence of the Trigger Event, notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any additional or greater vote or consent required hereunder (including any vote of the holders of any particular class or classes or series of stock required by law or by this Amended and Restated Certificate of Incorporation), the affirmative vote of the holders of at least 66 \( \frac{2}{3} \)\% of the voting power of the outstanding shares of stock entitled to vote thereon, voting together as a single class, shall be required in order for the stockholders of the Corporation to alter, amend or repeal, in whole or in part, any provision of the Bylaws or to adopt any provision inconsistent therewith.

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IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by a duly authorized officer as of this 23rd day of January 2018,

ADT INC

By: /s/ Timothy J. Whall

Name: Timothy J. Whall
Title: Chief Executive Officer

ADT INC. — A&R CERTIFICATE OF INCORPORATION
ANNEX I

Series A Designation

See attached.
SECOND AMENDED AND RESTATED CERTIFICATE OF DESIGNATION

OF

SERIES A PREFERRED SECURITIES OF

ADT INC.

Pursuant to the General Corporation Law of the State of Delaware

Pursuant to the General Corporation Law of the State of Delaware (the "DGCL"), ADT Inc., a corporation duly organized and validly existing under the DGCL (the "Company"), in accordance with the provisions of Section 103 of the DGCL, does hereby certify the following:

The Board of Directors of the Company (the "Board of Directors") adopted resolutions on May 2, 2016 designating a new series of 750,000 shares of preferred securities, par value $0.01 per share, of the Company designated as Series A Preferred Securities (as defined below);

WHEREAS, the Certificate of Incorporation of the Company (as amended, restated, supplemented or otherwise modified from time to time, in each case to the extent not prohibited by Section 10, the "Certificate of Incorporation") authorizes (a) the issuance of up to 1,000,000 shares of preferred securities, par value $0.01 per share, of the Company (the "Preferred Securities") in one or more series and (b) the Board of Directors to (i) designate one or more series of the Preferred Securities and (ii) with respect to each such series, establish the number of shares and the rights, preferences, powers, and the qualifications, restrictions and limitations, of each such series; and

WHEREAS, it is the desire of the Board of Directors to amend and restate certain rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors does hereby amend and restate the rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities as follows, and the Board of Directors directs this Second Amended and Restated Certificate of Designation of Series A Preferred Securities (this "Second Amended and Restated Certificate of Designation") to be filed with the Secretary of State of the State of Delaware in accordance with Section 103 of the DGCL:

1. Definitions; Interpretation.

(a) As used in this Second Amended and Restated Certificate of Designation, the following terms shall have the meanings specified below:

"Accrued Dividend Rate" shall mean the Five-Year Treasury Yield plus 9.75% per annum; provided that the then-current Accrued Dividend Rate shall automatically increase by an additional 1.00% per annum on the fifth anniversary of the Closing Date and on each anniversary of the Closing Date thereafter; provided, further, that (a) if and for so long as any Event of Default (other than a Senior Debt Event of Default) occurs and is continuing or (b) if and for so long as a Senior Debt Event of Default occurs and is continuing, on the tenth Business Day following the occurrence of such Senior Debt Event of Default, then, in each case, the then current Accrued Dividend Rate shall automatically increase by an additional 2.00% per annum.

"Accumulated Stated Value" shall mean, as of the relevant date, an amount per Share equal to (a) the Stated Value of such Share as of such date plus (b) any declared but unpaid Dividends on such Share for
the most recent Dividend Period as of such date (to the extent not part of the Stated Value of such Share as of such date) plus (c) the amount of accumulated and unpaid Dividends on such Share from the last Dividend Payment Date to, but not including, such date (to the extent not part of the Stated Value of such Share as of such date).

"A DTSC" shall mean The ADT Security Corporation, a Delaware corporation.

"Affiliate" shall mean, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified; provided that, with respect to any Covered Person, this definition shall include any parent, spouse, domestic partner or child (including those adopted) of such Covered Person and each custodian or guardian of any property of one or more of such Persons in the capacity as such custodian or guardian and trust, investment vehicle or other entity formed by such Covered Person for tax or estate planning purposes.

"Affiliate investment Transaction" shall have the meaning assigned to such term in the definition of "Permitted Affiliate Transactions."

"Aggregate Accumulated Dividend" shall mean, as of the relevant date, an amount per Share equal to the difference of (a) the Accumulated Stated Value of such Share as of such date minus (b) the Stated Value of such Share as of the Closing Date.

"Amendment Date" means January 23, 2018.

"Applicable Treasury Rate" shall mean, as of the relevant date, the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days (but not more than five Business Days) prior to such date (or, if such statistical release is not so published or available, any publicly available source of similar market data reasonably selected by the Company)) most nearly equal to the period from such date to the First Call Date; provided that if the period from such date to the First Call Date is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Applicable Treasury Rate shall be obtained by linear interpolation (calculated to the nearest 1/12th of a year) from the weekly average yields of U.S. Treasury securities for which such yields are given, except that if the period from such date to the First Call Date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

"Beneficially Own" shall mean to possess beneficial ownership as determined pursuant to Rule 13d-3 and Rule 13d-5 of the Exchange Act.

"Board of Directors" shall have the meaning assigned to such term in the recitals hereof.

"Board of Managers" shall have the meaning assigned to such term in the LLC Agreement; provided that, if the Board of Managers is not the board of directors, board of managers or other governing body that is the primary functioning board of directors, board of managers or other governing body governing (or that is charged with the material governance authority with respect to) the business of the General Partner, Parent, the Company or any of its Subsidiaries, then the Board of Managers shall be deemed to refer to such primary functioning board of directors, board of managers or other governing body.

"Borrower" shall mean Prime Security Services Borrower, LLC, a Delaware limited liability company.

"Business Day" shall mean any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed.

"Capitalized Lease Obligations" shall mean, at the time any determination thereof is to be made,
the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the footnotes thereto) in accordance with GAAP; provided that obligations of the Company or any of its Subsidiaries, or of a special purpose or other entity not consolidated with the Company and its Subsidiaries, either existing on July 1, 2015 or created thereafter that (a) initially were not included on the consolidated balance sheet of the Company or any of its Subsidiaries as capital lease obligations and were subsequently recharacterized as capital lease obligations or, in the case of such a special purpose or other entity becoming consolidated with the Company and its Subsidiaries, were required to be characterized as capital lease obligations upon such consideration, in either case, due to a change in accounting treatment or otherwise, or (b) did not exist on July 1, 2015 and were required to be characterized as capital lease obligations but would not have been required to be treated as capital lease obligations on July 1, 2015 had they existed at that time, shall for all purposes not be treated as Capitalized Lease Obligations or Indebtedness.

"Cash Dividend Rate." shall mean the Five-Year Treasury Yield plus 9.00% per annum; provided that the then-current Cash Dividend Rate shall automatically increase by an additional 1.00% per annum on the fifth anniversary of the Closing Date and on each anniversary of the Closing Date thereafter; provided, further, that (a) if and for so long as any Event of Default (other than a Senior Debt Event of Default) occurs and is continuing or (b) if and for so long as a Senior Debt Event of Default occurs and is continuing, on the tenth Business Day following the occurrence of such Senior Debt Event of Default, then, in each case, the then current Cash Dividend Rate shall automatically increase by an additional 2.00% per annum.

"Certificate of Incorporation" shall have the meaning assigned to such term in the recitals hereof.

A "Change in Control" shall be deemed to occur if:

(a) the Member shall fail to Beneficially Own and own of record, directly or indirectly, 100% of the issued and outstanding Equity Interests of the General Partner; provided that no Change of Control shall be deemed to have occurred pursuant to this clause (a) if the Member transfers all or any portion of the issued and outstanding Equity Interests of the General Partner to the general partner of the Fund or an Affiliate controlled by such general partner so long as (i) the Member or its general partner determines in good faith that it is necessary or desirable to consummate such transfer for legal, tax, regulatory or similar technical reasons and (i) such transfer does not adversely affect any of the rights, preferences, powers, or the qualifications, restrictions or limitations, or the value, of the Series A Preferred Securities;

(b) the General Partner shall fail to Beneficially Own and own of record, directly or indirectly, 100% of the general partnership interests in Parent;

(c) [Reserved];

(d) the Company shall fail to Beneficially Own and own of record, directly or indirectly, 100% of the issued and outstanding Equity Interests of Holdings or the Borrower;

(e) a "Change in Control" (as defined in (i) the First Lien Credit Agreement as in effect on the Closing Date, (ii) the Second Lien Credit Agreement as in effect on the Closing Date, (iii) the Second Priority Senior Secured Notes Indenture as in effect on the Closing Date, (v) any indenture or credit agreement in respect of Permitted Refinancing Indebtedness with respect to the Indebtedness referenced in clauses (i) through (iv) of this clause (e), in each case, constituting Material Indebtedness, or (vi) any indenture or credit agreement in respect of any Junior Financing constituting Material Indebtedness) shall have occurred; or

(f) a Fund Change in Control shall have occurred.
"Closing Date" shall mean May 2, 2016.


"Common Stock" shall mean the Company's common stock, par value $0.01 per share.

"Company" shall have the meaning assigned to such term in the recitals hereof.

"Company Insolvency Material Event" shall have the meaning assigned to such term in Section 7(b)(i).

"Compensation Arrangement" shall mean any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement, including any employment arrangement or equity purchase agreement.

"Compounded Dividends" shall have the meaning assigned to such term in Section 5.

"Consolidated Total Assets" shall mean, as of any date of determination, the total assets of the Borrower and its consolidated Subsidiaries without giving effect to any impairment or amortization of the amount of intangible assets since the Closing Date, determined on a consolidated basis in accordance with GAAP, as set forth on the consolidated balance sheet of the Borrower as of the last day of the fiscal quarter most recently ended for which financial statements have been (or were required to be) delivered pursuant to Section 4.1(f) of the Securities Purchase Agreement or Sections 1.2(b)(i) or 1.2(b)(ii) of the Second Amended and Restated Series A Investors Rights Agreement, as applicable, calculated on a Pro Forma Basis after giving effect to any acquisition or Disposition of a Person or assets that may have occurred on or after the last day of such fiscal quarter.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and "Controlling" and "Controlled" shall have meanings correlative thereto.

"Covered Person" shall mean any future, present or former employee, director, manager, officer, member of management or consultant of the General Partner, Parent, the Company, or any of their respective Subsidiaries that is unaffiliated with the Fund and the Fund Affiliates.

"Deemed Dividend Gross-Up Payment" shall have the meaning assigned to such term in the Second Amended and Restated Series A Investors Rights Agreement.

"DGCL" shall have the meaning assigned to such term in the recitals hereof. "Dispose" shall mean to convey, sell, lease, sell and leaseback, assign, farm-out, transfer or otherwise dispose of any property, business or asset (including the issuance of Equity Interests). The term "Disposition" shall have a correlative meaning to the foregoing.

"Disqualified Stock" shall mean, with respect to any Person, any Equity Interests of such Person that, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise (except as a result of a change of control or asset sale so long as any rights of the holders thereof upon the occurrence of a change of control or asset sale event shall be subject to the prior redemption in full of all Shares in accordance with Section 6 and Section 7), (b) is redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests
that would constitute Disqualified Stock, in each case, prior to the date that is 91 days after the Mandatory Redemption Date; provided that only the portion of the Equity Interests that so mature or are mandatorily redeemable, are so convertible or exchangeable or are so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock. Notwithstanding the foregoing, (i) any Equity Interests issued to any employee or to any plan for the benefit of employees of the Company or any of its Subsidiaries or by any such plan to such employees shall not constitute Disqualified Stock solely because they may be required to be repurchased by the Company or any of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability and (ii) any class of Equity Interests of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Equity Interests that are not Disqualified Stock shall not be deemed to be Disqualified Stock.

"Dividend Payment Date" shall mean March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 2016; provided that, if any Dividend Payment Date is not a Business Day, the Dividend Payment Date shall be the immediately preceding Business Day.

"Dividend Period" shall mean the period commencing on and including a Dividend Payment Date that ends on, but does not include, the next Dividend Payment Date; provided that the initial Dividend Period shall commence on and include the Closing Date and end on, but not include, the first Dividend Payment Date.

"DrD Gross-Up Payments" shall have the meaning assigned to such term in Section 5.

"Equity Interests" of any Person shall mean any and all shares, interests, rights to purchase or otherwise acquire, warrants, options, participations or other equivalents of or interests in (however designated) equity or ownership of such Person, including any preferred stock, any preferred securities, any limited or general partnership interest, any limited liability company membership interest, any related stock appreciation rights or similar securities, and any securities or other rights or interests convertible into or exchangeable for any of the foregoing.

"Equityholders Agreement" shall mean the Equityholders Agreement, dated as of the Closing Date, by and among the Member, the General Partner, Parent, Prime Security Services GP, LLC, a Delaware limited liability company, Apollo Investment Fund VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware) VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware 892) VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners VIII, L.P., a Cayman Islands exempted limited partnership, and the Purchaser.


"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) that, together with Parent, the Company or any of its Subsidiaries, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" shall mean (a) any Reportable Event or the requirements of Section 4043(b) of ERISA apply with respect to a Plan; (b) with respect to any Plan, the failure to satisfy the minimum funding standard under Section 412 of the Code or Section 302 of ERISA, whether or not waived; (c) a determination that any Plan is, or is expected to be, in "at risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code); (d) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, the failure to make by its due date a required installment under Section 430(j) of the Code with respect to any Plan or the failure to make any required contribution to a
Multiemployer Plan; (e) the incurrence by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan or Multiemployer Plan; (f) the receipt by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (g) the incurrence by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; (h) the receipt by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from Parent, the Company, any of its Subsidiaries or any ERISA Affiliate of any notice, concerning the impending imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA, or in "endangered" or "critically endangered" status, within the meaning of Section 432 of the Code or Section 305 of ERISA; (i) the conditions for imposition of a Lien under Section 303(k) of ERISA shall have been met with respect to any Plan; or (j) the withdrawal of any of Parent, the Company, any of its Subsidiaries or any ERISA Affiliate from a Plan subject to Section 4063 of ERISA during a plan year in which such entity was a "substantial employer" as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA.

"Event of Default" shall mean the happening of any of the following events:

(a) any representation or warranty made or deemed made by Parent or the Company in the Securities Purchase Agreement or by Parent, the Company or any of its Subsidiaries in any other Related Agreement to which it is a party or any certificate or document delivered by it pursuant hereto or thereto shall prove to have been false or misleading in any material respect when so made or deemed made and such false or misleading representation or warranty (if curable) shall remain false or misleading for a period of 30 days after the earlier of notice thereof (i) from the Preferred Majority Holder to the Company and (ii) to the Holders pursuant to Section 1.2(c)(i) of the Second Amended and Restated Series A Investors Rights Agreement;

(b) the Company shall fail to declare or pay any Dividends in accordance with Section 5 or any failure or default shall be made in the payment or distribution on any Share (including pursuant to Section 5, Section 6 or Section 7 of this Second Amended and Restated Certificate of Designation or Section 1.1 of the Second Amended and Restated Series A Investors Rights Agreement) or any other Preferred Securities, when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise, in each case for any reason whatsoever and, solely with respect to any failure to declare or pay any Dividends in accordance with Section 5, such failure shall continue unremedied for a period of five Business Days;

(c) any failure or default shall be made in the due observance or performance by the Company or any of its Subsidiaries of any covenant, condition or agreement contained in Section 9 of this Second Amended and Restated Certificate of Designation or by the Company or any of its Subsidiaries of any covenant, condition or agreement contained in Sections 1.2(a), 1.2(c) or 1.2(e) of the Second Amended and Restated Series A Investors Rights Agreement;

(d) any failure or default shall be made in the due observance or performance by the Member, the General Partner, Parent, the Company or any of its Subsidiaries of any covenant, condition or agreement contained herein or in any other Related Agreement to which it is a party (other than those specified in clauses (a), (b) and (c) above) and such failure or default shall continue unremedied for a period of 30 days after the earlier of notice thereof (i) from the Preferred Majority Holder to the Company and (ii) to the Holders pursuant to Section 1.2(c)(i) of the Second Amended and Restated Series A Investors Rights Agreement, in each case for any reason whatsoever;

(e) (i) any event or condition occurs that results in any Senior Debt becoming due prior to its scheduled maturity (a "Senior Debt Acceleration"), (ii) any event or condition occurs that (A) results in any Material Indebtedness becoming due prior to its scheduled maturity or (B) enables or permits (with all applicable grace periods having expired) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, or (iii) Parent, the Company or any of its Subsidiaries shall fail to pay the
principal of any Material Indebtedness at the stated final maturity thereof; provided that this clause (e) shall not apply to any secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness;

(f) Parent, the Company or any of its Subsidiaries shall fail to (i) make any payment of principal, interest or other amount when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) in respect of any Senior Debt and such failure is not cured prior to the Business Day before the expiration of the applicable grace period under such Senior Debt (after giving effect to any written waiver or other written extension thereof) or (ii) observe or perform any other agreement set forth in any Senior Debt or contained in any instrument or agreement evidencing, securing or relating to such Senior Debt and such failure is not cured prior to the Business Day before the expiration of the applicable grace period under such Senior Debt (after giving effect to any written waiver or other written extension thereof), which failure would enable or permit the holder or holders of such Senior Debt or any trustee or agent on its or their behalf to cause such Senior Debt to become due or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that, in each case, a forbearance with respect to any such failure shall not be deemed to eliminate such failure unless the requisite holders execute and deliver to Parent, the Company or any of its Subsidiaries, as applicable, an irrevocable extension or waiver under the terms of such Senior Debt with respect to such failure (any failure described in this clause (t), a "Senior Debt Event of Default");

(g) there shall have occurred a Change in Control;

(h) there shall have occurred an Insolvency Event;

(i) the failure by Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries to pay one or more final judgments aggregating in excess of $84,000,000 (to the extent not covered by insurance), which judgments are not discharged or effectively waived or stayed for a period of 45 consecutive days, or any action shall be legally taken by a judgment creditor to levy upon assets or properties of Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries to enforce any such judgment;

(j) (i) an ERISA Event shall have occurred, (ii) the PBGC shall institute proceedings (including giving notice of intent thereof) to terminate any Plan or Plans, (ii) Parent, the Company or any of its Subsidiaries or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, or (iv) Parent, the Company or any of its Subsidiaries shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan; and in each case in clauses (i) through (iv) above, such event or condition, together with all other such events or conditions, if any, would reasonably be expected to have a Material Adverse Effect; or

(k) this Second Amended and Restated Certificate of Designation or any other Related Agreement shall for any reason be asserted in writing by the Member, the General Partner, Parent, the Company or any of its Subsidiaries or any of their respective Affiliates not to be a legal, valid and binding obligation of any party thereto.


"Existing ADTSC Roll-Over Notes" shall mean, collectively, (a) the $1,000,000,000 in aggregate principal amount of the 3.50% Notes due 2022, (b) the $750,000,000 in aggregate principal amount of the 4.875% Notes due 2042 or 2032, as applicable, (c) the $700,000,000 in aggregate principal amount of the 4.125% Senior Notes due 2023, (d) the $1,000,000,000 in aggregate principal amount of the 6.25% Senior Notes due 2021 and (e) the $300,000,000 in aggregate principal amount of the 5.25% Senior Notes due 2020.

"First Call Date" shall mean May 2, 2019.
"First Lien Credit Agreement" shall mean the Amended and Restated First Lien Credit Agreement, dated as of the Closing Date, by and among Holdings, the Borrower, the lenders party thereto and Barclays Bank PLC, as administrative agent.

"Five-Year Treasury Yield" shall mean, as of the relevant date, the greater of (a) 1.25% per annum and (b) the yield (rounded upwards if necessary to the nearest 1/100th of 1.00%) on actively traded U.S. Treasury securities adjusted to a constant maturity of five years, as determined by reference to the 5-Year Constant Maturity Treasury Rate for such date published by the U.S. Department of the Treasury (currently located under the caption "Daily Treasury Yield Curve Rates" at http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield), or, if such information is no longer published by the U.S. Department of the Treasury, by reference to comparable information contained in any other publicly available source of similar market data as reasonably determined in good faith by the Company.

"Foreign Subsidiary" shall mean any Subsidiary of the Borrower that is incorporated or organized under the laws of any jurisdiction other than the U.S., any state thereof or the District of Columbia.

"Fund" shall mean, collectively, Apollo Investment Fund VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware) VIII, L.P., a Delaware limited partnership, Apollo Overseas Partners (Delaware 892) VIII, L.P., a Delaware limited partnership, and Apollo Overseas Partners VIII, L.P., a Cayman Islands exempted limited partnership.

"Fund Affiliate" shall mean (a) each Affiliate of the Fund that is neither a "portfolio company" (which shall mean a company actively engaged in providing goods or services to unaffiliated customers), whether or not controlled, nor a company controlled by a "portfolio company" and (b) any individual who is a partner or employee of Apollo Management, L.P. or Apollo Management VIII, L.P.

A "Fund Change in Control" shall be deemed to occur if:

(a) the Fund ceases to have the ability or right to appoint, directly or indirectly, directors or managers constituting a majority of the voting power of the Board of Directors, the Board of Managers or the board of directors or board of managers or other governing body of the General Partner, Parent, the Company or any of its Subsidiaries;

(b) (i) the Fund ceases to Beneficially Own and own of record, directly or indirectly, 100% of the issued and outstanding Equity Interests of the General Partner or the Equity Interests of the other Person surviving or resulting from a Fund Change in Control relating to the General Partner, as applicable, (ii) the Fund ceases to Beneficially Own and own of record, directly or indirectly, at least 125,000,000 Units and/or Units representing at least 32.81% of the issued and outstanding Units or the equivalent Equity Interests of the other Person surviving or resulting from a Fund Change in Control relating to Parent, as applicable, or (iii) the Fund ceases to Beneficially Own and own of record, directly or indirectly, at least 311,649.94 shares of Common Stock and/or Common Stock representing at least 32.81% of the issued and outstanding Common Stock or the equivalent Equity Interests of the other Person surviving or resulting from a Fund Change in Control relating to the Company, as applicable, in each case without giving effect to any adjustments in the event of any stock or securities dividend, stock or securities split, stock or securities distribution, recapitalization or combination; provided that the percentage calculations in clauses (ii) and (iii) shall be calculated without regard to any Equity Interests of Parent or the Company granted to or held by any Covered Person (or any Affiliate of such Covered Person), but only to the extent such Equity Interests comprise 5.50% or less of all Equity Interests of any such Person in the aggregate; or

(c) the General Partner, Parent or the Company (i) merges or consolidates with or into any other Person, another Person merges with or into the General Partner, Parent or the Company, or the General Partner, Parent or, except in connection with a Permitted Securitization Financing, the Company Disposes to another Person all or substantially all of the assets of the General Partner, Parent, the Company and its Subsidiaries, taken as a
whole, whether directly or indirectly through the sale of assets of one or more of their respective Subsidiaries, or (ii) engages in any recapitalization, reclassification or other transaction unless, in the context of any such merger or consolidation referenced in the foregoing clause (i) or recapitalization, reclassification or other transaction referenced in the foregoing clause (ii), (A) the Fund continues to Beneficially Own and own of record, directly or indirectly, immediately after giving effect to such transaction, (I) 100% of the issued and outstanding Equity Interests of the General Partner, (II) at least 125,000,000 Units and/or 32.81% of the issued and outstanding Units and (III) at least 311,649.94 shares of Common Stock and/or 32.81% of the issued and outstanding Common Stock or, in each case, the equivalent Equity Interests of the other Person surviving or resulting from such transaction, in each case without giving effect to any adjustments in the event of any stock or securities dividend, stock or securities split, stock or securities distribution, recapitalization or combination and (B) no Shares are cancelled or converted into shares of any other class or series of capital stock of the Company or any Equity Interests of the Company or any other Person (or the right to receive any such Equity Interests), any property (including cash or the right to receive cash or other property) or any combination of the foregoing; provided that the percentage calculations in clauses (II) and (III) shall be calculated without regard to any Equity Interests of Parent or the Company granted to or held by any Covered Person (or any Affiliate of such Covered Person), but only to the extent such Equity Interests comprise 5.50% or less of all Equity Interests of any such Person in the aggregate.

"GAAP" shall mean generally accepted accounting principles in effect from time to time in the U.S., applied on a consistent basis, subject to the provisions of Section 1(b); provided that any reference to the application of GAAP in Sections 2.13(b) or 2.20 of the Securities Purchase Agreement or Section 1.2(d) of the Second Amended and Restated Series A Investors Rights Agreement to a Foreign Subsidiary (and not as a consolidated Subsidiary of the Borrower) shall mean generally accepted accounting principles in effect from time to time in the jurisdiction of organization of such Foreign Subsidiary.

"General Partner" shall mean Prime Security Services TopCo Parent GP, LLC, a Delaware limited liability company.

"Guarantee" of or by any Person (the "guarantor") shall mean (a) any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other monetary obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (iv) entered into for the purpose of assuring in any other manner the holders of such Indebtedness or other obligation of the payment thereof or to protect such holders against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of the guarantor securing any Indebtedness or other obligation (or any existing right, contingent or otherwise, of the holder of Indebtedness or other obligation to be secured by such Lien) of any other Person, whether or not such Indebtedness or other obligation is assumed by the guarantor; provided that the term "Guarantee" shall not include endorsements of instruments for deposit or collection in the ordinary course of business or customary and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or Disposition of assets permitted by the Loan Documents and this Second Amended and Restated Certificate of Designation (other than such obligations with respect to Indebtedness). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the Indebtedness in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Hedging Agreement" shall mean any agreement with respect to any swap, forward, future or derivative transaction, or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value, or credit spread transaction, repurchase transaction, reserve repurchase transaction, securities lending transaction, weather index transaction, spot contracts, fixed price physical delivery contracts, or any similar transaction or any combination of these transactions, in each case of
the foregoing, whether or not exchange traded; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of Parent, the Company or any of its Subsidiaries shall be a Hedging Agreement.

"Holder" shall mean, as of the relevant date, any Person that is the holder of record of at least one Share as of such date.

"Holdings" shall mean Prime Security Services Holdings, LLC, a Delaware limited liability company. Unless the context otherwise requires, "Holdings" shall also include any Intermediate Holding Company.

"Immaterial Subsidiary" shall mean any Subsidiary of the Borrower that (a) did not, as of the last day of the fiscal quarter of the Borrower most recently ended for which financial statements have been (or were required to be) delivered pursuant to Section 4.1(f) of the Securities Purchase Agreement or Sections 1.2(b)(i) or 1.2(b)(ii) of the Second Amended and Restated Series A Investors Rights Agreement, have assets with a value in excess of 5.00% of the Consolidated Total Assets or revenues representing in excess of 5.00% of total revenues of the Borrower and its Subsidiaries on a consolidated basis as of such date, and (b) taken together with all Immaterial Subsidiaries as of such date, did not have assets with a value in excess of 10.0% of Consolidated Total Assets or revenues representing in excess of 10.0% of total revenues of the Borrower and its Subsidiaries on a consolidated basis as of such date; provided that the Company may elect in its sole discretion to exclude as an Immaterial Subsidiary any Subsidiary of the Borrower that would otherwise meet the definition of "Immaterial Subsidiary". Each Immaterial Subsidiary as of the Amendment Date shall be set forth in Exhibit E to the Second Amended and Restated Series A Investors Rights Agreement and the Company shall update such Exhibit from time to time after the Amendment Date as necessary to reflect all Immaterial Subsidiaries at such time (the selection of Subsidiaries of the Borrower to be added to or removed from such Exhibit to be made as the Company may determine).

"Incremental Assumption and Amendment Agreement" shall mean the Incremental Assumption and Amendment Agreement, dated as of the Closing Date, by and among Holdings, the Borrower, the lenders party thereto, Barclays Bank PLC, as administrative agent, and the other parties thereto.

"Indebtedness" of any Person shall mean, if and to the extent (other than with respect to clause (i) of this definition) the same would constitute indebtedness or a liability on a balance sheet prepared in accordance with GAAP, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional title retention agreements relating to property or assets purchased by such Person, (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services (other than such obligations accrued in the ordinary course), to the extent that the same would be required to be shown as a long term liability on a balance sheet prepared in accordance with GAAP, (e) all Capitalized Lease Obligations of such Person, (f) all net payments that such Person would have to make in the event of an early termination, on the date Indebtedness of such Person is being determined, in respect of outstanding Hedging Agreements, (g) the principal component of all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit, (h) the principal component of all obligations of such Person in respect of bankers’ acceptances, (i) all Guarantees by such Person of Indebtedness described in clauses (a) through (h) above and (j) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (excluding accrued dividends that have not increased the liquidation preference of such Disqualified Stock); provided that, in the case of the Borrower and its Subsidiaries, Indebtedness shall not include (A) trade and other ordinary-course payables, accrued expenses, and intercompany liabilities arising in the ordinary course of business, (B) prepaid or deferred revenue, (C) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase prices of an asset to satisfy unperformed obligations of the seller of such asset, (D) earn-out obligations until such obligations become a liability on the balance sheet of such Person in accordance with GAAP, (E) obligations in respect of Third Party Funds or (F): (I) all intercompany Indebtedness having a term not exceeding 364 days (inclusive of any roll-over or extensions of terms) and made in the ordinary course of business and (II) intercompany liabilities in connection with the cash management, tax and accounting operations of the Borrower and its Subsidiaries. The Indebtedness of any Person shall include the Indebtedness of any partnership in which such Person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness limits the liability of such Person.
in respect thereof. To the extent not otherwise included, Indebtedness shall include the amount of any Receivables Net Investment.

"Initial Public Offering" shall mean a consummated underwritten initial public offering of Common Stock.

"Insolvency Event" shall mean:

(a) any voluntary or involuntary liquidation, dissolution or winding up of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries;

(b) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries, or of a substantial part of the property or assets of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries or for a substantial part of the property or assets of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries, and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered; or

(c) the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (b) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries or for a substantial part of the property or assets of the Member, the General Partner, Parent, the Company, Holdings, the Borrower or any of its Material Subsidiaries, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) become unable or admit in writing its inability or fail generally to pay its debts as they become due.

For purposes of this definition, "Material Subsidiary" shall mean any Subsidiary of the Borrower that would not be an Immaterial Subsidiary under clause (a) of the definition thereof.

"Intermediate Company" shall have the meaning assigned to such term in Section 9(a)(iv).

"Junior Financing" shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"Junior Stock" shall mean Common Stock, any other Preferred Securities and any other Equity Interest of the Company (other than the Series A Preferred Securities).

"Lien" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, hypothecation, pledge, charge, security interest or similar monetary encumbrance in or on such asset and (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset; provided that in no
"LLC Agreement" shall mean the Limited Liability Company Agreement of the General Partner dated as of the Closing Date.

"Loan Documents" shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"LP Agreement" shall mean the Third Amended and Restated Limited Partnership Agreement of Parent dated as of the Closing Date.

"Make-Whole Amount" shall mean, with respect to any Share as of any Redemption Date occurring prior to the First Call Date, the difference of (I) the present value as of such Redemption Date of the Series A Preference Amount as of the First Call Date of the Share being redeemed (i.e., the product of 105.50% multiplied by the Accumulated Stated Value as of the First Call Date of such Share being redeemed), assuming (a) that such Share were to remain outstanding through the First Call Date and then be redeemed on the First Call Date and (b) for purposes of determining the Accumulated Stated Value as of the First Call Date of such Share that (i) all the Dividends that would accumulate on such Share (based on the Accrued Dividend Rate as in effect as of such Redemption Date) from such Redemption Date to, but not including, the Dividend Payment Date immediately prior to the First Call Date (the "Nearest Dividend Payment Date") would not be paid and would compound and increase the Stated Value of such Share on each Dividend Payment Date that would occur during the period from such date through the Nearest Dividend Payment Date with such Dividends in each case accumulating on the Stated Value of such Share as it so increased and (ii) all the Dividends that would accumulate on such Share (based on the Accrued Dividend Rate as in effect as of such Redemption Date and, for the avoidance of doubt, after giving effect to the increase to the Stated Value of such Share described in clause (i) of this definition) from the Nearest Dividend Payment Date (or, if such Redemption Date occurs after the Nearest Dividend Payment Date and prior to the First Call Date, from such Redemption Date (and in such case, without duplication of amounts in clause (i) already included in the Accumulated Stated Value)) to, but not including, the First Call Date would not be paid and would compound and increase the Stated Value of such Share on the First Call Date, with such present value being computed using an annual discount rate (applied quarterly) equal to the Applicable Treasury Rate as of such Redemption Date plus 50 basis points, minus (II) the Accumulated Stated Value of the Share being redeemed as of such Redemption Date, provided that, with respect to any Share as of any Redemption Date occurring after June 30, 2018 and before the First Call Date, if the cash balance in the Segregated Account has been at all times prior to the Redemption Date at least equal to the Minimum Segregated Account Amount, then the Make-Whole Amount per Share shall be reduced by the Reduction Amount.

"Manager" shall have the meaning assigned to such term in the LLC Agreement.

"Mandatory Redemption Date" shall have the meaning assigned to such term in Section 6(a)(ii).

"Material Adverse Effect" shall mean a material adverse effect on the business, property, operations or financial condition of the Company and its Subsidiaries, taken as a whole, or the validity or enforceability of this Second Amended and Restated Certificate of Designation or any other Related Agreement or the rights and remedies of the Purchaser and the Holders hereunder or thereunder.

"Material Event" shall have the meaning assigned to such term in Section 7(a).

"Material Event Offer" shall have the meaning assigned to such term in Section 7(a).

"Material Event Offer Period" shall have the meaning assigned to such term in Section 7(c)(i).

"Material Event Redemption" shall have the meaning assigned to such term in Section 7(a).
"Material Event Redemption Date" shall have the meaning assigned to such term in Section 7(a).

"Material Event Redemption Notice" shall have the meaning assigned to such term in Section 7(c)(iii).

"Material Indebtedness" shall mean (a) any Senior Debt and/or (b) any Indebtedness of any one or more of Parent, the Company or any of its Subsidiaries in an aggregate principal amount exceeding $84,000,000; provided that in no event shall any Permitted Securitization Financing be considered Material Indebtedness.

"Material Subsidiary" shall mean any Subsidiary other than an Immaterial Subsidiary.

"Member" shall mean AP VIII Prime Security Services Holdings, L.P., a Delaware limited partnership.

"Merger" shall have the meaning assigned to such term in the definition of "Merger Agreement".

"Merger Agreement" shall mean the Agreement and Plan of Merger, dated as of February 14, 2016, by and among ADT, the Borrower, Merger Sub (as defined therein), the Company and, solely for the purposes of Article IX thereof, Parent, pursuant to which Merger Sub will merge with and into ADT, with ADT surviving as an indirect wholly owned subsidiary of the Borrower (the "Merger").

"Minimum Segregated Account Amount" shall mean either (a) at any time following the consummation of an Initial Public Offering (but before the consummation of any subsequent Public Offering (a "Subsequent Offering")), an amount in cash equal to at least $750,000,000, or (b) at any time following the consummation of a Subsequent Offering, an amount equal to at least the aggregate Redemption Price for all outstanding Series A Preferred Securities outstanding as of such time, (i) in the event such Subsequent Offering occurs on or prior to June 30, 2018, the aggregate Redemption Price shall be initially calculated assuming the Redemption Date was July 1, 2018 and for each calendar quarter ending after June 30, 2018, the aggregate Redemption Price shall be calculated assuming the Redemption Date was the last date of such calendar quarter during which such Subsequent Offering was consummated and for each calendar quarter thereafter the aggregate Redemption Price shall be calculated assuming the Redemption Date was the last date of such calendar quarter.

"Multiemployer Plan" shall mean a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which Parent, the Company or any of its Subsidiaries or any ERISA Affiliate (other than one considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Code Section 414) is making or accruing an obligation to make contributions, or has within any of the preceding six plan years made or accrued an obligation to make contributions.

"Nearest Dividend Payment Date" shall have the meaning assigned to such term in the definition of "Make-Whole Amount".

"Optional Redemption Date" shall have the meaning assigned to such term in Section 6(a)(i).

"Parent" shall mean Prime Security Services TopCo Parent, L.P., a Delaware limited partnership.

"Parent Entity" shall mean any direct or indirect controlling parent of the Company (excluding the Fund, the Fund Affiliates and their respective parent entities).
"P BGC" shall mean the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

"Permitted Affiliate Transaction" shall mean:

(a) other than Affiliate Investment Transactions, any transaction (or series of related transactions) upon terms that are substantially no less favorable to the Company and any of its Subsidiaries that are party to such transaction (or series of related transactions) than would be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate, as determined by the Board of Managers in good faith;

(b) loans or advances to employees or consultants of the Company, any of the Company's Subsidiaries or any Parent Entity that are, in each case, made in connection with recruiting or retaining such employees or consultants to operate or manage their respective businesses, as determined by the Board of Managers in good faith to be reasonably necessary to successfully recruit or retain such employees or consultants, and the payment and cancellation of such loans or advances;

(c) [Reserved];

(d) any agreement to pay, and the payment of, monitoring, consulting, management, transaction, advisory or similar fees payable to the Fund or any Fund Affiliate in an aggregate amount in any fiscal year for all such agreements and payments not to exceed the lesser of (i) 1.00% of EBITDA for such fiscal year and (ii) $20,000,000;

(e) any Permitted Restricted Payment;

(f) the payment of (i) reasonable out-of-pocket costs to any Covered Person, in each case relating to services performed for or on behalf of the Company and (ii) amounts arising out of the Company's or any Parent Entity's indemnification and advancement obligations to any Covered Person;

(g) (i) any Compensation Arrangement with any Covered Person and employment agreements entered into by the Company or any of its Subsidiaries in the ordinary course of business, (ii) any subscription agreement or similar agreement pertaining to the repurchase of Equity Interests pursuant to any Permitted Restricted Payment and (iii) any employee compensation, benefit plan or arrangement, any health, disability or similar insurance plan which covers bona fide employees of the Company and its Subsidiaries, and any reasonable employment contract and transactions pursuant thereto;

(h) any transaction in respect of which the Company delivers to the Holders a letter addressed to the Board of Managers from an independent accounting, appraisal or investment banking firm, in each case of nationally recognized standing that is in the good faith determination of the Company qualified to render such letter, which letter states that (i) (A) such transaction is on terms that are substantially no less favorable to the Company or such Subsidiary, as applicable, than would be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate or (B) such transaction is fair to the Company or such Subsidiary, as applicable, from a financial point of view and (ii) such transaction does not disproportionately affect the rights of the Holders or the value of the Shares;

(i) investments in securities of, or the extension of any debt or equity financing to, the Company or any of its Subsidiaries by the Fund or any Fund Affiliate (any such investment or financing, an "Affiliate Investment Transaction") so long as (i) the investment is being offered generally to other investors (including the Holders) on the same or more favorable terms and (ii) the investment constitutes less than 5.00% of the outstanding issue amount of such class of securities; or

(j) transactions between the Company and any of its Subsidiaries and any Person, a director of
which is also a director of the Company or any Parent Entity; provided that (i) such director abstains from voting as a director of the Company or such Parent Entity, as the case may be, on any matter involving such other Person and (ii) such Person is not an Affiliate of the Company for any other reason other than such director's acting in such capacity.

"Permitted Refinancing Indebtedness" shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"Permitted Restricted Payment" shall mean:

(a) any Restricted Payment on account of any Share;
(b) [Reserved];
(c) [Reserved]; or
(d) any dividends, distributions or other payments made to Parent or the Company, in order to permit Parent or the Company to make payments in respect of (i) dividends, distributions or other payments on account of purchases or redemptions, or payments, dividends or distributions in respect of, Equity Interests held by a Covered Person or under any Compensation Arrangement or any shareholders agreement then in effect upon such Person's death, disability, retirement or termination of employment or under the terms of any Compensation Arrangement and (ii) dividends, distributions or other payments (A) in respect of bona fide overhead, legal, accounting and other professional fees and expenses of the Company or any Parent Entity, (B) in respect of bona fide franchise and similar taxes and other fees and expenses in connection with the maintenance of the Company's (or any Parent Entity's) existence and the Company's (or any Parent Entity's indirect) ownership of its Subsidiaries, (C) Permitted Affiliate Transactions (other than pursuant to clause (a) or (h) of such definition), (D) to the Company (and, if applicable, any Parent Entity) in an amount not to exceed the amount of any U.S., federal, state, local or foreign taxes that the Company and/or its Subsidiaries, as applicable, would have paid if the Company and/or its Subsidiaries, as applicable, had been a stand-alone corporate taxpayer or stand-alone corporate group with respect to any taxable period during which (x) the Company and/or any of its Subsidiaries are members of a consolidated, combined, affiliated, unitary or similar tax group for U.S. federal and/or applicable state, local or foreign tax purposes and (y) the Company or any Parent Entity is the common parent of such group, or (E) in respect of bona fide non-cash repurchases of Equity Interests deemed to occur upon exercise of stock options if such Equity Interests represent a portion of the exercise price of such options; provided that, in the case of clauses (A) and (B) above, the amount of such Restricted Payments shall not exceed the portion of any amounts referred to in such clauses (A) and (B) that are allocable to Parent and its Subsidiaries (which shall be 100% at any time that, as the case may be, (x) the Company owns no material assets other than the Equity Interests of Holdings and assets incidental to such equity ownership or (y) any Parent Entity owns, directly or indirectly, no material assets other than Equity Interests of the Company and any other Parent Entity and assets incidental to such equity ownership).

"Permitted Securitization Documents" shall mean all documents and agreements evidencing, relating to or otherwise governing a Permitted Securitization Financing.

"Permitted Securitization Financing" shall mean one or more transactions pursuant to which (i) Securitization Assets or interests therein are sold to or financed by one or more Special Purpose Securitization Subsidiaries, and (ii) such Special Purpose Securitization Subsidiaries finance their acquisition of such Securitization Assets or interests therein, or the financing thereof, by selling or borrowing against Securitization Assets and any Hedging Agreements entered into in connection with such Securitization Assets; provided that recourse to the Borrower or any of its Subsidiaries (other than the Special Purpose Securitization Subsidiaries) in connection with such transactions shall be limited to the extent customary (as determined by the Company in good faith in consultation with the Preferred Majority Holder) for similar transactions in the applicable jurisdictions (including, to the extent applicable, in a manner consistent with the delivery of a "true sale"/"absolute transfer" opinion with respect to any transfer by the Borrower or any of its Subsidiaries (other than a Special
"Person" shall mean any natural person, corporation, business trust, joint venture, association, company, partnership, limited liability company or government, individual or family trusts, or any agency or political subdivision thereof.

"Plan" shall mean any employee pension benefit plan (other than a Multiemployer Plan) that is (a) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, (b) sponsored or maintained (at the time of determination or at any time within the five years prior thereto) by Parent, the Company, any of its Subsidiaries or any ERISA Affiliate, and (c) in respect of which Parent, the Company, any of its Subsidiaries or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Preferred Majority Holder" shall mean the Holder (together with its Affiliates) or the Holders (together with their respective Affiliates) of not less than a majority of the voting power and the aggregate Accumulated Stated Value of all Shares.

"Preferred Securities" shall have the meaning assigned to such term in the recitals hereof.

"Pro Forma Basis" shall have the meaning assigned to such term in each of the First Lien Credit Agreement as in effect on the Closing Date and the Second Lien Credit Agreement as in effect on the Closing Date.

"Public Offering" means an underwritten public offering of Common Stock.

"Purchaser" shall have the meaning assigned to such term in the Securities Purchase Agreement.

"Qualified Equity Interests" shall mean any Equity Interest other than Disqualified Stock.

"Qualified IPO" shall mean an Initial Public Offering that (a) generates gross cash proceeds of at least $750,000,000 and (b) on or prior to which the Company shall have deposited in a Segregated Account an amount in cash equal to at least $750,000,000.

"Receivables Assets" shall mean accounts receivable (including any bills of exchange) and related assets and property from time to time originated, acquired or otherwise owned by the Borrower or any of its Subsidiaries.

"Receivables Net Investment" shall mean the aggregate cash amount paid by the lenders or purchasers under any Permitted Securitization Financing in connection with their purchase of, or the making of loans secured by, Receivables Assets or interests therein, as the same may be reduced from time to time by collections with respect to such Receivables Assets or otherwise in accordance with the terms of the Permitted Securitization Documents (but excluding any such collections used to make payments of, with respect to any Person for any period, commissions, discounts, yield and other fees and charges incurred in connection with any Permitted Securitization Financing which are payable to any Person other than the Borrower or a Subsidiary, minus interest income for such period); provided that if all or any part of such Receivables Net Investment shall have been reduced by application of any distribution and thereafter such distribution is rescinded or must otherwise be returned for any reason, such Receivables Net Investment shall be increased by the amount of such distribution, all as though such distribution had not been made.

"Redemption Date" shall mean an Optional Redemption Date, a Mandatory Redemption Date or a Material Event Redemption Date, as applicable.

"Redemption Percentage" shall mean, as of the relevant date, the applicable percentage.
under the heading "Redemption Percentage" set forth in the table below:

<table>
<thead>
<tr>
<th>Period In Which Such Date Occurs</th>
<th>Redemption Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>If such date occurs during the period from and including the First Call Date to, but not including, May 2, 2020</td>
<td>105.50%</td>
</tr>
<tr>
<td>If such date occurs during the period from and including May 2, 2020 to, but not including, May 2, 2021</td>
<td>102.75%</td>
</tr>
<tr>
<td>If such date occurs on or after May 2, 2021</td>
<td>100%</td>
</tr>
</tbody>
</table>

"Redemption Percentage" shall have the meaning assigned to such term in Section 6(b)(ii).

"Reduction Amount" shall mean an amount equal to the sum of (x) the difference between (A) the Make-Whole Amount per Share calculated on the basis of the Accumulated Stated Value assuming a redemption date of July 1, 2018 and (B) the Make-Whole Amount per Share calculated on the basis of an Accumulated Stated Value per share equal to $1,000 assuming a redemption date of July 1, 2018 (without regard to any Compounding Dividends with respect to such Share as of July 1, 2018), plus (y) the difference between (A) the Aggregate Accumulated Dividends assuming a redemption date of July 1, 2018 for purposes of Section 6(a)(i) and Section 6(b)(i)(A) and (B) the Aggregate Accumulated Dividends assuming a redemption date of July 1, 2018 for purposes of Section 6(a)(i) and Section 6(b)(i)(A) calculated assuming that (i) from June 30, 2017 to and including July 1, 2018, the Accrued Dividend Rate equaled the Five-Year Treasury plus 9.00% per annum and (ii) Dividends accrued on each date during such period accumulated on a daily basis in arrears on the Stated Value per Share, with the Stated Value per Share for such purposes being $1,000 (without regard to any Compounded Dividends with respect to such Share as of any date during such period).

"Related Agreements" shall mean the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), the Second Amended and Restated Series A Investors Rights Agreement, the Securities Purchase Agreement, the Equityholders Agreement, the LLC Agreement, the LP Agreement and the Warrant.

"Reportable Event" shall mean any reportable event as defined in Section 4043(c) of ERISA or the regulations issued thereunder, other than those events as to which the 30-day notice period referred to in Section 4043(c) of ERISA has been waived, with respect to a Plan (other than a Plan maintained by an ERISA Affiliate that is considered an ERISA Affiliate only pursuant to subsection (m) or (o) of Section 414 of the Code).

"Restricted Payment" shall mean (a) to declare or pay any dividend or make any other distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, with respect to any of the Equity Interests of the Company or any of its Subsidiaries (other than, in each case, to the Company or any direct or indirect Subsidiary of the Company which Equity Interests of such Subsidiary shall be at least 90.0% owned, directly or indirectly, by the Company) or (b) directly or indirectly redeem, purchase, retire or otherwise acquire for value (or permit any Person to purchase or acquire) any of the Equity Interests of the Company or set aside any amount for any such purpose. The amount of any Restricted Payment made other than in the form of cash or cash equivalents shall be the fair market value thereof (as determined by the Company in good faith).

"Second Amended and Restated Certificate of Designation" shall have the meaning assigned to such term in the recitals hereof.

"Second Amended and Restated Series A Investors Rights Agreement" shall mean the Second Amended and Restated Series A Investors Rights Agreement, dated as of the date hereof, by and among the Purchaser, the Holders party thereto, the Member, the General Partner, Parent and the Company.
"Second Lien Credit Agreement" shall mean the Second Lien Credit Agreement, dated as of July 1, 2015, by and among Holdings, the Borrower, the lenders party thereto and Credit Suisse AG, Cayman Islands Branch, as administrative agent.

"Second Priority Senior Secured Notes" shall mean the $3,140,000,000 in aggregate principal amount of the 9.25% Second Priority Senior Secured Notes due 2023 issued pursuant to the Second Priority Senior Secured Notes Indenture.

"Second Priority Senior Secured Notes Documents" shall mean the Second Priority Senior Secured Notes, the Second Priority Senior Secured Notes Indenture, the "Second Lien Intercreditor Agreement" (as defined in the Second Priority Senior Secured Notes Indenture), the "First Lien/Second Lien Intercreditor Agreement" (as defined in the Second Priority Senior Secured Notes Indenture) and the "Security Documents" (as defined in the Second Priority Senior Secured Notes Indenture), each as in effect on the Closing Date.

"Second Priority Senior Secured Notes Indenture" shall mean the Indenture, dated as of the Closing Date, among the Borrower, Prime Finance Inc., a Delaware corporation, as co­issuer, the subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as trustee.

"Securities Act" shall mean the Securities Act of 1933.

"Securities Purchase Agreement" shall mean the Securities Purchase Agreement, dated as of the Closing Date, by and among the Purchaser, Parent and the Company.

"Securitization Assets" shall mean any of the following assets (or interests therein) from time to time originated, acquired or otherwise owned by the Borrower or any of its Subsidiaries or in which the Borrower or any of its Subsidiaries has any rights or interests, in each case, without regard to where such assets or interests are located: (a) Receivables Assets, (b) franchise fee payments and other revenues related to franchise agreements, (c) royalty and other similar payments made related to the use of trade names and other intellectual property, business support, training and other services, (d) revenues related to distribution and merchandising of the products of the Borrower and its Subsidiaries, (e) rents, real estate taxes and other non-royalty amounts due from franchisees, (f) intellectual property rights relating to the generation of any of the foregoing types of assets, (g) parcels of or interests in real property, together with all easements, hereditaments and appurtenances thereto, all improvements and appurtenant fixtures and equipment, incidental to the ownership, lease or operation thereof, and (h) any other assets and property to the extent customarily included in securitization transactions of the relevant type in the applicable jurisdictions (as determined by the Company in good faith).

"Segregated Account" shall mean the deposit account established and owned by the Company solely for the purpose of holding the Minimum Segregated Account Amount, which Minimum Segregated Account Amount may only be used by the Company to redeem the Series A Preferred Securities, in whole or in part, from time to time, in accordance with Section 1.5 of the Second Amended and Restated Series A Investors Rights Agreement.

"Senior Debt" shall mean any Indebtedness incurred pursuant to any of (a) the Loan Documents, (b) the Second Priority Senior Secured Notes Documents and/or (c) the documents governing the Existing ADTSC Roll-Over Notes, in each case as amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders, holders or otherwise), restructured, repaid, refunded, refinanced or otherwise modified from time to time, including any agreement or indenture extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of any Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof and whether or not such original Senior Debt remains outstanding.

"Senior Debt Acceleration" shall have the meaning assigned to such term in clause (e)(i)
of the definition of "Event of Default".

"Senior Debt Event of Default" shall have the meaning assigned to such term in clause (f) of the definition of "Event of Default".

"Series A Preference Amount" shall mean, as of any date that is on or after the First Call Date, an amount per Share equal to the product of (a) the Redemption Percentage applicable as of such date multiplied by (b) the Accumulated Stated Value of such Share as of such date.

"Series A Preferred Securities" shall have the meaning assigned to such term in Section 2.

"Share" shall mean, as of the relevant date, any issued and outstanding share of the Series A Preferred Securities as of such date.

"Similar Business" shall mean any business, the majority of whose revenues are derived from (a) business or activities conducted by the Company and its Subsidiaries on the Closing Date, (b) any business that is a natural outgrowth or reasonable extension, development or expansion of any such business or any business similar, reasonably related, incidental, complementary or ancillary to any of the foregoing or (c) any business that in the Company's good faith business judgment constitutes a reasonable diversification of businesses conducted by the Company and its Subsidiaries.

"Special Purpose Securitization Subsidiary" shall mean (i) a direct or indirect Subsidiary of the Borrower established in connection with a Permitted Securitization Financing for the acquisition of Securitization Assets or interests therein, and which is organized in a manner (as determined by the Company in good faith) intended to reduce the likelihood that it would be substantially consolidated with Holdings (prior to a Qualified IPO (as defined in the First Lien Credit Agreement as in effect on the Closing Date)), the Borrower or any of its Subsidiaries (other than Special Purpose Securitization Subsidiaries) in the event Holdings (prior to a Qualified IPO (as defined in the First Lien Credit Agreement as in effect on the Closing Date)), the Borrower or any such Subsidiary becomes subject to a proceeding under the U.S. Bankruptcy Code (or other insolvency law) and (ii) any Subsidiary of a Special Purpose Securitization Subsidiary.

"Stated Value" shall mean, as of the relevant date and with respect to each Share, the sum of (a) $1,000 (adjusted as appropriate in the event of any stock or securities dividend, stock or securities split, stock or securities distribution, recapitalization or combination) plus (b) the aggregate Compounded Dividends with respect to such Share as of such date.

"Subsidiary" shall mean, with respect to any Person (in this definition referred to as the "parent"), any corporation, partnership, association or other business entity (a) of which securities or other ownership interests representing more than 50.0% of the equity or more than 50.0% of the ordinary voting power or more than 50.0% of the general partnership interests are, at the time any determination is being made, directly or indirectly, owned, Controlled or held, or (b) that is, at the time any determination is made, otherwise Controlled, by the parent or one or more Subsidiaries of the parent or by the parent and one or more Subsidiaries of the parent.

"Third Party Funds" shall mean any segregated accounts or funds, or any portion thereof, received by Borrower or any of its Subsidiaries as agent on behalf of third parties in accordance with a written agreement that imposes a duty upon Borrower or one or more of its Subsidiaries to collect and remit those funds to such third parties.

"Units" shall mean the limited partnership units of Parent.

"U.S." shall mean the United States of America.
"U.S. Bankruptcy Code" shall mean Title 11 of the United States Code or any similar federal or state law for the relief of debtors.

"Warrant" shall mean the Warrant to Purchase Class A-1 Units, designated as Warrant No. 1, issued by Parent to the Purchaser on the Closing Date.

"Wholly Owned Subsidiary" of any Person shall mean a Subsidiary of such Person, all of the Equity Interests of which (other than directors' qualifying shares or nominee or other similar shares required pursuant to applicable law) are owned by such Person or another Wholly Owned Subsidiary of such Person. Unless the context otherwise requires, "Wholly Owned Subsidiary" shall mean a Subsidiary of the Company that is a Wholly Owned Subsidiary of the Company.

"Withdrawal Liability" shall mean liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

(b) Interpretation. Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. The headings are for convenience only and shall not be given effect in interpreting this Second Amended and Restated Certificate of Designation. References herein to any Section shall be to a Section hereof unless otherwise specifically provided. References herein to any law shall mean such law, including all rules and regulations promulgated under or implementing such law, as amended from time to time and any successor law unless otherwise specifically provided. The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Second Amended and Restated Certificate of Designation, refer to this Second Amended and Restated Certificate of Designation as a whole and not to any particular provision of this Second Amended and Restated Certificate of Designation. The use of the masculine, feminine or neuter gender or the singular or plural form of words shall not limit any provisions of this Second Amended and Restated Certificate of Designation. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter. The word "will" shall be construed to have the same meaning as the word "shall". With respect to the determination of any period of time, "from" shall mean "from and including". The word "or" shall not be exclusive. The word "extent" in the phrase "to the extent" shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply 'if'. The terms lease and license shall include sub-lease and sub-license, as applicable. All references to "$", currency, monetary values and dollars set forth herein shall mean U.S. dollars. When the terms of this Second Amended and Restated Certificate of Designation refer to a specific agreement or other document or a decision by any body or Person that determines the meaning or operation of a provision hereof, the secretary of the Company shall maintain a copy of such agreement, document or decision at the principal executive offices of the Company and a copy thereof shall be provided free of charge to any Holder who makes a request therefor. Any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein or unless expressly provided herein or the context otherwise requires). Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Holders that the Company has requested an amendment to any provision hereof to eliminate the effect of any change occurring after the Closing Date in GAAP or in the application thereof on the operation of such provision, regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any changes in GAAP after the Closing Date, any lease of the Company or any of its Subsidiaries, or of a special purpose or other entity not consolidated with the Company and its Subsidiaries at the time of its incurrence of such lease, that would be characterized as an operating lease under GAAP in effect on the Closing Date.
Date (whether such lease is entered into before or after the Closing Date) shall not constitute Indebtedness or a Capitalized Lease Obligation of the Company or any of its Subsidiaries under this Second Amended and Restated Certificate of Designation as a result of such changes in GAAP. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under FASB Accounting Standards Codification 805, 810 or 825 (or any other part of FASB Accounting Standards Codification having a similar result or effect), to value any Indebtedness at "fair value".

2. Designation. A total of 750,000 shares of the Preferred Securities are designated as a series known as Series A Preferred Securities, with each such share having an initial Stated Value of $1,000 per share (the "Series A Preferred Securities").

3. Ranking. With respect to (a) payment of dividends and (b) distribution of assets upon, or in connection with, any redemption under Section 6 or Section 7, the Series A Preferred Securities shall rank senior to all Junior Stock (except pursuant to any Permitted Restricted Payment).

   
   (a) Generally. The Holders have no voting rights with respect to the Shares except as set forth in this Second Amended and Restated Certificate of Designation, any other Related Agreement or as otherwise required by law.
   
   (b) Voting Power. At the time of any vote or consent of the Holders under this Second Amended and Restated Certificate of Designation, any other Related Agreement or as otherwise required by law, the voting power of each Share, as a percentage of the aggregate voting power of all Shares, shall equal the product of (i) the quotient of (x) the Accumulated Stated Value of such Share as of such time divided by (y) the aggregate Accumulated Stated Value of all Shares as of such time multiplied by (ii) 100.

5. Dividends. From and after the Closing Date, preferential cumulative dividends ("Dividends") shall accumulate on a daily basis in arrears during each Dividend Period at the Cash Dividend Rate (or, with respect to Dividends that become part of the Stated Value pursuant to this Section 5, the Accrued Dividend Rate) in effect from time to time on the then-current Stated Value of each Share, whether or not Dividends are earned or declared by the Board of Directors or the Company is prohibited by law to pay Dividends, and, if declared, shall be due and payable on the Dividend Payment Date with respect to such Dividend Period in accordance with this Section 5. To the extent not prohibited by law, Dividends may be paid in cash on each Dividend Payment Date, when, as and if declared by the Board of Directors. On each Dividend Payment Date related to a Dividend Period for which the Company does not for any reason (including because payment of any Dividend is prohibited by law) pay in cash all Dividends that accumulated during such Dividend Period, any such unpaid Dividends shall (whether or not earned or declared) become part of the Stated Value of such Shares as of the applicable Dividend Payment Date ("Compounded Dividends"); provided that, unless the Board of Directors shall otherwise notify the Holders on or prior to the fifth Business Day prior to the applicable Dividend Payment Date pursuant to this Section 5, the Company may not declare or pay any Dividend in additional Shares. Dividends shall be calculated on the basis of actual days elapsed over a year of 360 days. All Dividends, including Compounded Dividends, are prior to and in preference over any dividend on any Junior Stock and shall be declared and fully paid before any dividends are declared and paid, or any other distributions or redemptions are made, on any Junior Stock (except pursuant to any Permitted Restricted Payment). Except as set forth in Section 7, Dividends shall be payable to the Holders as they appear on the records of the Company on the record date for such Dividends, which, to the extent the Board of Directors determines to declare Dividends in respect of any Dividend Period, shall be the date that is 15 days prior to the applicable Dividend Payment Date, and which record date and Dividend Payment Date, to the extent so determined, shall be declared by the Board of Directors during each Dividend Period on the date that is at least 20 days prior to the Dividend Payment Date and 5 days prior to the record date.

6. Redemption.
(a) **Redemption Generally.**

(i) **Optional Redemption.** At any time and from time to time, from and after the Closing Date, to the extent not prohibited by law, the Company may elect to redeem any or all Shares for an amount per Share equal to the Redemption Price paid in cash on the terms and subject to the conditions set forth in this Section 6; provided that the Shares to be redeemed shall have an aggregate Accumulated Stated Value of at least $50.0 million (unless the aggregate Accumulated Stated Value of all Shares is less than $50.0 million, in which case the Company shall be required to redeem all Shares). Any election by the Company pursuant to this Section 6(a)(i) shall be made by delivery to the Holders of (A) written notice of payment of the Aggregate Accumulated Dividends and the Make-Whole Amount described in Section 6(b)(ii)(A) or the Aggregate Accumulated Dividends described in Section 6(b)(ii)(A), as applicable, at least 15 days prior to the elected redemption date (each such date, an "Optional Redemption Date"), which notice shall indicate the amount of such Aggregate Accumulated Dividends (and, if applicable, such Make-Whole Amount), provide for the record date in accordance with Section 5 and set forth the date and time for payment of such Aggregate Accumulated Dividends (and, if applicable, such Make-Whole Amount), which shall occur on the Optional Redemption Date but prior to redemption of the applicable Shares, and (B) written notice of the Company's election to redeem at least 15 days prior to the Optional Redemption Date, which notice shall indicate the number of Shares being redeemed, the Optional Redemption Date and the manner of and place designated for surrender (as set forth in Section 6(d)) of certificates representing the Shares to be redeemed. Any redemption that is effected pursuant to this Section 6(a)(i) shall be made on a pro rata basis among the Holders in proportion to the aggregate Accumulated Stated Value of the Shares held by such Holders. For the avoidance of doubt, the Shares are not redeemable at the Company's election except pursuant to this Section 6(a)(i).

(ii) **Mandatory Redemption.** On May 2, 2030 (the "Mandatory Redemption Date"), to the extent not prohibited by law, the Company shall redeem all Shares for an amount per Share equal to the Redemption Price paid in cash on the terms and subject to the conditions set forth in this Section 6. The redemption by the Company pursuant to this Section 6(a)(ii) shall be made by delivery to the Holders of (A) written notice of payment of the Aggregate Accumulated Dividends described in Section 6(b)(ii)(A) at least 15 days prior to the Mandatory Redemption Date, which notice shall indicate the amount of such Aggregate Accumulated Dividends, provide for the record date in accordance with Section 5 and set forth the date and time for payment of such Aggregate Accumulated Dividends, which shall occur on the Mandatory Redemption Date but prior to redemption of all Shares, and (B) written notice of the Company's redemption at least 15 days prior to the Mandatory Redemption Date, which notice shall indicate the number of all Shares being redeemed, the Mandatory Redemption Date and the manner of and place designated for surrender (as set forth in Section 6(d)) of certificates representing all Shares to be redeemed. Any redemption that is effected pursuant to this Section 6(a)(ii) shall be made on a pro rata basis among the Holders in proportion to the aggregate Accumulated Stated Value of all Shares held by the Holders.

(b) **Redemption Price.** The total price for each Share redeemed pursuant to Section 6(a) or Section 7 (and as adjusted to take into account the prior separate payment of Aggregate Accumulated Dividends in cash as set forth below) shall be:

(i) with respect to any Redemption Date occurring prior to the First Call Date, an amount per Share equal to (A) the sum of (1) the Aggregate Accumulated Dividends as of such Redemption Date plus (2) the Make-Whole Amount as of such Redemption Date plus (3) the Deemed Dividend Gross-Up Payment (if any) (which shall, in each case, be declared separately and paid as a dividend in cash by or on behalf of the Company prior to payment of the amount set forth in Section 6(b)(ii)(B)) and (B) the sum of (1) 100% of the Stated Value of such Share as of the Closing Date and (2) any and all DRD Gross-Up Payments owing; and

(ii) with respect to any Redemption Date occurring on or after the First Call Date, an
amount per Share equal to (A) the Aggregate Accumulated Dividends as of such Redemption Date (which shall be declared separately and paid as a dividend in cash by or on behalf of the Company prior to payment of the amount set forth in Section 6(b)(ii)(B)) and (B) any and all DRD Gross-Up Payments owing and (C) an amount equal to the difference of (1) the Series A Preference Amount as of such Redemption Date minus (2) the Aggregate Accumulated Dividends as of such Redemption Date (such per Share aggregate price of the payment of cash dividends and the separate payments described in each of clauses (i)(A) and (i)(B) and (ii)(A) and (ii)(B) and (ii)(C), respectively, each, as applicable, the "Redemption Price").

The applicable aggregate Redemption Price shall be due and payable, and paid in cash in immediately available funds, to the applicable Holders on the applicable Redemption Date.

(c) Rights After a Redemption Date. If any Shares are not redeemed on the applicable Redemption Date, for any reason, all such unredeemed Shares shall remain outstanding and entitled to all of the rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities, including the right to continue to accumulate and receive Dividends thereon as set forth in Section 5 until the date on which the Company actually redeems and pays in full the Redemption Price for such Shares.

(d) Surrender of Certificates. Each Holder of the Shares to be redeemed pursuant to this Section 6 shall surrender the certificates representing such Shares to the Company, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed share powers relating thereto), or, in the event the certificates are lost, stolen, destroyed or mutilated, shall deliver an affidavit of loss and customary indemnity in a form reasonably acceptable to the Company, at the principal executive office of the Company or such other place as the Company may from time to time designate by notice to the Holders, and each surrendered certificate shall be canceled and retired and the Company shall thereafter make payment of the Redemption Price by certified check or wire transfer of immediately available funds; provided that, to the extent such certificates represent a greater number of Shares than the Shares actually redeemed, such Holder shall, in addition to receiving the payment of the Redemption Price for each redeemed Share, receive a new share certificate for the Shares not so redeemed.

(e) Redemption Reference. Any redemption under this Section 6 or Section 7 shall be in preference to and in priority over any dividend or other distribution upon any Junior Stock.


(a) Material Event Offer. Upon any (x) Insolvency Event, (y) Fund Change in Control or (z) Senior Debt Acceleration (each, a "Material Event"), the Company shall make an irrevocable and unconditional offer (a "Material Event Offer") to each Holder to redeem all of such Holder's Shares (such redemption, a "Material Event Redemption") on the applicable redemption date pursuant to Section 7(c) (the "Material Event Redemption Date"), for cash to the extent not prohibited by law, at a price per Share equal to the applicable Redemption Price. Each Holder shall be deemed to have accepted a Material Event Offer with respect to all of its Shares unless such Holder shall have delivered a written notice declining such Material Event Offer within the Material Event Offer Period; provided that, with respect to a Material Event Offer arising from a Senior Debt Acceleration, only the Purchaser or any of its Affiliates that own one or more Shares, on behalf of all Holders, shall have the right to decline such Material Event Offer with respect to any or all Shares. If, on the Material Event Redemption Date, the Company is prohibited by law to redeem all Shares held by Holders that have not declined to have their Shares redeemed, then the Company shall redeem such Shares to the fullest extent not so prohibited. Any Shares that are not redeemed pursuant to the immediately preceding sentence shall remain outstanding and entitled to all of the rights, preferences, powers, and the qualifications, restrictions and limitations, of the Series A Preferred Securities, including the right to continue to accumulate and receive Dividends thereon as set forth in Section 5 and, under such circumstances, the redemption requirements provided hereby shall be continuous, so that at any time thereafter when the Company is not prohibited by law to redeem such Shares, the Company shall immediately redeem such Shares at a price per Share equal to the Redemption Price as of the Material Event Redemption Date in accordance with Section 6 and this Section 7, together with payment of an amount equal to the product of (i) the additional accumulated and unpaid Dividends following the Material Event Redemption
Date multiplied by (ii) the Redemption Percentage applicable as of the Material Event Redemption Date.

(b) Company Insolvency Material Event. Notwithstanding anything to the contrary in this Section 7:

(i) Upon an Insolvency Event with respect to the Company (a "Company Insolvency Material Event"), (A) a Material Event Offer for all Shares shall be deemed made by the Company prior to the occurrence of such Company Insolvency Material Event without any notice or other action on the part of the Company, (B) each Holder of such Shares shall be deemed to have accepted such Material Event Offer immediately after such Material Event Offer is made pursuant to Section 7(b)(i)(A) and prior to the occurrence of such Company Insolvency Material Event without any action on the part of such Holder and (C) such Shares shall be redeemed on the date such Company Insolvency Material Event occurs immediately prior to the occurrence thereof without any action on the part of the Company or the Holder thereof and, with respect to such redemption, such date shall be the Material Event Redemption Date.

(ii) A redemption under Section 7(b)(i) shall be (A) for cash, to the extent not prohibited by law, (B) in preference to and in priority over any dividend or other distribution upon any Junior Stock and (C) effected at a price per Share equal to the Redemption Price. The Company shall pay or cause to be paid in full the aggregate Redemption Price as promptly as practicable and, in any event, before any payment, dividend or other distribution shall be made to the holders of Junior Stock by reason of their ownership thereof. Any such redemption shall occur without the requirement of notice or adherence to the procedures set forth Section 7(c). If, upon such Company Insolvency Material Event, the assets of the Company available for distribution to its equity holders shall be insufficient to pay the Holders the full amount of the Redemption Price, the Holders of such Shares shall share ratably in any distribution of the assets available for distribution based on such Holder's portion of the aggregate Accumulated Stated Value of such Shares.

(c) Material Event Offer Mechanics.

(i) A Material Event Offer required to be made pursuant to Section 7(a) shall be commenced within five Business Days following a Material Event and shall remain open for exactly 15 Business Days, except to the extent that a longer period is required by law (the "Material Event Offer Period").

(ii) On the fifth Business Day following the expiration of the Material Event Offer Period, the Company shall redeem all Shares (other than those Shares held by Holders that declined to have their Shares redeemed during the Material Event Offer Period) at a price per Share equal to the Redemption Price. If the Company is prohibited by law to redeem all Shares held by such Holders, then the Company shall redeem on a pro rata basis among such Holders in proportion to the aggregate Accumulated Stated Value of the Shares held by such Holders.

(iii) Prior to commencing a Material Event Offer, the Company shall send a notice (the "Material Event Redemption Notice") to each Holder, which shall state:

(A) that a Material Event Offer is being made and that, unless such Holder provides written notice declining to have its Shares redeemed, all of such Holder's Shares will be redeemed pursuant to this Section 7;

(B) the bank or trust company

with which the aggregate Redemption Price shall be deposited on or prior to the Material Event Redemption Date and (3) the Material Event Redemption Date;
that Holders may decline such Material Event Offer by delivering a written notice of declination to the Company prior to the expiration of the Material Event Offer Period; and

(D) a reasonably detailed description of such Material Event.

(iv) On or before any Material Event Redemption Date, the Company shall deposit the amount of the applicable aggregate Redemption Price with a bank or trust company having an office in New York City irrevocably in trust for the benefit of such Holders. On the Material Event Redemption Date, the Company shall immediately cause to be paid the applicable Redemption Price for such Shares to such Holders. Upon such payment in full, such Shares will be deemed to have been redeemed, whether or not the certificates for such Shares have been surrendered for redemption and canceled, and Dividends with respect to such redeemed Shares shall cease to accumulate and all of the rights, preferences, powers, and the qualifications, restrictions and limitations, of such redeemed Shares shall forthwith terminate.

(v) In case fewer than all Shares represented by any certificate are redeemed in accordance with this Section 7, new certificates shall be issued representing the unredeemed Shares without cost to the Holder thereof.

(vi) The Company shall comply, to the extent applicable, with the requirements of Section 14 of the Exchange Act and any other securities laws (or rules of any exchange on which any Shares are then listed) in connection with a redemption under this Section 7. To the extent there is any conflict between the notice or other timing requirements of this Section 7 and the applicable requirements of Section 14 of the Exchange Act, Section 14 of the Exchange Act shall govern.

(d) Company Efforts. The Company shall take such actions as are necessary to give effect to the provisions of Section 6 and this Section 7, including, in the event the Company is prohibited by law from redeeming or otherwise unable to redeem any Share in connection with any Material Event Redemption on the applicable Redemption Date, taking any action necessary or appropriate to remove as promptly as practicable any impediments to its ability to redeem such Share required to be so redeemed, including (i) to the extent not prohibited by law, reducing the stated capital of the Company or revaluing the assets of the Company to their fair market values under Section 154 of the DGCL if such revaluation would create surplus sufficient to make all or any portion of such Material Event Redemption and (ii) if the Company has sufficient surplus but insufficient cash to effect such Material Event Redemption, borrowing the cash necessary to make such Material Event Redemption to the extent it would not result in an Event of Default. In the event of any Fund Change in Control in which the Company is not the continuing or surviving corporation or entity, proper provision shall be made so that such continuing or surviving corporation or entity shall agree to carry out and observe the obligations of the Company under this Second Amended and Restated Certificate of Designation and the other Related Agreements.

8. Affirmative Covenants. The Company shall, and shall cause each of its Subsidiaries to, comply with Section 1.2 of the Second Amended and Restated Series A Investors Rights Agreement, unless the prior affirmative vote or written consent of the Preferred Majority Holder has been obtained.

9. Negative Covenants.

(a) Without the prior affirmative vote or written consent of the Preferred Majority Holder approving such action or omission, the Company shall not, and shall cause its Subsidiaries not to (either directly or indirectly, including by merger, consolidation, operation of law or otherwise):

(i) except pursuant to any Permitted Restricted Payment, make any Restricted Payment in respect of any Equity Interests of the Company or any of its Subsidiaries (including, for the avoidance of doubt, any Equity Interests issued pursuant to a Qualified IPO);
except in connection with an Initial Public Offering, issue any new, reclassify any existing Equity Interests into, or issue to any Person (other than a Wholly Owned Subsidiary) any Equity Interests or Indebtedness or debt securities, in each case convertible into, Equity Interests of any Subsidiary of the Company; provided, that the Company may issue Equity Interests of the Company in connection with any Public Offering;

(ii) issue any new, reclassify any existing Equity Interests into, or issue any Equity Interests or Indebtedness or debt securities, in each case convertible into, Equity Interests senior or pari passu to the Series A Preferred Securities;

(iv) except in connection with an Initial Public Offering, take any action, including forming a Subsidiary, or effect any recapitalization or reorganization, that results in any Person owning or holding any Equity Interests in (A) Holdings, other than the Company or a Wholly Owned Subsidiary, or (B) the Borrower, other than Holdings or any other Wholly Owned Subsidiary (any such Wholly Owned Subsidiary, an "Intermediate Holding Company"); provided, that the Company may issue Equity Interests of the Company in connection with any Public Offering;

(v) except pursuant to any Permitted Affiliate Transaction, sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transaction with, any of its Affiliates (including the Fund and the Fund Affiliates) (other than transactions between or among the Company and its Subsidiaries or any Person that becomes a Subsidiary of the Company as a result of such transaction);

(vi) settle or consent to any settlement, judgment or award in any litigation, arbitration or other proceeding if such settlement, judgment or award involves a guilty plea or any other acknowledgement of criminal wrongdoing that would reasonably be expected to have a Material Adverse Effect;

(vii) engage at any time in any material respect in any business or business activity substantially different from any business or business activity conducted by any of them on the Closing Date or any Similar Business, and in the case of a Special Purpose Securitization Subsidiary, Permitted Securitization Financings;

(viii) make any election, alter its legal structure or enter into any transaction, agreement or arrangement or take any other action, other than any action contemplated in the Related Agreements, that would reasonably be expected to result in the Shares being treated other than as preferred equity in an entity taxable as a corporation for U.S. federal, state and local income tax purposes (it being understood and agreed that any transaction, agreement or arrangement or action taken or entered into in the ordinary course of business of the Company and its Subsidiaries would not reasonably be expected to result in the Shares being treated other than as preferred equity in an entity taxable as a corporation for U.S. federal, state and local income tax purposes);

(ix) Insolvency Event;

effect, permit the effectiveness of, approve or fail to contest any

(i) except in connection with a Public Offering, solely with respect to the Company, (A) incur, directly or indirectly, any Indebtedness or any other obligation or liability whatsoever other than the obligations under the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), and the Second Amended and Restated Series A Investors Rights Agreement and the Securities Purchase Agreement, (B) create or suffer to exist any Lien upon any property or assets of the Company now owned or hereafter acquired, leased or licensed by it or (C) engage in any business or activity or own any assets other than (1) holding 100% of the Equity Interests of Holdings and (2) performing its obligations and activities incidental thereto under the Certificate of Incorporation (including
this Second Amended and Restated Certificate of Designation), the Second Amended and Restated Series A Investors Rights Agreement and the Securities Purchase Agreement, in each case of clauses (A), (B) or (C) above, except for de minimis amounts related to maintaining its corporate existence and general overhead and corporate housekeeping matters; or

(ii) enter into any agreement to do or consent to any of the foregoing.

(b) Any of the actions or omissions prohibited by this Section 9 (if taken without the prior affirmative vote or written consent of the Preferred Majority Holder approving such action or omission) shall be ultra vires, null and void ab initio and of no force or effect. The Company shall not, and shall cause its Subsidiaries not to (either directly or indirectly, including by merger, consolidation, operation of law or otherwise), by amendment, modification, repeal, restatement, supplementation, termination or waiver of, or consent to any departure by the Company or any of its Subsidiaries from, any provision of this Second Amended and Restated Certificate of Designation or any other Related Agreement or through any Material Event, any Change in Control, any Disposition or any other reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, agreement or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Second Amended and Restated Certificate of Designation or any other Related Agreement.

10. Waivers; Amendment.

(a) No failure or delay of any Holder in exercising any right or power hereunder or any other Related Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Holders hereunder or any other Related Agreement are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Second Amended and Restated Certificate of Designation or any other Related Agreement or any consent to any departure by the Company or any of its Subsidiaries therefrom shall in any event be effective unless the same shall not be prohibited by Section 10(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on the Company or any of its Subsidiaries in any case shall entitle such Person to any other or further notice or demand in similar or other circumstances.

(b) Any amendment, modification, repeal, restatement, supplementation, termination or waiver of, or consent to any departure by the Company or any of its Subsidiaries from, the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), any other Related Agreement or the bylaws of the Company or any provision hereof or thereof in a manner that would adversely affect any of the rights, preferences, powers, or the qualifications, restrictions or limitations, of the Series A Preferred Securities (in each case, by merger, consolidation, operation of law or otherwise) shall be ultra vires, null and void ab initio and of no force or effect without (i) being in writing, (ii) the Company first having provided written notice of such proposed action to each Holder and (iii) the Company having obtained the affirmative vote or written consent of the Preferred Majority Holder.

(c) The various provisions set forth in this Second Amended and Restated Certificate of Designation are for the benefit of the Holders and shall be enforceable by them, including by one or more actions for specific performance.

11. Notice.

(a) Any notice or other communication required or permitted to be delivered under the Certificate of Incorporation (including this Second Amended and Restated Certificate of Designation), the bylaws or the DGCL shall be in writing and delivered by (i) personal delivery or electronic mail, (ii) overnight delivery via
a national courier service or (iii) regular mail, with respect to any holder, at the email address or physical address on file with the Company.

(b) Notice or other communication pursuant to Section 11(a) shall be deemed to have been received (i) in the case of personal delivery or delivery by electronic mail, on the date of such delivery, (ii) in the case of dispatch by nationally recognized overnight courier, on the next Business Day following such dispatch and (iii) in the case of mailing, on the fifth Business Day after the posting thereof.

12. Cancellation; No Conversion Rights.

(a) No Share acquired by the Company by reason of redemption, purchase or otherwise shall be reissued or held in treasury for reissuance, and the Company shall take all necessary action to cause such Share to be canceled, retired and eliminated from the Shares which the Company shall be authorized to issue.

(b) The Holders have no rights to convert any Shares into any other Equity Interests of the Company.

13. Severability. In the event any one or more of the provisions contained in this Second Amended and Restated Certificate of Designation should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The Company and the Holders shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

14. Effect of Amendment and Restatement. As of the date hereof, this Second Amended and Restated Certificate of Designation shall amend, and restate as amended, the Amended and Restated Certificate of Designation, but shall not constitute a novation thereof or in any way impair or otherwise affect the rights or obligations of the parties under the Amended and Restated Certificate of Designation except as such rights or obligations are amended and restated by this Second Amended and Restated Certificate of Designations. The Amended and Restated Certificate of Designation as amended and restated by this Second Amended and Restated Certificate of Designations shall be deemed to be a continuing agreement among the parties hereto and thereto, and all documents, instruments and agreements delivered pursuant to or in connection with the Amended and Restated Certificate of Designation not amended and restated in connection with the entry of the parties into this Second Amended and Restated Certificate of Designation shall remain in full force and effect, each in accordance with its terms, as of the date of delivery or such other date as contemplated by such document, instrument or agreement to the same extent as if the modifications to the Amended and Restated Certificate of Designation contained herein were set forth in an amendment to the Amended and Restated Certificate of Designation in a customary form, unless such document, instrument or agreement has otherwise been terminated or has expired in accordance with or pursuant to the terms of this Second Amended and Restated Certificate of Designation, the Amended and Restated Certificate of Designation or such document, instrument or agreement or as otherwise agreed by the required parties hereto or thereto.
NINTH SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”) dated as of November 15, 2017 among DATASHIELD, LLC (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of July 5, 2012 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company has issued (i) $1,000,000,000 of 3.500% Notes due 2022 (the “2022 Notes”), (ii) $750,000,000 of 4.875% Notes due 2042 (the “2042 Notes”), (iii) $700,000,000 of 4.125% Senior Notes due 2023 (the “2023 Notes”) and (iv) $1,000,000,000 of 6.250% Senior Notes due 2021 (the “2021 Notes” and, together with the 2022 Notes, the 2042 Notes and the 2023 Notes, the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Sixth Supplemental Indenture, dated as of April 8, 2016 (the “Sixth Supplemental Indenture”), to provide guarantees and security in respect of the 2022 Notes, the 2042 Notes and the 2023 Notes; and

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Seventh Supplemental Indenture, dated as of April 22, 2016 (the “Seventh Supplemental Indenture”), to provide guarantees and security in respect of the 2021 Notes; and

WHEREAS, pursuant to the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Ninth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Ninth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein”, “hereof” and “hereby” and other words of similar import used in this Ninth Supplemental Indenture refer to this Ninth Supplemental Indenture as a whole and not to any particular section hereof.
2. **Agreement to Guarantee.** The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the Sixth Supplemental Indenture and Article II of the Seventh Supplemental Indenture, as applicable, and to be bound by all other applicable provisions of the Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 13.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Ninth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS NINTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Ninth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Ninth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed as of the date first above written.

DATASHIELD, LLC

By: /s/ Jeff Likosar

Name: Jeff Likosar
Title: CFO

[Signature Page to Ninth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed as of the date first above written.

THE ADT SECURITY CORPORATION

By: /s/ Jeff Likosar

Name: Jeff Likosar
Title: CFO

[Signature Page to Ninth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Alexander Pabon

Name: Alexander Pabon
Title: Assistant Vice President

[Signature Page to Ninth Supplemental Indenture]
TENTH SUPPLEMENTAL INDENTURE

TENTH SUPPLEMENTAL INDENTURE (this “Tenth Supplemental Indenture”) dated as of April 18, 2018 among ADT CANADA SECURITY HOLDINGS LLC, AA/ACME LOCKSMITHS, INC. and ARONSON SECURITY GROUP, INC. (each, a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of July 5, 2012 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company has issued (i) $1,000,000,000 of 3.500% Notes due 2022 (the “2022 Notes”), (ii) $750,000,000 of 4.875% Notes due 2042 (the “2042 Notes”), (iii) $700,000,000 of 4.125% Senior Notes due 2023 (the “2023 Notes”) and (iv) $1,000,000,000 of 6.250% Senior Notes due 2021 (the “2021 Notes” and, together with the 2022 Notes, the 2042 Notes and the 2023 Notes, the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Sixth Supplemental Indenture, dated as of April 8, 2016 (the “Sixth Supplemental Indenture”), to provide guarantees and security in respect of the 2022 Notes, the 2042 Notes and the 2023 Notes; and

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Seventh Supplemental Indenture, dated as of April 22, 2016 (the “Seventh Supplemental Indenture”), to provide guarantees and security in respect of the 2021 Notes; and

WHEREAS, pursuant to the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Tenth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Tenth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Tenth
Supplemental Indenture refer to this Tenth Supplemental Indenture as a whole and not to any particular section hereof.

2. **Agreement to Guarantee**. Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the Sixth Supplemental Indenture and Article II of the Seventh Supplemental Indenture, as applicable, and to be bound by all other applicable provisions of the Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, as applicable.

3. **Notices**. All notices or other communications to any New Guarantor shall be given as provided in Section 13.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture**. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Tenth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law**. THIS TENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act**. For purposes of compliance with the Foreign Account Tax Compliance Act, this Tenth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation**. The Trustee makes no representation as to the validity or sufficiency of this Tenth Supplemental Indenture.

8. **Counterparts**. The parties may sign any number of copies of this Tenth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings**. The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Tenth Supplemental Indenture to be duly executed as of the date first above written.

ADT CANADA SECURITY HOLDINGS LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Tenth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Tenth Supplemental Indenture to be duly executed as of the date first above written.

THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Tenth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Tenth Supplemental Indenture to be duly executed as of the date first above written.

AA/ACME LOCKSMITHS, INC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

ARONSON SECURITY GROUP, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

[Signature Page to Tenth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Tenth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Raymond Delli Colli
Name: Raymond Delli Colli
Title: Vice President

[Signature Page to Tenth Supplemental Indenture]
ELEVENTH SUPPLEMENTAL INDENTURE

ELEVENTH SUPPLEMENTAL INDENTURE (this “Eleventh Supplemental Indenture”) dated as of August 17, 2018 among MSA SYSTEMS INTEGRATION, INC. (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W IT N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of July 5, 2012 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company has issued (i) $1,000,000,000 of 3.500% Notes due 2022 (the “2022 Notes”), (ii) $750,000,000 of 4.875% Notes due 2042 (the “2042 Notes”), (iii) $700,000,000 of 4.125% Senior Notes due 2023 (the “2023 Notes”) and (iv) $1,000,000,000 of 6.250% Senior Notes due 2021 (the “2021 Notes” and, together with the 2022 Notes, the 2042 Notes and the 2023 Notes, the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Sixth Supplemental Indenture, dated as of April 8, 2016 (the “Sixth Supplemental Indenture”), to provide guarantees and security in respect of the 2022 Notes, the 2042 Notes and the 2023 Notes; and

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Seventh Supplemental Indenture, dated as of April 22, 2016 (the “Seventh Supplemental Indenture”), to provide guarantees and security in respect of the 2021 Notes; and

WHEREAS, pursuant to the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Eleventh Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Eleventh Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby,” and other words of similar import used in this Eleventh Supplemental Indenture refer to this Eleventh Supplemental Indenture as a whole and not to any particular section hereof.
2. **Agreement to Guarantee.** The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the Sixth Supplemental Indenture and Article II of the Seventh Supplemental Indenture, as applicable, and to be bound by all other applicable provisions of the Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 13.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Eleventh Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS ELEVENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Eleventh Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Eleventh Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Eleventh Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Eleventh Supplemental Indenture to be duly executed as of the date first above written.

THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
    Chief Legal Officer
    and Secretary

[Signature Page to Eleventh Supplemental Indenture]
MSA SYSTEMS INTEGRATION, INC.

By: /s/ P. Gray Finney
   Name: P. Gray Finney
   Title: Senior Vice President,
         Chief Legal Officer
         and Secretary

[Signature Page to Eleventh Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Eleventh Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez

Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Eleventh Supplemental Indenture]
TWELFTH SUPPLEMENTAL INDENTURE

TWELFTH SUPPLEMENTAL INDENTURE (this “TWELFTH Supplemental Indenture”) dated as of January 7, 2019 among FIRE & SECURITY HOLDINGS, LLC, RED HAWK FIRE & SECURITY, LLC, RED HAWK FIRE & SECURITY (NY), LLC, RED HAWK FIRE & SECURITY (CA), LLC, RED HAWK SECURITY SYSTEMS, LLC, TELE-TECTOR OF MARYLAND, INC., FIRE SYSTEMS INTERNATIONAL, INC, PRATT LANDRY ASSOCIATES, INC., CENTURY SPRINKLER HOLDINGS CORPORATION, CHAIN ELECTRIC HOLDINGS, INC., RED HAWK FIRE & SECURITY (CHES), LLC AND ATCI COMMUNICATIONS, INC. (each, a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of July 5, 2012 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company has issued (i) $1,000,000,000 of 3.500% Notes due 2022 (the “2022 Notes”), (ii) $750,000,000 of 4.875% Notes due 2042 (the “2042 Notes”), (iii) $700,000,000 of 4.125% Senior Notes due 2023 (the “2023 Notes”) and (iv) $1,000,000,000 of 6.250% Senior Notes due 2021 (the “2021 Notes” and, together with the 2022 Notes, the 2042 Notes and the 2023 Notes, the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Sixth Supplemental Indenture, dated as of April 8, 2016 (the “Sixth Supplemental Indenture”), to provide guarantees and security in respect of the 2022 Notes, the 2042 Notes and the 2023 Notes; and

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Seventh Supplemental Indenture, dated as of April 22, 2016 (the “Seventh Supplemental Indenture”), to provide guarantees and security in respect of the 2021 Notes; and

WHEREAS, pursuant to the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Twelfth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:
1. **Defined Terms.** As used in this Twelfth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Twelfth Supplemental Indenture refer to this Twelfth Supplemental Indenture as a whole and not to any particular section hereof.

2. **Agreement to Guarantee.** Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the Sixth Supplemental Indenture and Article II of the Seventh Supplemental Indenture, as applicable, and to be bound by all other applicable provisions of the Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 13.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Twelfth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS TWELFTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Twelfth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Twelfth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Twelfth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Twelfth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Twelfth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Twelfth Supplemental Indenture to be duly executed as of the date first above written.

FIRE & SECURITY HOLDINGS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (NY), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CA), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK SECURITY SYSTEMS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

TELE-TECTOR OF MARYLAND, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Twelfth Supplemental Indenture]
FIRE SYSTEMS INTERNATIONAL INC.
By: /s/ P. Gray Finney 
Name: P. Gray Finney 
Title: Senior Vice President, Chief Legal Officer and Secretary

PRATT LANDRY ASSOCIATES, INC.
By: /s/ P. Gray Finney 
Name: P. Gray Finney 
Title: Senior Vice President, Chief Legal Officer and Secretary

CENTURY SPRINKLER HOLDINGS CORPORATION
By: /s/ P. Gray Finney 
Name: P. Gray Finney 
Title: Senior Vice President, Chief Legal Officer and Secretary

CHAIN ELECTRIC HOLDINGS, INC.
By: /s/ P. Gray Finney 
Name: P. Gray Finney 
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CHES), LLC
By: /s/ P. Gray Finney 
Name: P. Gray Finney 
Title: Senior Vice President, Chief Legal Officer and Secretary

ATCI COMMUNICATIONS, INC.
By: /s/ P. Gray Finney 
Name: P. Gray Finney 
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Twelfth Supplemental Indenture]
THE ADT SECURITY CORPORATION

By:  /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Twelfth Supplemental Indenture]
THIRTEENTH SUPPLEMENTAL INDENTURE

THIRTEENTH SUPPLEMENTAL INDENTURE (this “THIRTEENTH Supplemental Indenture”) dated as of January 30, 2019 among ADVANCED CABLEING SYSTEMS, LLC, a Arkansas limited liability company (the “New Guarantor”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of July 5, 2012 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company has issued (i) $1,000,000,000 of 3.500% Notes due 2022 (the “2022 Notes”), (ii) $750,000,000 of 4.875% Notes due 2042 (the “2042 Notes”), (iii) $700,000,000 of 4.125% Senior Notes due 2023 (the “2023 Notes”) and (iv) $1,000,000,000 of 6.250% Senior Notes due 2021 (the “2021 Notes” and, together with the 2022 Notes, the 2042 Notes and the 2023 Notes, the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Sixth Supplemental Indenture, dated as of April 8, 2016 (the “Sixth Supplemental Indenture”), to provide guarantees and security in respect of the 2022 Notes, the 2042 Notes and the 2023 Notes; and

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a Seventh Supplemental Indenture, dated as of April 22, 2016 (the “Seventh Supplemental Indenture”), to provide guarantees and security in respect of the 2021 Notes; and

WHEREAS, pursuant to the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Thirteenth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Thirteenth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby,” and other words of similar import used in this Thirteenth Supplemental Indenture refer to this Thirteenth Supplemental Indenture as a whole and not to any particular section hereof.
2. **Agreement to Guarantee.** The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the Sixth Supplemental Indenture and Article II of the Seventh Supplemental Indenture, as applicable, and to be bound by all other applicable provisions of the Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture, the Sixth Supplemental Indenture and the Seventh Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 13.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Thirteenth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS THIRTEENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Thirteenth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Thirteenth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Thirteenth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Thirteenth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
   Name: Tina D. Gonzalez
   Title: Vice President

[Signature Page to Thirteenth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Thirteenth Supplemental Indenture to be duly executed as of the date first above written.

ADVANCED CABLING SYSTEMS, LLC

By: /s/ P. Gray Finney
   Name: P. Gray Finney
   Title: Senior Vice President, Chief Legal Officer and Secretary

THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney
   Name: P. Gray Finney
   Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Thirteenth Supplemental Indenture]
THIRD SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”) dated as of November 15, 2017 among DATASHIELD, LLC (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of March 19, 2014 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures or certificates supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Officer’s Certificate, dated December 18, 2014, the Company has issued $300,000,000 of 5.250% Senior Notes due 2020 (the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of April 8, 2016 (the “First Supplemental Indenture”), to provide guarantees and security in respect of the Secured Notes; and

WHEREAS pursuant to the Indenture and the First Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Third Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Third Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof,” and “hereby” and other words of similar import used in this Third Supplemental Indenture refer to this Third Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture and the First Supplemental Indenture and the Secured Notes and to perform all
of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture.

3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 14.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Third Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS THIRD SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Third Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first above written.

DATASHIELD, LLC

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: CFO

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first above written.

THE ADT SECURITY CORPORATION

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: CFO

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Alexander Pabon
    Name: Alexander Pabon
    Title: Assistant Vice President

[Signature Page to Third Supplemental Indenture]
FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (this “Fourth Supplemental Indenture”) dated as of April 18, 2018 among ADT CANADA SECURITY HOLDINGS LLC, AA/ACME LOCKSMITHS, INC. and ARONSON SECURITY GROUP, INC. (each, a “New Guarantor,” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of March 19, 2014 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures or certificates supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Officer’s Certificate, dated December 18, 2014, the Company has issued $300,000,000 of 5.250% Senior Notes due 2020 (the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of April 8, 2016 (the “First Supplemental Indenture”), to provide guarantees and security in respect of the Secured Notes; and

WHEREAS pursuant to the Indenture and the First Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Fourth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Fourth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Fourth Supplemental Indenture refer to this Fourth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture and the First Supplemental Indenture and the Secured Notes and to perform all of the
obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 14.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fourth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS FOURTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Fourth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Fourth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, this Fourth Supplemental Indenture has been
adopted as of the date first written above.

ADT CANADA SECURITY HOLDINGS LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
    Chief Legal Officer
    and Secretary

[Signature Page to Fourth Supplemental Indenture]
IN WITNESS WHEREOF, this Fourth Supplemental Indenture has been adopted as of the date first written above.

THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Fourth Supplemental Indenture]
AA/ACME LOCKSMITHS, INC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

ARONSON SECURITY GROUP, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Fourth Supplemental Indenture]
IN WITNESS WHEREOF, this Fourth Supplemental Indenture has been adopted as of the date first written above.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Raymond Delli Colli

Name: Raymond Delli Colli
Title: Vice President

[Signature Page to Fourth Supplemental Indenture]
FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this “Fifth Supplemental Indenture”) dated as of August 17, 2018 among MSA SYSTEMS INTEGRATION, INC. (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of March 19, 2014 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures or certificates supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Officer’s Certificate, dated December 18, 2014, the Company has issued $300,000,000 of 5.250% Senior Notes due 2020 (the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of April 8, 2016 (the “First Supplemental Indenture”), to provide guarantees and security in respect of the Secured Notes; and

WHEREAS pursuant to the Indenture and the First Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Fifth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Fifth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Fifth Supplemental Indenture refer to this Fifth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture and the First Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture.
3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 14.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fifth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS FIFTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Fifth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Fifth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date first above written.

THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Fifth Supplemental Indenture]
By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Fifth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez

Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Fifth Supplemental Indenture]
SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE (this “Sixth Supplemental Indenture”) dated as of January 7, 2019 among FIRE & SECURITY HOLDINGS, LLC, RED HAWK FIRE & SECURITY, LLC, RED HAWK FIRE & SECURITY (NY), LLC, RED HAWK FIRE & SECURITY (CA), LLC, RED HAWK SECURITY SYSTEMS, LLC, TELE-TECTOR OF MARYLAND, INC., FIRE SYSTEMS INTERNATIONAL, INC, PRATT LANDRY ASSOCIATES, INC., CENTURY SPRINKLER HOLDINGS CORPORATION, CHAIN ELECTRIC HOLDINGS, INC., RED HAWK FIRE & SECURITY (CHES), LLC AND ATCI COMMUNICATIONS, INC. (each, a “New Guarantor” and together, the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of March 19, 2014 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures or certificates supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, pursuant to the Officer’s Certificate, dated December 18, 2014, the Company has issued $300,000,000 of 5.250% Senior Notes due 2020 (the “Secured Notes”);

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of April 8, 2016 (the “First Supplemental Indenture”), to provide guarantees and security in respect of the Secured Notes; and

WHEREAS pursuant to the Indenture and the First Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Sixth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Sixth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Sixth Supplemental Indenture refer to this Sixth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the
Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture and the First Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 14.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Sixth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS SIXTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Sixth Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Sixth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Sixth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first above written.

FIRE & SECURITY HOLDINGS, LLC

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY, LLC

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (NY), LLC

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CA), LLC

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK SECURITY SYSTEMS, LLC

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

TELE-TECTOR OF MARYLAND, INC.

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]
FIRE SYSTEMS INTERNATIONAL INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

PRATT LANDRY ASSOCIATES, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

CENTURY SPRINKLER HOLDINGS CORPORATION

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CHES), LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

ATCI COMMUNICATIONS, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]
THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
   Name: Tina D. Gonzalez
   Title: Vice President

[Signature Page to Sixth Supplemental Indenture]
SEVENTH SUPPLEMENTAL INDENTURE

SEVENTH SUPPLEMENTAL INDENTURE (this “Seventh Supplemental Indenture”) dated as of January 30, 2019 among ADVANCED CABLING SYTSEMS, LLC, a Arkansas limited liability company (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of March 19, 2014 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures or certificates supplemental thereto, the “Indenture”), to provide for the issuance by the Company from time to time of unsubordinated debt securities evidencing its unsecured indebtedness;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of April 8, 2016 (the “First Supplemental Indenture”), to provide guarantees and security in respect of the Secured Notes; and

WHEREAS pursuant to the Indenture and the First Supplemental Indenture, the Trustee and the Company are authorized to execute and deliver this Seventh Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Secured Notes as follows:

1. Defined Terms. As used in this Seventh Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Seventh Supplemental Indenture refer to this Seventh Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Secured Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture and the First Supplemental Indenture and the Secured Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture.
3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 14.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Seventh Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Secured Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS SEVENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Seventh Supplemental Indenture shall not result in a material modification of the Secured Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Seventh Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Seventh Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed as of the date first above written.

ADVANCED CABLEING SYSTEMS, LLC

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Seventh Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
   Name: Tina D. Gonzalez
   Title: Vice President

[Signature Page to Seventh Supplemental Indenture]
THIRD SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”) dated as of November 15, 2017 among DATASHIELD, LLC (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of May 2, 2016 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), providing for the issuance of 4.875% First-Priority Senior Secured Notes due 2032 (the “Notes”), initially in the aggregate principal amount of $718,266,000;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of May 2, 2016 (the “First Supplemental Indenture”), to provide that under certain circumstances the Company is required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and Conditions set forth therein; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Trustee, the Company and any Notes Guarantors are authorized to execute and deliver this Third Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Third Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby,” and other words of similar import used in this Third Supplemental Indenture refer to this Third Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture, the First Supplemental Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture, as applicable.

3. Notices. All notices or other communications to the New Guarantor shall be given as provided in Section 15.03 of the Indenture.
4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Third Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. THIS THIRD SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. Foreign Account Tax Compliance Act. For purposes of compliance with the Foreign Account Tax Compliance Act, this Supplemental Indenture shall not result in a material modification of the Notes

7. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Third Supplemental Indenture.

8. Counterparts. The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, this Third Supplemental Indenture has been adopted as of the date first above written.

DATASHIELD, LLC

By: /s/ Jeff Likosar

Name: Jeff Likosar
Title: CFO

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, this Third Supplemental Indenture has been adopted as of the date first above written.

THE ADT SECURITY CORPORATION

By:  /s/ Jeff Likosar

Name: Jeff Likosar
Title: CFO

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be duly executed as
of the date first above written.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By:  /s/ Alexander Pabon

Name: Alexander Pabon
Title: Assistant Vice President

[Signature Page to Third Supplemental Indenture]
FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (this “Fourth Supplemental Indenture”) dated as of April 18, 2018 among ADT CANADA SECURITY HOLDINGS LLC, AA/ACME LOCKSMITHS, INC. and ARONSON SECURITY GROUP, INC. (each, a “New Guarantor,” and together the “New Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of May 2, 2016 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), providing for the issuance of 4.875% First-Priority Senior Secured Notes due 2032 (the “Notes”), initially in the aggregate principal amount of $718,266,000;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of May 2, 2016 (the “First Supplemental Indenture”), to provide that under certain circumstances the Company is required to cause the New Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantors shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and Conditions set forth therein; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Trustee, the Company and any Notes Guarantors are authorized to execute and deliver this Fourth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Fourth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Fourth Supplemental Indenture refer to this Fourth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture, the First Supplemental Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture, as applicable.
3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 15.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fourth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS FOURTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Fourth Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Fourth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed as of the date first above written.

ADT CANADA SECURITY HOLDINGS LLC

By:  /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, this Fourth Supplemental Indenture has been adopted as of the date first written above.

THE ADT SECURITY CORPORATION

By:  /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, this Fourth Supplemental Indenture has been adopted as of the date first written above.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Raymond Delli Colli
Name: Raymond Delli Colli
Title: Vice President

[Signature Page to Third Supplemental Indenture]

Doc#: US1:11812900v5
FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this ‘‘Fifth Supplemental Indenture’’) dated as of August 17, 2018 among MSA SYSTEMS INTEGRATION, INC. (the ‘‘New Guarantor’’), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the ‘‘Company’’), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the ‘‘Trustee’’).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of May 2, 2016 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the ‘‘Indenture’’), providing for the issuance of 4.875% First-Priority Senior Secured Notes due 2032 (the ‘‘Notes’’), initially in the aggregate principal amount of $718,266,000;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of May 2, 2016 (the ‘‘First Supplemental Indenture’’), to provide that under certain circumstances the Company is required to cause the New Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantor shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and Conditions set forth therein; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Trustee, the Company and any Notes Guarantors are authorized to execute and deliver this Fifth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Fifth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words ‘‘herein,’’ ‘‘hereof,’’ and ‘‘hereby,’’ and other words of similar import used in this Fifth Supplemental Indenture refer to this Fifth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture, the First Supplemental Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture, as applicable.
3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 15.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fifth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS FIFTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Fifth Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Fifth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date first above written.

THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
    Chief Legal Officer
    and Secretary

[Signature Page to Fifth Supplemental Indenture]
MSA SYSTEMS INTEGRATION, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
       Chief Legal Officer
       and Secretary

[Signature Page to Fifth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez

Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Fifth Supplemental Indenture]
SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE (this "Sixth Supplemental Indenture") dated as of January 7, 2019 among FIRE & SECURITY HOLDINGS, LLC, RED HAWK FIRE & SECURITY, LLC, RED HAWK FIRE & SECURITY (NY), LLC, RED HAWK FIRE & SECURITY (CA), LLC, RED HAWK SECURITY SYSTEMS, LLC, TELE-TECTOR OF MARYLAND, INC., FIRE SYSTEMS INTERNATIONAL, INC., PRATT LANDRY ASSOCIATES, INC., CENTURY SPRINKLER HOLDINGS CORPORATION, CHAIN ELECTRIC HOLDINGS, INC., RED HAWK FIRE & SECURITY (CHES), LLC AND ATCI COMMUNICATIONS, INC. (each, a "New Guarantor" and together the "New Guarantors"), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the "Company"), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of May 2, 2016 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the "Indenture"), providing for the issuance of 4.875% First-Priority Senior Secured Notes due 2032 (the "Notes"), initially in the aggregate principal amount of $718,266,000;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of May 2, 2016 (the "First Supplemental Indenture"), to provide that under certain circumstances the Company is required to cause the New Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantors shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and Conditions set forth therein; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Trustee, the Company and any Notes Guarantors are authorized to execute and deliver this Sixth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Sixth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Sixth Supplemental Indenture refer to this Sixth Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. Each New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the
Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture, the First Supplemental Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture, as applicable.

3. **Notices.** All notices or other communications to any New Guarantor shall be given as provided in Section 15.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Sixth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS SIXTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Sixth Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Sixth Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Sixth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first above written.

FIRE & SECURITY HOLDINGS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (NY), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CA), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK SECURITY SYSTEMS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

TELE-TECTOR OF MARYLAND, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]
FIRE SYSTEMS INTERNATIONAL INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

PRATT LANDRY ASSOCIATES, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

CENTURY SPRINKLER HOLDINGS CORPORATION

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CHES), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

ATCI COMMUNICATIONS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]
THE ADT SECURITY CORPORATION

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez

Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Sixth Supplemental Indenture]
SEVENTH SUPPLEMENTAL INDENTURE

SEVENTH SUPPLEMENTAL INDENTURE (this “Seventh Supplemental Indenture”) dated as of January 30, 2019 among ADVANCED CABLING SYSTEMS, LLC, a Arkansas limited liability company (the “New Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a Delaware limited liability company, and THE ADT SECURITY CORPORATION (or its successor), a Delaware corporation (the “Company”), and WELLS FARGO BANK NATIONAL ASSOCIATION, a national banking association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Company and the Trustee executed and delivered an Indenture, dated as of May 2, 2016 (as originally executed or as it may be from time to time supplemented or amended by one or more supplemental indentures supplemental thereto, the “Indenture”), providing for the issuance of 4.875% First-Priority Senior Secured Notes due 2032 (the “Notes”), initially in the aggregate principal amount of $718,266,000;

WHEREAS, the Company, the Trustee and the existing Notes Guarantors have executed and delivered a First Supplemental Indenture, dated as of May 2, 2016 (the “First Supplemental Indenture”), to provide that under certain circumstances the Company is required to cause the New Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Guarantors shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and Conditions set forth therein; and

WHEREAS, pursuant to Section 10.01 of the Indenture, the Trustee, the Company and any Notes Guarantors are authorized to execute and deliver this Seventh Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Guarantor, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Seventh Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined. The words “herein,” “hereof” and “hereby,” and other words of similar import used in this Seventh Supplemental Indenture refer to this Seventh Supplemental Indenture as a whole and not to any particular section hereof.

2. Agreement to Guarantee. The New Guarantor hereby agrees, jointly and severally with all existing Notes Guarantors, to guarantee the Company’s Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article II of the First Supplemental Indenture and to be bound by all other applicable provisions of the Indenture, the First Supplemental Indenture and the Notes and to perform all of the obligations and agreements of a guarantor under the Indenture and the First Supplemental Indenture, as applicable.
3. **Notices.** All notices or other communications to the New Guarantor shall be given as provided in Section 15.03 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Seventh Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS SEVENTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Seventh Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Seventh Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Seventh Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.
IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed as of the date first above written.

ADVANCED CABLING SYSTEMS, LLC  
By: /s/ P. Gray Finney  
Name: P. Gray Finney  
Title: Senior Vice President, Chief Legal Officer and Secretary  

THE ADT SECURITY CORPORATION  
By: /s/ P. Gray Finney  
Name: P. Gray Finney  
Title: Senior Vice President, Chief Legal Officer and Secretary  

[Signature Page to Seventh Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Seventh Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By:  /s/ Tina D. Gonzalez
     Name: Tina D. Gonzalez
     Title: Vice President

[Signature Page to Seventh Supplemental Indenture]
SECOND SUPPLEMENTAL INDENTURE

SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”), dated as of November 15, 2017 among DATASHIELD, LLC (the “New Subsidiary Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a limited liability company organized under the laws of Delaware (the “Company”), and PRIME FINANCE INC. (or its successor), a corporation incorporated under the laws of Delaware (the “Co-Issuer” and, together with the Company, the “Issuers”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and collateral agent under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of May 2, 2016 (as amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 9.250% Second-Priority Senior Secured Notes due 2023 (the “Notes”), initially in the aggregate principal amount of $3,140,000,000;

WHEREAS Sections 4.11 and 12.07 of the Indenture provide that under certain circumstances the Issuers are required to cause the New Subsidiary Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantor shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Second Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Second Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Second Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Second Supplemental Indenture refer to this Second Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. The New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors, to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to
the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

3. **Notices**. All notices or other communications to the New Subsidiary Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture**. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law**. **THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.**

6. **Foreign Account Tax Compliance Act**. For purposes of compliance with the Foreign Account Tax Compliance Act, this Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation**. The Trustee makes no representation as to the validity or sufficiency of this Second Supplemental Indenture.

8. **Counterparts**. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings**. The Section headings herein are for convenience only and shall not affect the construction thereof.

[Remainder of page intentionally left blank.]
IN WITNESS WHEREOF, this Second Supplemental Indenture has been adopted as of the date first above written.

DATASHIELD, LLC

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: CFO

[Signature Page to Second Supplemental Indenture]
IN WITNESS WHEREOF, this Second Supplemental Indenture has been adopted as of the date first above written.

PRIME SECURITY SERVICES
BORROWER, LLC

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: CFO

[Signature Page to Second Supplemental Indenture]
IN WITNESS WHEREOF, this Second Supplemental Indenture has been adopted as of the date first above written.

PRIME FINANCE INC.

By:  /s/ Jeff Likosar
     Name: Jeff Likosar
     Title: CFO

[Signature Page to Second Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Alexander Pabon
Name: Alexander Pabon
Title: Assistant Vice President

[Signature Page to Second Supplemental Indenture]
THIRD SUPPLEMENTAL INDENTURE

THIRD SUPPLEMENTAL INDENTURE (this “Third Supplemental Indenture”), dated as of April 18, 2018 among ADT CANADA SECURITY HOLDINGS LLC, AA/ACME LOCKSMITHS, INC. and ARONSON SECURITY GROUP, INC. (each, a “New Subsidiary Guarantor” and together, the “New Subsidiary Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a limited liability company organized under the laws of Delaware (the “Company”), and PRIME FINANCE INC. (or its successor), a corporation incorporated under the laws of Delaware (the “Co-Issuer”) and, together with the Company, the “Issuers”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and collateral agent under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of May 2, 2016 (as amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 9.250% Second-Priority Senior Secured Notes due 2023 (the “Notes”), initially in the aggregate principal amount of $3,140,000,000;

WHEREAS Sections 4.11 and 12.07 of the Indenture provide that under certain circumstances the Issuers are required to cause the New Subsidiary Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantors shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Third Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Third Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Third Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Third Supplemental Indenture refer to this Third Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. Each New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors, to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to
the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

3. **Notices.** All notices or other communications to any New Subsidiary Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. **Ratification of Indenture; Supplemental Indentures Part of Indenture.** Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Third Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. **Governing Law.** THIS THIRD SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. **Foreign Account Tax Compliance Act.** For purposes of compliance with the Foreign Account Tax Compliance Act, this Third Supplemental Indenture shall not result in a material modification of the Notes.

7. **Trustee Makes No Representation.** The Trustee makes no representation as to the validity or sufficiency of this Third Supplemental Indenture.

8. **Counterparts.** The parties may sign any number of copies of this Third Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. **Effect of Headings.** The Section headings herein are for convenience only and shall not affect the construction thereof.

[Remainder of page intentionally left blank.]
IN WITNESS WHEREOF, this Third Supplemental Indenture has been adopted as of the date first written above.

ADT CANADA SECURITY HOLDINGS LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, this Third Supplemental Indenture has been adopted as of the date first written above.

PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, this Third Supplemental Indenture has been adopted as of the date first written above.

PRIME FINANCE INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Third Supplemental Indenture]
AA/ACME LOCKSMITHS, INC

By:   /s/ P. Gray Finney
       Name: P. Gray Finney
       Title: Senior Vice President,
               Chief Legal Officer and
               Secretary

ARONSON SECURITY GROUP, INC.

By:   /s/ P. Gray Finney
       Name: P. Gray Finney
       Title: Senior Vice President,
               Chief Legal Officer and
               Secretary

[Signature Page to Third Supplemental Indenture]
IN WITNESS WHEREOF, this Third Supplemental Indenture has been adopted as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Raymond Delli Colli

Name: Raymond Delli Colli
Title: Vice President

[Signature Page to Third Supplemental Indenture]
FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (this “Fourth Supplemental Indenture”), dated as of August 17, 2018 among MSA SYSTEMS INTEGRATION, INC. (the “New Subsidiary Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a limited liability company organized under the laws of Delaware (the “Company”), and PRIME FINANCE INC. (or its successor), a corporation incorporated under the laws of Delaware (the “Co-Issuer” and, together with the Company, the “Issuers”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and collateral agent under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of May 2, 2016 (as amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 9.250% Second-Priority Senior Secured Notes due 2023 (the “Notes”), initially in the aggregate principal amount of $3,140,000,000;

WHEREAS Sections 4.11 and 12.07 of the Indenture provide that under certain circumstances the Issuers are required to cause the New Subsidiary Guarantor to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantor shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Fourth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Fourth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Fourth Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Fourth Supplemental Indenture refer to this Fourth Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. The New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors, to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to
the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

3. Notices. All notices or other communications to the New Subsidiary Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fourth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. THIS FOURTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. Foreign Account Tax Compliance Act. For purposes of compliance with the Foreign Account Tax Compliance Act, this Fourth Supplemental Indenture shall not result in a material modification of the Notes.

7. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Fourth Supplemental Indenture.

8. Counterparts. The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

[ Remainder of page intentionally left blank. ]
IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed as of the date first above written.

PRIME SECURITY SERVICES BORROWER LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

PRIME FINANCE INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Fourth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed as of the date first above written.

MSA SYSTEMS INTEGRATION, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer
and Secretary

[Signature Page to Fourth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Fourth Supplemental Indenture]
FIFTH SUPPLEMENTAL INDENTURE

FIFTH SUPPLEMENTAL INDENTURE (this “Fifth Supplemental Indenture”), dated as of January 7, 2019 among FIRE & SECURITY HOLDINGS, LLC, RED HAWK FIRE & SECURITY, LLC, RED HAWK FIRE & SECURITY (NY), LLC, RED HAWK FIRE & SECURITY (CA), LLC, RED HAWK SECURITY SYSTEMS, LLC, TELE-TECTOR OF MARYLAND, INC., FIRE SYSTEMS INTERNATIONAL, INC, PRATT LANDRY ASSOCIATES, INC., CENTURY SPRINKLER HOLDINGS CORPORATION, CHAIN ELECTRIC HOLDINGS, INC., RED HAWK FIRE & SECURITY (CHES), LLC AND ATCI COMMUNICATIONS, INC. (each, a “New Subsidiary Guarantor” and together, the “New Subsidiary Guarantors”), each a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a limited liability company organized under the laws of Delaware (the “Company”), and PRIME FINANCE INC. (or its successor), a corporation incorporated under the laws of Delaware (the “Co-Issuer” and, together with the Company, the “Issuers”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and collateral agent under the indenture referred to below (the “Trustee”).

W I T N E S S E T H:

WHEREAS the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of May 2, 2016 (as amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 9.250% Second-Priority Senior Secured Notes due 2023 (the “Notes”), initially in the aggregate principal amount of $3,140,000,000;

WHEREAS Sections 4.11 and 12.07 of the Indenture provide that under certain circumstances the Issuers are required to cause the New Subsidiary Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantors shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Fifth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, each New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Fifth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Fifth Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Fifth Supplemental Indenture refer to this Fifth Supplemental Indenture as a whole and not to any particular Section hereof.
2. Agreement to Guarantee. Each New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors, to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.

3. Notices. All notices or other communications to any New Subsidiary Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Fifth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. THIS FIFTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. Foreign Account Tax Compliance Act. For purposes of compliance with the Foreign Account Tax Compliance Act, this Fifth Supplemental Indenture shall not result in a material modification of the Notes.

7. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Fifth Supplemental Indenture.

8. Counterparts. The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

[ Remainder of page intentionally left blank. ]
IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date first above written.

FIRE & SECURITY HOLDINGS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (NY), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CA), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK SECURITY SYSTEMS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

TELE-TECTOR OF MARYLAND, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Fifth Supplemental Indenture]
FIRE SYSTEMS INTERNATIONAL INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

PRATT LANDRY ASSOCIATES, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

CENTURY SPRINKLER HOLDINGS CORPORATION

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

RED HAWK FIRE & SECURITY (CHES), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

ATCI COMMUNICATIONS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Fifth Supplemental Indenture]
PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ P. Gray Finney
   Name: P. Gray Finney
   Title: Senior Vice President, Chief Legal Officer and Secretary

PRIME FINANCE INC.

By: /s/ P. Gray Finney
   Name: P. Gray Finney
   Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Fifth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Tina D. Gonzalez
Name: Tina D. Gonzalez
Title: Vice President

[Signature Page to Fifth Supplemental Indenture]
SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE (this “Sixth Supplemental Indenture”), dated as of January 30, 2019 among ADVANCED CABLING SYSTEMS, LLC, a Arkansas limited liability company (the “New Subsidiary Guarantor”), a subsidiary of PRIME SECURITY SERVICES BORROWER, LLC (or its successor), a limited liability company organized under the laws of Delaware (the “Company”), and PRIME FINANCE INC. (or its successor), a corporation incorporated under the laws of Delaware (the “Co-Issuer” and, together with the Company, the “Issuers”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as trustee and collateral agent under the indenture referred to below (the “Trustee”).

WITNESSETH:

WHEREAS the Issuers, certain Subsidiary Guarantors and the Trustee have heretofore executed an indenture, dated as of May 2, 2016 (as amended, supplemented or otherwise modified, the “Indenture”), providing for the issuance of the Issuers’ 9.250% Second-Priority Senior Secured Notes due 2023 (the “Notes”), initially in the aggregate principal amount of $3,140,000,000;

WHEREAS Sections 4.11 and 12.07 of the Indenture provide that under certain circumstances the Issuers are required to cause the New Subsidiary Guarantors to execute and deliver to the Trustee a supplemental indenture pursuant to which the New Subsidiary Guarantors shall unconditionally guarantee all the Issuers’ Obligations under the Notes and the Indenture pursuant to a Subsidiary Guarantee on the terms and conditions set forth herein; and

WHEREAS pursuant to Section 9.01 of the Indenture, the Trustee and the Issuers are authorized to execute and deliver this Sixth Supplemental Indenture;

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the New Subsidiary Guarantor, the Issuers and the Trustee mutually covenant and agree for the equal and ratable benefit of the holders of the Notes as follows:

1. Defined Terms. As used in this Sixth Supplemental Indenture, terms defined in the Indenture or in the preamble or recital hereto are used herein as therein defined, except that the term “holders” in this Sixth Supplemental Indenture shall refer to the term “holders” as defined in the Indenture and the Trustee acting on behalf of and for the benefit of such holders. The words “herein,” “hereof” and “hereby” and other words of similar import used in this Sixth Supplemental Indenture refer to this Sixth Supplemental Indenture as a whole and not to any particular Section hereof.

2. Agreement to Guarantee. The New Subsidiary Guarantor hereby agrees, jointly and severally with all existing Subsidiary Guarantors, to unconditionally guarantee the Issuers’ Obligations under the Notes and the Indenture on the terms and subject to the conditions set forth in Article XII of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes and to perform all of the obligations and agreements of a Subsidiary Guarantor under the Indenture.
3. Notices. All notices or other communications to the New Subsidiary Guarantor shall be given as provided in Section 13.02 of the Indenture.

4. Ratification of Indenture; Supplemental Indentures Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Sixth Supplemental Indenture shall form a part of the Indenture for all purposes, and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby.

5. Governing Law. THIS SIXTH SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

6. Foreign Account Tax Compliance Act. For purposes of compliance with the Foreign Account Tax Compliance Act, this Sixth Supplemental Indenture shall not result in a material modification of the Notes.

7. Trustee Makes No Representation. The Trustee makes no representation as to the validity or sufficiency of this Sixth Supplemental Indenture.

8. Counterparts. The parties may sign any number of copies of this Sixth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction thereof.

[ Remainder of page intentionally left blank. ]
IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first above written.

ADVANCED CABLE SYSTEMS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

PRIME SECURITY SERVICES BORROWER, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

PRIME FINANCE INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Sixth Supplemental Indenture]
IN WITNESS WHEREOF, the parties hereto have caused this Sixth Supplemental Indenture to be duly executed as of the date first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Trustee

By: /s/ Tina D. Gonzalez  
Name: Tina D. Gonzalez  
Title: Vice President

[Signature Page to Sixth Supplemental Indenture]
Supplement to the Collateral Agreement

SUPPLEMENT NO. 1 (this “Supplement”), dated as of April 18, 2018, to the Collateral Agreement (Second Lien) dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Issuer”), PRIME FINANCE INC. (the “Co-Issuer”), each Subsidiary of the Issuer from time to time party thereto (each, a “Subsidiary Guarantor”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the Indenture, dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Notes Indenture”), among the Issuer, as co-issuer, the Co-Issuer, as co-issuer, and Wells Fargo Bank, National Association, as trustee (in such capacity, the “Trustee”).

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Notes Indenture or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 11.01 of the Notes Indenture. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Issuer may become Subsidiary Guarantors and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. Each of the undersigned Subsidiaries (the “New Subsidiaries”) is executing this Supplement in accordance with the requirements of the Notes Indenture to become a Subsidiary Guarantor and a Pledgor under the Collateral Agreement.

Accordingly, each New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the each New Subsidiary by its signatures below becomes a Subsidiary Guarantor and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor and a Pledgor and each New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Guarantor and a Pledgor thereunder and (b) represent and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, each New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of such New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of each New Subsidiary. Each reference to a “Subsidiary Guarantor” or a “Pledgor” in the Collateral Agreement shall be deemed to include each New Subsidiary.
EXECUTION VERSION

(except as otherwise provided in clause (ii) of the definition of Pledgor to the extent applicable). The Collateral Agreement is hereby incorporated herein by reference.

SECTION 2. Each New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each New Subsidiary. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Each New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Issuer, correctly sets forth, to the knowledge of such New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by such New Subsidiary (other than any Excluded Property), (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by such New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by such New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the such New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.
SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. Each New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, each New Subsidiaries each has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

[Signature Page Follows]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement as of the day and year first above written.

ADT CANADA SECURITY HOLDINGS LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
    Chief Legal Officer
    and Secretary
Address: 1501 Yamato Road
    Boca Raton, FL 33431
Legal Name: ADT CANADA
SECURITY HOLDINGS LLC
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Collateral Agreement (Second Lien)]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

DataShield, LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
       Chief Legal Officer
       and Secretary
Address: 1501 Yamato Road
       Boca Raton, FL 33431
Legal Name: DATASHIELD, LLC
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Collateral Agreement (Second Lien)]
AA/ACME LOCKSMITHS, INC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary
Address: 1501 Yamato Road
       Boca Raton, FL 33431
Legal Name: AA/ACME
LOCKSMITHS, INC
Jurisdiction of Formation: California

ARONSON SECURITY GROUP, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary
Address: 1501 Yamato Road
       Boca Raton, FL 33431
Legal Name: Aronson Security Group,
Inc.
Jurisdiction of Formation: Washington

[Signature Page to Supplement to Collateral Agreement (Second Lien)]
Pledged Stock: Pledged Debt

A. Pledged Stock

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Record Owner</th>
<th>Certificate No.</th>
<th>Number and Class</th>
<th>Percentage of Equity Interest Owned</th>
<th>Percent (of Owned Equity Interests) Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>DataShield, LLC</td>
<td>ADT LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>AA/ACME LOCKSMITHS, INC.</td>
<td>ADT LLC</td>
<td>11</td>
<td>200 shares</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ARONSON SECURITY GROUP, INC.</td>
<td>ADT LLC</td>
<td>1</td>
<td>100 shares</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ADT Canada Security Holdings LLC</td>
<td>ADT Canada Holdings, Inc.</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ADT Security Holdings Canada Ltd.</td>
<td>ADT Canada Security Holdings LLC</td>
<td>3-C</td>
<td>316,974 shares of common stock</td>
<td>100%</td>
<td>65%</td>
</tr>
</tbody>
</table>

B. Pledged Debt

None.
Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by Each New Subsidiary

None.
B. **U.S. Federally Registered Copyrights Owned by Each New Subsidiary**

None.
C. U.S. Federally Registered or Applied for Trademarks Owned by Each New Subsidiary

None.
Commercial Tort Claims

None.
Supplement to the Collateral Agreement

SUPPLEMENT NO. 2 (this “Supplement”), dated as of August 17, 2018, to the Collateral Agreement (Second Lien) dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Issuer”), PRIME FINANCE INC. (the “Co-Issuer”), each Subsidiary of the Issuer from time to time party thereto (each, a “Subsidiary Guarantor”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the Indenture, dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Notes Indenture”), among the Issuer, as co-issuer, the Co-Issuer, as co-issuer, and Wells Fargo Bank, National Association, as trustee (in such capacity, the “Trustee”).

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Notes Indenture or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 11.01 of the Notes Indenture. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Issuer may become Subsidiary Guarantors and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the Notes Indenture to become a Subsidiary Guarantor and a Pledgor under the Collateral Agreement.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the New Subsidiary by its signature below becomes a Subsidiary Guarantor and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor and a Pledgor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Guarantor and a Pledgor thereunder and (b) represent and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of such New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of the New Subsidiary. Each reference to a “Subsidiary Guarantor” or a “Pledgor” in the Collateral Agreement shall be deemed to include the New Subsidiary (except as otherwise provided in clause (ii) of the definition of Pledgor to the extent applicable). The Collateral Agreement is hereby incorporated herein by reference.
SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Issuer, correctly sets forth, to the knowledge of such New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by such New Subsidiary (other than any Excluded Property), (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by such New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by such New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the such New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the
Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, The New Subsidiary has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

[Signature Page Follows]
By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary
Address: 1501 Yamato Road
        Boca Raton, FL 33431
Legal Name: MSA Systems Integration, Inc.
Jurisdiction of Formation: Delaware
Pledged Stock; Pledged Debt

A. Pledged Stock
None.

B. Pledged Debt
None.
Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by Each New Subsidiary

None.
B. **U.S. Federally Registered Copyrights Owned by Each New Subsidiary**

None.
C.  U.S. Federally Registered or Applied for Trademarks Owned by Each New Subsidiary

None.
Commercial Tort Claims

None.
Supplement to the Collateral Agreement

SUPPLEMENT NO. 3 (this “Supplement”), dated as of January 7, 2019, to the Collateral Agreement (Second Lien) dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Issuer”), PRIME FINANCE INC. (the “Co-Issuer”), each Subsidiary of the Issuer from time to time party thereto (each, a “Subsidiary Guarantor”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the Indenture, dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Notes Indenture”), among the Issuer, as co-issuer, the Co-Issuer, as co-issuer, and Wells Fargo Bank, National Association, as trustee (in such capacity, the “Trustee”).

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Notes Indenture or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 11.01 of the Notes Indenture. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Issuer may become Subsidiary Guarantors and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. Each of the undersigned Subsidiaries (each, a “New Subsidiary,” and collectively, the “New Subsidiaries”) is executing this Supplement in accordance with the requirements of the Notes Indenture to become a Subsidiary Guarantor and a Pledgor under the Collateral Agreement.

Accordingly, each New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the each New Subsidiary by its signatures below becomes a Subsidiary Guarantor and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor and a Pledgor and each New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Guarantor and a Pledgor thereunder and (b) represent and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, each New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of such New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of each New Subsidiary. Each reference to a “Subsidiary Guarantor” or a “Pledgor” in the Collateral Agreement shall be deemed to include each New Subsidiary.
 SECTION 2. Each New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

 SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each New Subsidiary. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

 SECTION 4. Each New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Issuer, correctly sets forth, to the knowledge of such New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by such New Subsidiary (other than any Excluded Property), (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by such New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by such New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the such New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

 SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

 SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.
SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. Each New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

[Signature Page Follows]
IN WITNESS WHEREOF, each New Subsidiaries each has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

FIRE & SECURITY HOLDINGS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Fire & Security Holdings, LLC
Jurisdiction of Formation: Delaware

RED HAWK FIRE & SECURITY, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Red Hawk Fire & Security, LLC
Jurisdiction of Formation: Colorado

RED HAWK FIRE & SECURITY (NY), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: RED HAWK FIRE & SECURITY (NY), LLC
Jurisdiction of Formation: New York

[Signature Page to Supplement to Collateral Agreement (Second Lien)]
RED HAWK FIRE & SECURITY (CA), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: RED HAWK FIRE & SECURITY (CA), LLC
Jurisdiction of Formation: California

RED HAWK SECURITY SYSTEMS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: RED HAWK SECURITY SYSTEMS, LLC
Jurisdiction of Formation: Texas

TELE-TECTOR OF MARYLAND, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: TELE-TECTOR OF MARYLAND, INC.
Jurisdiction of Formation: Maryland

[Signature Page to Supplement to Collateral Agreement (Second Lien)]
RED HAWK FIRE & SECURITY (CHES), LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Red Hawk Fire & Security (CHES), LLC
Jurisdiction of Formation: Delaware

ATCI COMMUNICATIONS, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: ATCi Communications, Inc.
Jurisdiction of Formation: Florida

FIRE SYSTEMS INTERNATIONAL, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: FIRE SYSTEMS INTERNATIONAL, INC.
Jurisdiction of Formation: New York

[Signature Page to Supplement to Collateral Agreement (Second Lien)]
PRATT LANDRY ASSOCIATES, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Pratt Landry Associates, Inc.
Jurisdiction of Formation: Louisiana

CENTURY SPRINKLER HOLDINGS CORPORATION

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Century Sprinkler Holdings Corporation
Jurisdiction of Formation: Delaware

CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Chain Electric Holdings, Inc.
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Collateral Agreement (Second Lien)]
## Pledged Stock; Pledged Debt

### A. Pledged Stock

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Record Owner</th>
<th>Certificate No.</th>
<th>Number and Class</th>
<th>Percentage of Outstanding Equity Interest Owned</th>
<th>Percentage (of Owned Equity Interests) Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>Fire &amp; Security Holdings, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>RED HAWK FIRE &amp; SECURITY (NY), LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>RED HAWK FIRE &amp; SECURITY (CA), LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>RED HAWK SECURITY SYSTEMS, LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>8A</td>
<td>70 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Red Hawk Fire &amp; Security (CHES), LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>74.16%</td>
<td>100%</td>
</tr>
<tr>
<td>Red Hawk Fire &amp; Security (CHES), LLC</td>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
<td>N/A</td>
<td>N/A</td>
<td>25.84%</td>
<td>100%</td>
</tr>
<tr>
<td>ATCi Communications, Inc.</td>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
<td>3</td>
<td>100 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>FIRE SYSTEMS INTERNATIONAL, INC.</td>
<td>RED HAWK FIRE &amp; SECURITY (NY), LLC</td>
<td>3</td>
<td>10 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Pratt Landry Associates, Inc.</td>
<td>RED HAWK FIRE &amp; SECURITY (CA), LLC</td>
<td>3</td>
<td>2,800 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Century Sprinkler Holdings Corporation</td>
<td>RED HAWK SECURITY SYSTEMS, LLC</td>
<td>3</td>
<td>100 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Chain Electric Holdings, Inc.</td>
<td>RED HAWK SECURITY SYSTEMS, LLC</td>
<td>3</td>
<td>100 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
B. Pledged Debt

None.
Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by Each New Subsidiary

None.
B. **U.S. Federally Registered Copyrights Owned by Each New Subsidiary**

None.
C. U.S. Federally Registered or Applied for Trademarks Owned by Each New Subsidiary

None.
Commercial Tort Claims

None.
Supplement to the Collateral Agreement

SUPPLEMENT NO. 4 (this “Supplement”), dated as of January 30, 2019, to the Collateral Agreement (Second Lien) dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Issuer”), PRIME FINANCE INC. (the “Co-Issuer”), each Subsidiary of the Issuer from time to time party thereto (each, a “Subsidiary Guarantor”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the Indenture, dated as of May 2, 2016 (as amended, restated, supplemented or otherwise modified from time to time, the “Notes Indenture”), among the Issuer, as co-issuer, the Co-Issuer, as co-issuer, and Wells Fargo Bank, National Association, as trustee (in such capacity, the “Trustee”).

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Notes Indenture or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 11.01 of the Notes Indenture. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Issuer may become Subsidiary Guarantors and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. Each of the undersigned Subsidiaries (each, a “New Subsidiary”) is executing this Supplement in accordance with the requirements of the Notes Indenture to become a Subsidiary Guarantor and a Pledgor under the Collateral Agreement.

Accordingly, each New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the each New Subsidiary by its signatures below becomes a Subsidiary Guarantor and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Guarantor and a Pledgor and each New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Guarantor and a Pledgor thereunder and (b) represent and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, each New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of such New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of each New Subsidiary. Each reference to a “Subsidiary Guarantor” or a “Pledgor” in the Collateral Agreement shall be deemed to include each New Subsidiary.
SECTION 2. Each New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each New Subsidiary. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Each New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Issuer, correctly sets forth, to the knowledge of such New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by such New Subsidiary (other than any Excluded Property), (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by such New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by such New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the such New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.
SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. Each New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

[Signature Page Follows]
IN WITNESS WHEREOF, each New Subsidiary each has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

ADVANCED CABLES, LLC.

By: /s/ P. Gray Finney
   Name: P. Gray Finney
   Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Advanced Cabling Systems, LLC
Jurisdiction of Formation: Arkansas

[Signature Page to Supplement No. 4 to Collateral Agreement (Second Lien)]
Pledged Stock; Pledged Debt

A. Pledged Stock
None.

B. Pledged Debt
None.
Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by Each New Subsidiary

None.

B. U.S. Federally Registered Copyrights Owned by Each New Subsidiary

None.

C. U.S. Federally Registered or Applied for Trademarks Owned by Each New Subsidiary

None.
Schedule III to  
Supplement No. 4 to the  
Collateral Agreement

**Commercial Tort Claims**

None.
The Pledgor listed on Annex I hereto has read the First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Barclays Bank PLC, in its capacities as First Lien Facility Agent and Applicable First Lien Agent, and Wells Fargo Bank, National Association, in its capacities as Second Lien Facility Agent and Applicable Second Lien Agent (as amended, renewed, extended, supplemented, restated, replaced or otherwise modified from time to time, the “First Lien/Second Lien Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the First Lien/Second Lien Intercreditor Agreement.

1. The Pledgor executes and delivers this instrument to evidence its acknowledgment of and consent to the First Lien/Second Lien Intercreditor Agreement. The Pledgor agrees not to take any action that would be contrary to the express provisions of the First Lien/Second Lien Intercreditor Agreement and agrees that, except as otherwise provided therein, including with respect to those provisions of which the Company is an intended third party beneficiary, no Secured Party shall have any liability to the Pledgor for acting in accordance with the provisions of the First Lien/Second Lien Intercreditor Agreement and the other Documents referred to therein. The undersigned understands that no Pledgor is an intended beneficiary or third party beneficiary of the First Lien/Second Lien Intercreditor Agreement except that it is an intended beneficiary and third party beneficiary thereof with the right and power to enforce with respect to the applicable provisions set forth in Section 8.17 (No Third Party Beneficiaries).

2. Notwithstanding anything to the contrary in the First Lien/Second Lien Intercreditor Agreement or provided herein, the undersigned acknowledges that it shall not have any right to consent to or approve any amendment, renewal, extension, supplement, modification or waiver of any provision of the First Lien/Second Lien Intercreditor Agreement except to the extent their rights are affected (in which case the Company shall have the right to consent to or approve any such amendment, amendment, renewal, extension, supplement).

3. The undersigned further agrees that it will not will bring any action or proceeding arising out of or relating to the First Lien/Second Lien Intercreditor Agreement in any court other than New York Courts (it being acknowledged and agreed by the parties to the First Lien/Second Lien Intercreditor Agreement that any other forum would be inconvenient and inappropriate in view of the fact that more of the parties hereto who would be affected by any such action or proceeding have contacts with the State of New York than any other jurisdiction).

[Remainder of this page intentionally left blank]
<table>
<thead>
<tr>
<th>Pledgor</th>
<th>Jurisdiction of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Cabling Systems, LLC</td>
<td>Arkansas</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement is hereby executed by the Pledgor as of the date first written above.

ADVANCED CABLING SYSTEMS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary
Supplement to the Collateral Agreement

SUPPLEMENT NO. 2 (this “Supplement”), dated as of October 31, 2017, to the Collateral Agreement (First Lien) dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Borrower”), each Subsidiary of the Borrower from time to time party thereto (each, a “Subsidiary Loan Party”) and BARCLAYS BANK PLC, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the First Lien Credit Agreement, dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Prime Security Services Holdings, LLC (“Holdings”), the Borrower, the Lenders party thereto from time to time, Barclays Bank PLC, as administrative agent, and the other parties thereto.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 5.10 of the Credit Agreement. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Borrower may become Subsidiary Loan Parties and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Loan Party and a Pledgor under the Collateral Agreement.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the New Subsidiary by its signature below becomes a Subsidiary Loan Party and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Loan Party and a Pledgor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Loan Party and a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on the New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of the New Subsidiary. Each reference to a “Subsidiary Loan Party” or a “Pledgor” in the Collateral Agreement shall be deemed to include the New Subsidiary (except as otherwise provided in clause (definition of Pledgor to the extent applicable). The Collateral Agreement is hereby incorporated herein by reference.

SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery
of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Borrower, correctly sets forth, to the knowledge of the New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by the New Subsidiary required to be pledged in order to satisfy the Collateral and Guarantee Requirement or delivered pursuant to Section 2.02(a) and 2.02(b) of the Collateral Agreement, (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by the New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by the New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF
NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

[Signature Page Follows]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

ADT CANADA SECURITY HOLDINGS, LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431

Legal Name: ADT CANADA SECURITY HOLDINGS, LLC
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Collateral Agreement (First Lien)]
### Pledged Stock; Pledged Debt

#### A. Pledged Stock

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Record Owner</th>
<th>Certificate No.</th>
<th>Number and Class</th>
<th>Percentage of Equity Interest Owned</th>
<th>Percentage (of Owned Equity Interests) Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>DataShield, LLC</td>
<td>ADT, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

#### B. Pledged Debt

None.
Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by the New Subsidiary

None.
B. U.S. Federally Registered Copyrights Owned by the New Subsidiary

None.
C. U.S. Federally Registered or Applied for Trademarks Owned by the New Subsidiary

None.
Schedule III to Supplement No. 2 to the Collateral Agreement

Commercial Tort Claims

None.
Supplement to the Collateral Agreement

SUPPLEMENT NO. 3 (this “Supplement”), dated as of January 22, 2018, to the Collateral Agreement (First Lien) dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Borrower”), each Subsidiary of the Borrower from time to time party thereto (each, a “Subsidiary Loan Party”) and BARCLAYS BANK PLC, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the First Lien Credit Agreement, dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Prime Security Services Holdings, LLC (“Holdings”), the Borrower, the Lenders party thereto from time to time, Barclays Bank PLC, as administrative agent, and the other parties thereto.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 5.10 of the Credit Agreement. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Borrower may become Subsidiary Loan Parties and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Loan Party and a Pledgor under the Collateral Agreement.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the New Subsidiary by its signature below becomes a Subsidiary Loan Party and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Loan Party and a Pledgor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Loan Party and a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on the New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of the New Subsidiary. Each reference to a “Subsidiary Loan Party” or a “Pledgor” in the Collateral Agreement shall be deemed to include the New Subsidiary (except as otherwise provided in clause (ii) of the definition of Pledgor to the extent applicable). The Collateral Agreement is hereby incorporated herein by reference.

SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.
SECTION 4. The New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Borrower, correctly sets forth, to the knowledge of the New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by the New Subsidiary required to be pledged in order to satisfy the Collateral and Guarantee Requirement or delivered pursuant to Section 2.02(a) and 2.02(b) of the Collateral Agreement, (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by the New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by the New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

[Signature Page Follows]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

DATASHIELD, LLC

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: CFO

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: DataShield, LLC
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Collateral Agreement (First Lien)]
Pledged Stock: Pledged Debt

A. Pledged Stock

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Record Owner</th>
<th>Certificate No.</th>
<th>Number and Class</th>
<th>Percentage of Equity Interest Owned</th>
<th>Percentage (of Owned Equity Interests) Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADT Canada Security Holdings LLC</td>
<td>ADT Canada Holdings, Inc.</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ADT Security Holdings Canada, Ltd.</td>
<td>ADT Canada Security Holdings LLC</td>
<td>3-C</td>
<td>316,974 shares of common stock</td>
<td>100%</td>
<td>65%</td>
</tr>
</tbody>
</table>

B. Pledged Debt

None.

Schedule II to Supplement No. 3 to the Collateral Agreement

Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by the New Subsidiary

None.

B. U.S. Federally Registered Copyrights Owned by the New Subsidiary

None.

C. U.S. Federally Registered or Applied for Trademarks Owned by the New Subsidiary

None.

Schedule III to Supplement No. 3 to the Collateral Agreement

Commercial Tort Claims

None.
Supplement to the Collateral Agreement

SUPPLEMENT NO. 4 (this “Supplement”), dated as of February 28, 2018, to the Collateral Agreement (First Lien) dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Borrower”), each Subsidiary of the Borrower from time to time party thereto (each, a “Subsidiary Loan Party”) and BARCLAYS BANK PLC, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the First Lien Credit Agreement, dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Prime Security Services Holdings, LLC (“Holdings”), the Borrower, the Lenders party thereto from time to time, Barclays Bank PLC, as administrative agent, and the other parties thereto.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 5.10 of the Credit Agreement. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Borrower may become Subsidiary Loan Parties and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. Each of the undersigned Subsidiaries (each, a “New Subsidiary,” and collectively, “the New Subsidiaries”) are executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Loan Party and a Pledgor under the Collateral Agreement.

Accordingly, each of the New Subsidiaries agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, each of the New Subsidiaries by their signatures below becomes a Subsidiary Loan Party and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Loan Party and a Pledgor and each of the New Subsidiaries hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Loan Party and a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, each of the New Subsidiaries, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on each of all of the New Subsidiaries’ right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of each of the New Subsidiaries. Each reference to a “Subsidiary Loan Party” or a “Pledgor” in the Collateral Agreement shall be deemed to include each of the

_________________________
New Subsidiaries (except as otherwise provided in clause (ii) of the definition of Pledgor to the extent applicable). The Collateral Agreement is hereby incorporated herein by reference.

SECTION 2. Each of the New Subsidiaries represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each of the New Subsidiaries. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Each of the New Subsidiaries hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Borrower, correctly sets forth, to the knowledge of each of the New Subsidiaries) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by each of the New Subsidiaries required to be pledged in order to satisfy the Collateral and Guarantee Requirement or delivered pursuant to Section 2.02(a) and 2.02(b) of the Collateral Agreement, (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by each of the New Subsidiaries consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by each of the New Subsidiaries, and (d) set forth under its signature hereto is the true and correct legal name of each of the New Subsidiaries, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF
NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. Each of the New Subsidiaries agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, each of the New Subsidiaries has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

[Signature Page Follows]
AA/ACME LOCKSMITHS, INC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: AA/ACME LOCKSMITHS, INC.
Jurisdiction of Formation: California

ARONSON SECURITY GROUP, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: AA/ACME LOCKSMITHS, INC.
Jurisdiction of Formation: California

[Signature Page to Supplement to Collateral Agreement (First Lien)]
Schedule I to Supplement No. 4 to the Collateral Agreement

Pledged Stock; Pledged Debt

A. Pledged Stock

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Record Owner</th>
<th>Certificate No.</th>
<th>Number and Class</th>
<th>Percentage of Equity Interest Owned</th>
<th>Percentage (of Owned Equity Interests) Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA/ACME LOCKSMITHS, INC.</td>
<td>ADT LLC</td>
<td>11</td>
<td>200 shares</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>ARONSON SECURITY GROUP, INC.</td>
<td>ADT LLC</td>
<td>1</td>
<td>100 shares</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

B. Pledged Debt

None

Schedule II to Supplement No. 4 to the Collateral Agreement

Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by the New Subsidiaries

None.

B. U.S. Federally Registered Copyrights Owned by the New Subsidiaries

None.

C. U.S. Federally Registered or Applied for Trademarks Owned by the New Subsidiaries

None.

Schedule III to Supplement No. 4 to the Collateral Agreement

Commercial Tort Claims

None.
Supplement to the Collateral Agreement

SUPPLEMENT NO. 5 (this “Supplement”), dated as of August 17, 2018, to the Collateral Agreement (First Lien) dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Borrower”), each Subsidiary of the Borrower from time to time party thereto (each, a “Subsidiary Loan Party”) and BARCLAYS BANK PLC, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the First Lien Credit Agreement, dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Prime Security Services Holdings, LLC (“Holdings”), the Borrower, the Lenders party thereto from time to time, Barclays Bank PLC, as administrative agent, and the other parties thereto.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 5.10 of the Credit Agreement. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Borrower may become Subsidiary Loan Parties and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Loan Party and a Pledgor under the Collateral Agreement.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the New Subsidiary by its signature below becomes a Subsidiary Loan Party and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Loan Party and a Pledgor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Loan Party and a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of the New Subsidiary. Each reference to a “Subsidiary Loan Party” or a “Pledgor” in the Collateral Agreement shall be deemed to include the New Subsidiary (except as otherwise provided
SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Borrower, correctly sets forth, to the knowledge of the New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by the New Subsidiary required to be pledged in order to satisfy the Collateral and Guarantee Requirement or delivered pursuant to Section 2.02(a) and 2.02(b) of the Collateral Agreement, (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by the New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by the New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF
NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

[Signature Page Follows]
By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431

Legal Name: MSA Systems Integration, Inc.
Jurisdiction of Formation: Delaware
Pledged Stock; Pledged Debt

A. Pledged Stock
None.

B. Pledged Debt
None.
Schedule II to Supplement No. 5 to the Collateral Agreement

**Intellectual Property**

A. **U.S. Federally Issued or Applied for Patents Owned by the New Subsidiary**
   
   None.

B. **U.S. Federally Registered Copyrights Owned by the New Subsidiary**
   
   None.

C. **U.S. Federally Registered or Applied for Trademarks Owned by the New Subsidiary**
   
   None.

Schedule III to Supplement No. 5 to the Collateral Agreement

**Commercial Tort Claims**

None.
SUPPLEMENT NO. 6 (this “Supplement”), dated as of January 7, 2019, to the Collateral Agreement (First Lien) dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Borrower”), each Subsidiary of the Borrower from time to time party thereto (each, a “Subsidiary Loan Party”) and BARCLAYS BANK PLC, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the First Lien Credit Agreement, dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Prime Security Services Holdings, LLC (“Holdings”), the Borrower, the Lenders party thereto from time to time, Barclays Bank PLC, as administrative agent, and the other parties thereto.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 5.10 of the Credit Agreement. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Borrower may become Subsidiary Loan Parties and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. Each of the undersigned Subsidiaries (each, a “New Subsidiary,” and collectively, “the New Subsidiaries”) are executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Loan Party and a Pledgor under the Collateral Agreement.

Accordingly, each of the New Subsidiaries agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, each of the New Subsidiaries by their signatures below becomes a Subsidiary Loan Party and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Loan Party and a Pledgor and each of the New Subsidiaries hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Loan Party and a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, each of the New Subsidiaries, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on each of all of the New Subsidiaries’ right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of each of the New Subsidiaries. Each reference to a “Subsidiary Loan Party” or a “Pledgor” in the Collateral Agreement shall be deemed to include each of the
New Subsidiaries (except as otherwise provided in clause (ii) of the definition of Pledgor to the extent applicable). The Collateral Agreement is hereby incorporated herein by reference.

SECTION 2. Each of the New Subsidiaries represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each of the New Subsidiaries. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Each of the New Subsidiaries hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Borrower, correctly sets forth, to the knowledge of each of the New Subsidiaries) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by each of the New Subsidiaries required to be pledged in order to satisfy the Collateral and Guarantee Requirement or delivered pursuant to Section 2.02(a) and 2.02(b) of the Collateral Agreement, (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by each of the New Subsidiaries consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by each of the New Subsidiaries, and (d) set forth under its signature hereto is the true and correct legal name of each of the New Subsidiaries, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF
NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. Each of the New Subsidiaries agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, each of the New Subsidiaries has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

[Signature Page Follows]
FIRE & SECURITY HOLDINGS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Fire & Security Holdings, LLC
Jurisdiction of Formation: Delaware

RED HAWK FIRE & SECURITY, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Red Hawk Fire & Security, LLC
Jurisdiction of Formation: Colorado

RED HAWK FIRE & SECURITY (NY), LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Red Hawk Fire & Security (NY), LLC
Jurisdiction of Formation: New York

[Signature Page to Supplement to Collateral Agreement (First Lien)]
RED HAWK FIRE & SECURITY (CA), LLC

By:  /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Red Hawk Fire & Security (CA), LLC
Jurisdiction of Formation: California

RED HAWK SECURITY SYSTEMS, LLC

By:  /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Red Hawk Security Systems, LLC
Jurisdiction of Formation: Texas

TELE-TECTOR OF MARYLAND, INC.

By:  /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Tele-Tector of Maryland, INC.
Jurisdiction of Formation: Maryland

[Signature Page to Supplement to Collateral Agreement (First Lien)]
RED HAWK FIRE & SECURITY (CHES), LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Red Hawk Fire & Security (CHES), LLC
Jurisdiction of Formation: Delaware

ATCI COMMUNICATIONS, INC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: ATCi Communications, Inc.
Jurisdiction of Formation: Florida

FIRE SYSTEMS INTERNATIONAL, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Fire Systems International, Inc.
Jurisdiction of Formation: New York

[Signature Page to Supplement to Collateral Agreement (First Lien)]
PRATT LANDRY ASSOCIATES, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary
Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Pratt Landry Associates, Inc.
Jurisdiction of Formation: Louisiana

CENTURY SPRINKLER HOLDINGS CORPORATION

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary
Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Century Sprinkler Holdings Corporation
Jurisdiction of Formation: Delaware

CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary
Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Chain Electric Holdings, Inc.
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Collateral Agreement (First Lien)]
### Pledged Stock; Pledged Debt

#### A. Pledged Stock

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Record Owner</th>
<th>Certificate No</th>
<th>Number and Class</th>
<th>Percentage of Outstanding Equity Interest Owned</th>
<th>Percentage (of Owned Equity Interests) Pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>Fire &amp; Security Holdings, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>RED HAWK FIRE &amp; SECURITY (NY), LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>RED HAWK FIRE &amp; SECURITY (CA), LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>RED HAWK SECURITY SYSTEMS, LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>8A</td>
<td>70 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Red Hawk Fire &amp; Security (CHES), LLC</td>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>N/A</td>
<td>N/A</td>
<td>74.16%</td>
<td>100%</td>
</tr>
<tr>
<td>Red Hawk Fire &amp; Security (CHES), LLC</td>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
<td>N/A</td>
<td>N/A</td>
<td>25.84%</td>
<td>100%</td>
</tr>
<tr>
<td>ATCi Communication, Inc.</td>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
<td>03</td>
<td>100 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>FIRE SYSTEMS INTERNATIONAL, INC.</td>
<td>RED HAWK FIRE &amp; SECURITY (NY), LLC</td>
<td>3</td>
<td>10 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Pratt Landry Associates, Inc.</td>
<td>RED HAWK FIRE &amp; SECURITY (CA), LLC</td>
<td>3</td>
<td>2,800 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Century Sprinkler Holdings Corporation</td>
<td>RED HAWK SECURITY SYSTEMS, LLC</td>
<td>3</td>
<td>100 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Chain Electric Holdings, Inc.</td>
<td>RED HAWK SECURITY SYSTEMS, LLC</td>
<td>3</td>
<td>100 shares of common stock</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
B. Pledged Debt

None.
A. U.S. Federally Issued or Applied for Patents Owned by the New Subsidiaries

None.
B. U.S. Federally Registered Copyrights Owned by the New Subsidiaries

None.
C. U.S. Federally Registered or Applied for Trademarks Owned by the New Subsidiaries

None.
Schedule III to Supplement No. 6 to the Collateral Agreement

Commercial Tort Claims

None.
Supplement to the Collateral Agreement

SUPPLEMENT NO. 7 (this “Supplement”), dated as of January 30, 2019, to the Collateral Agreement (First Lien) dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among PRIME SECURITY SERVICES BORROWER, LLC (the “Borrower”), each Subsidiary of the Borrower from time to time party thereto (each, a “Subsidiary Loan Party”) and BARCLAYS BANK PLC, as collateral agent (together with its successors and assigns in such capacity, the “Collateral Agent”) for the Secured Parties (as defined therein).

A. Reference is made to the First Lien Credit Agreement, dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Prime Security Services Holdings, LLC (“Holdings”), the Borrower, the Lenders party thereto from time to time, Barclays Bank PLC, as administrative agent, and the other parties thereto.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement or the Collateral Agreement, as applicable.

C. The Pledgors have entered into the Collateral Agreement pursuant to the requirements set forth in Section 5.10 of the Credit Agreement. Section 5.16 of the Collateral Agreement provides that additional Subsidiaries of the Borrower may become Subsidiary Loan Parties and Pledgors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Subsidiary Loan Party and a Pledgor under the Collateral Agreement.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 5.16 of the Collateral Agreement, the New Subsidiary by its signature below becomes a Subsidiary Loan Party and a Pledgor under the Collateral Agreement with the same force and effect as if originally named therein as a Subsidiary Loan Party and a Pledgor and the New Subsidiary hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Subsidiary Loan Party and a Pledgor thereunder and (b) represents and warrants that the representations and warranties made by it as a Pledgor thereunder are true and correct in all material respects on and as of the date hereof. In furtherance of the foregoing, the New Subsidiary, as security for the payment and performance in full of the Secured Obligations, does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, their successors and assigns, a security interest in and lien on all of the New Subsidiary’s right, title and interest in and to the Collateral (as defined in the Collateral Agreement) of the New Subsidiary. Each reference to a “Subsidiary Loan Party” or a “Pledgor” in the Collateral Agreement shall be deemed to include the New Subsidiary (except as otherwise provided.
in clause (ii) of the definition of Pledgor to the extent applicable). The Collateral Agreement is hereby incorporated herein by reference.

SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. The New Subsidiary hereby represents and warrants that, as of the date hereof, (a) set forth on Schedule I attached hereto is a true and correct schedule of any and all of (and, with respect to any Pledged Stock issued by an issuer that is not a subsidiary of the Borrower, correctly sets forth, to the knowledge of the New Subsidiary) the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Stock and includes (i) all Equity Interests pledged hereunder and (ii) the debt obligations and promissory notes or instruments evidencing Indebtedness, in each case under this clause (ii) pledged hereunder and in an aggregate principal amount in excess of $10,000,000 now owned by the New Subsidiary required to be pledged in order to satisfy the Collateral and Guarantee Requirement or delivered pursuant to Section 2.02(a) and 2.02(b) of the Collateral Agreement, (b) set forth on Schedule II attached hereto is a list of any and all Intellectual Property now owned by the New Subsidiary consisting of Patents and Trademarks applied for or registered with the United States Patent and Trademark Office and Copyrights registered with the United States Copyright Office, (c) set forth on Schedule III hereto is a list of all Commercial Tort Claims in excess of $10,000,000 held by the New Subsidiary, and (d) set forth under its signature hereto is the true and correct legal name of the New Subsidiary, its jurisdiction of organization and the location of its chief executive office.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF
NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 7. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Collateral Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall (except as otherwise expressly permitted by the Collateral Agreement) be in writing and given as provided in Section 5.01 of the Collateral Agreement.

SECTION 9. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, other charges and disbursements of counsel for the Collateral Agent.

IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

[Signature Page Follows]
ADVANCED CABLEING SYSTEMS, LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431
Legal Name: Advanced Cabling Systems, LLC
Jurisdiction of Formation: Arkansas

[Signature Page to Supplement to Collateral Agreement (First Lien)]
Pledged Stock; Pledged Debt

A. Pledged Stock

None.

B. Pledged Debt

None.
Intellectual Property

A. U.S. Federally Issued or Applied for Patents Owned by the New Subsidiary

None.
B. U.S. Federally Registered Copyrights Owned by the New Subsidiary

None.
C. U.S. Federally Registered or Applied for Trademarks Owned by the New Subsidiary

None.
Schedule III to Supplement No. 7 to the Collateral Agreement

Commercial Tort Claims

None.
SUPPLEMENT NO. 2
TO SUBSIDIARY GUARANTEE AGREEMENT (FIRST LIEN)

SUPPLEMENT NO. 2, dated as of October 31, 2017 (as amended, restated, supplemented or otherwise modified from time to time, this “Supplement”), to the Subsidiary Guarantee Agreement (First Lien), dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Guaranty”), among each Subsidiary listed on the signature page thereof and each other Subsidiary that became a party thereto after the date thereof (each an “Existing Guarantor” and collectively, the “Existing Guarantors”) and BARCLAYS BANK PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as collateral agent (in such capacity, together with any successor thereto, the “Collateral Agent”) for the Secured Parties.

A. Reference is made to the First Lien Credit Agreement dated as of July 1, 2015 (as amended, supplemented, waived or otherwise modified from time to time, the “First Lien Credit Agreement”), among PRIME SECURITY SERVICES HOLDINGS, LLC, a Delaware limited liability company, PRIME SECURITY SERVICES BORROWER, LLC, a Delaware limited liability company (the “Borrower”), the Lenders party thereto from time to time and Barclays Bank PLC, as Administrative Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

C. Each Existing Guarantor has entered into the Guaranty in order to induce the Lenders to make Loans and each Issuing Bank to issue Letters of Credit. Section 11 of the Guaranty provides that additional Subsidiaries may become Subsidiary Guarantors (as defined in the Guaranty) under the Guaranty by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the First Lien Credit Agreement to become a Subsidiary Guarantor under the Guaranty in order to induce the Lenders to maintain and/or make additional Loans and each Issuing Bank to maintain and/or issue additional Letters of Credit, and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 11 of the Guaranty, the New Subsidiary by its signature below becomes a Subsidiary Guarantor under the Guaranty with the same force and effect as if originally named therein as a Subsidiary Guarantor and the New Subsidiary hereby agrees to all the terms and provisions of the Guaranty applicable to it as a Subsidiary Guarantor thereunder. In furtherance of the foregoing, the New Subsidiary does hereby guarantee to the Collateral Agent the due and punctual payment of the Guaranteed Obligations (as defined in the Guaranty) as set forth in the Guaranty. Each reference to a “Subsidiary Guarantor” or a “Guarantor” in the Guaranty and in this Supplement shall be deemed to include the New Subsidiary. The Guaranty is hereby incorporated herein by reference.

[Signature Page to Supplement to Subsidiary Guarantee Agreement (First Lien)]
SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed counterpart to this Supplement by facsimile or electronic transmission (or other electronic transmission pursuant to procedures approved by the Collateral Agent) shall be as effective as delivery of a manually signed original.

SECTION 4. Except as expressly supplemented hereby, the Guaranty shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR OTHER CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guaranty shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 5(d) of the Guaranty.

SECTION 8. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, disbursements and other charges of counsel to the Collateral Agent.

[remainder of page intentionally left blank; signature page follows]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement as of the day and year first above written.

DATASHIELD, LLC

By: /s/ Jeff Likosar
    Name: Jeff Likosar
    Title: CFO

Address: 1501 Yamato Road
        Boca Raton, FL 33431
Legal Name: DataShield, LLC
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Subsidiary Guarantee Agreement (First Lien)]
SUPPLEMENT NO. 3
TO SUBSIDIARY GUARANTEE AGREEMENT (FIRST LIEN)

SUPPLEMENT NO. 3, dated as of January 22, 2018 (as amended, restated, supplemented or otherwise modified from time to time, this “Supplement”), to the Subsidiary Guarantee Agreement (First Lien), dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Guaranty”), among each Subsidiary listed on the signature page thereof and each other Subsidiary that became a party thereto after the date thereof (each an “Existing Guarantor” and collectively, the “Existing Guarantors”) and BARCLAYS BANK PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as collateral agent (in such capacity, together with any successor thereto, the “Collateral Agent”) for the Secured Parties.

A. Reference is made to the First Lien Credit Agreement dated as of July 1, 2015 (as amended, supplemented, waived or otherwise modified from time to time, the “First Lien Credit Agreement”), among PRIME SECURITY SERVICES HOLDINGS, LLC, a Delaware limited liability company, PRIME SECURITY SERVICES BORROWER, LLC, a Delaware limited liability company (the “Borrower”), the Lenders party thereto from time to time and Barclays Bank PLC, as Administrative Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

C. Each Existing Guarantor has entered into the Guaranty in order to induce the Lenders to make Loans and each Issuing Bank to issue Letters of Credit. Section 11 of the Guaranty provides that additional Subsidiaries may become Subsidiary Guarantors (as defined in the Guaranty) under the Guaranty by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the First Lien Credit Agreement to become a Subsidiary Guarantor under the Guaranty in order to induce the Lenders to maintain and/or make additional Loans and each Issuing Bank to maintain and/or issue additional Letters of Credit, and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 11 of the Guaranty, the New Subsidiary by its signature below becomes a Subsidiary Guarantor under the Guaranty with the same force and effect as if originally named therein as a Subsidiary Guarantor and the New Subsidiary hereby agrees to all the terms and provisions of the Guaranty applicable to it as a Subsidiary Guarantor thereunder. In furtherance of the foregoing, the New Subsidiary does hereby guarantee to the Collateral Agent the due and punctual payment of the Guaranteed Obligations (as defined in the Guaranty) as set forth in the Guaranty. Each reference to a “Subsidiary Guarantor” or a “Guarantor” in the Guaranty and in this Supplement shall be deemed to include the New Subsidiary. The Guaranty is hereby incorporated herein by reference.
SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed counterpart to this Supplement by facsimile or electronic transmission (or other electronic transmission pursuant to procedures approved by the Collateral Agent) shall be as effective as delivery of a manually signed original.

SECTION 4. Except as expressly supplemented hereby, the Guaranty shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR OTHER CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guaranty shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 5(d) of the Guaranty.

SECTION 8. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, disbursements and other charges of counsel to the Collateral Agent.

[remainder of page intentionally left blank; signature page follows]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement as of the day and year first above written.

ADT CANADA SECURITY HOLDINGS LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

Address: 1501 Yamato Road
Boca Raton, FL 33431

Legal Name: ADT CANADA SECURITY HOLDINGS LLC
Jurisdiction of Formation: Delaware

[Signature Page to Supplement to Subsidiary Guarantee Agreement (First Lien)]
SUPPLEMENT NO. 4
TO SUBSIDIARY GUARANTEE AGREEMENT (FIRST LIEN)

SUPPLEMENT NO. 4, dated as of February 28, 2018 (as amended, restated, supplemented or otherwise modified from time to time, this “Supplement”), to the Subsidiary Guarantee Agreement (First Lien), dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Guaranty”), among each Subsidiary listed on the signature page thereof and each other Subsidiary that became a party thereto after the date thereof (each an “Existing Guarantor” and collectively, the “Existing Guarantors”) and BARCLAYS BANK PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as collateral agent (in such capacity, together with any successor thereto, the “Collateral Agent”) for the Secured Parties.

A. Reference is made to the First Lien Credit Agreement dated as of July 1, 2015 (as amended, supplemented, waived or otherwise modified from time to time, the “First Lien Credit Agreement”), among PRIME SECURITY SERVICES HOLDINGS, LLC, a Delaware limited liability company, PRIME SECURITY SERVICES BORROWER, LLC, a Delaware limited liability company (the “Borrower”), the Lenders party thereto from time to time and Barclays Bank PLC, as Administrative Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

C. Each Existing Guarantor has entered into the Guaranty in order to induce the Lenders to make Loans and each Issuing Bank to issue Letters of Credit. Section 11 of the Guaranty provides that additional Subsidiaries may become Subsidiary Guarantors (as defined in the Guaranty) under the Guaranty by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (each, a “New Subsidiary,” and collectively, the “New Subsidiaries”) is executing this Supplement in accordance with the requirements of the First Lien Credit Agreement to become a Subsidiary Guarantor under the Guaranty in order to induce the Lenders to maintain and/or make additional Loans and each Issuing Bank to maintain and/or issue additional Letters of Credit, and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, each of the New Subsidiaries agrees as follows:

SECTION 1. In accordance with Section 11 of the Guaranty, each of the New Subsidiaries by its signature below becomes a Subsidiary Guarantor under the Guaranty with the same force and effect as if originally named therein as a Subsidiary Guarantor and each of the New Subsidiaries hereby agrees to all the terms and provisions of the Guaranty applicable to it as a Subsidiary Guarantor thereunder. In furtherance of the foregoing, each of the New Subsidiaries does hereby guarantee to the Collateral Agent the due and punctual payment of the Guaranteed Obligations (as defined in the Guaranty) as set forth in the Guaranty. Each reference to a “Subsidiary Guarantor” or a “Guarantor” in the Guaranty and in this Supplement shall be deemed to include each of the New Subsidiaries. The Guaranty is hereby incorporated herein by reference.
SECTION 2. Each of the New Subsidiaries represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each of the New Subsidiaries. Delivery of an executed counterpart to this Supplement by facsimile or electronic transmission (or other electronic transmission pursuant to procedures approved by the Collateral Agent) shall be as effective as delivery of a manually signed original.

SECTION 4. Except as expressly supplemented hereby, the Guaranty shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR OTHER CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guaranty shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 5(d) of the Guaranty.

SECTION 8. Each of the New Subsidiaries agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, disbursements and other charges of counsel to the Collateral Agent.

[ remainder of page intentionally left blank; signature page follows ]
IN WITNESS WHEREOF, each of the New Subsidiaries has duly executed this Supplement as of the day and year first above written.

AA/ACME LOCKSMITHS, INC

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

ARONSON SECURITY GROUP, INC.

By: /s/ P. Gray Finney
    Name: P. Gray Finney
    Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Supplement to Subsidiary Guarantee Agreement (First Lien)]
SUPPLEMENT NO. 5
TO SUBSIDIARY GUARANTEE AGREEMENT (FIRST LIEN)

SUPPLEMENT NO. 5, dated as of August 17, 2018 (as amended, restated, supplemented or otherwise modified from time to time, this “Supplement”), to the Subsidiary Guarantee Agreement (First Lien), dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Guaranty”), among each Subsidiary listed on the signature page thereof and each other Subsidiary that became a party thereto after the date thereof (each an “Existing Guarantor” and collectively, the “Existing Guarantors”) and BARCLAYS BANK PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as collateral agent (in such capacity, together with any successor thereto, the “Collateral Agent”) for the Secured Parties.

A. Reference is made to the First Lien Credit Agreement dated as of July 1, 2015 (as amended, supplemented, waived or otherwise modified from time to time, the “First Lien Credit Agreement”), among PRIME SECURITY SERVICES HOLDINGS, LLC, a Delaware limited liability company, PRIME SECURITY SERVICES BORROWER, LLC, a Delaware limited liability company (the “Borrower”), the Lenders party thereto from time to time and Barclays Bank PLC, as Administrative Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

C. Each Existing Guarantor has entered into the Guaranty in order to induce the Lenders to make Loans and each Issuing Bank to issue Letters of Credit. Section 11 of the Guaranty provides that additional Subsidiaries may become Subsidiary Guarantors (as defined in the Guaranty) under the Guaranty by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the First Lien Credit Agreement to become a Subsidiary Guarantor under the Guaranty in order to induce the Lenders to maintain and/or make additional Loans and each Issuing Bank to maintain and/or issue additional Letters of Credit, and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 11 of the Guaranty, the New Subsidiary by its signature below becomes a Subsidiary Guarantor under the Guaranty with the same force and effect as if originally named therein as a Subsidiary Guarantor and the New Subsidiary hereby agrees to all the terms and provisions of the Guaranty applicable to it as a Subsidiary Guarantor thereunder. In furtherance of the foregoing, the New Subsidiary does hereby guarantee to the Collateral Agent the due and punctual payment of the Guaranteed Obligations (as defined in the Guaranty) as set forth in the Guaranty. Each reference to a “Subsidiary Guarantor” or a “Guarantor” in the Guaranty and in this Supplement shall be deemed to include the New Subsidiary. The Guaranty is hereby incorporated herein by reference.
SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed counterpart to this Supplement by facsimile or electronic transmission (or other electronic transmission pursuant to procedures approved by the Collateral Agent) shall be as effective as delivery of a manually signed original.

SECTION 4. Except as expressly supplemented hereby, the Guaranty shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR OTHER CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guaranty shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 5(d) of the Guaranty.

SECTION 8. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, disbursements and other charges of counsel to the Collateral Agent.

[ remainder of page intentionally left blank; signature page follows ]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement as of the day and year first above written.

MSA SYSTEMS INTREGATION, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Supplement to Subsidiary Guarantee Agreement (First Lien)]
SUPPLEMENT NO. 6
TO SUBSIDIARY GUARANTEE AGREEMENT (FIRST LIEN)

SUPPLEMENT NO. 6, dated as of January 2, 2019 (as amended, restated, supplemented or otherwise modified from time to time, this “Supplement”), to the Subsidiary Guarantee Agreement (First Lien), dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Guaranty”), among each Subsidiary listed on the signature page thereof and each other Subsidiary that became a party thereto after the date thereof (each an “Existing Guarantor” and collectively, the “Existing Guarantors”) and BARCLAYS BANK PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as collateral agent (in such capacity, together with any successor thereto, the “Collateral Agent”) for the Secured Parties.

A. Reference is made to the First Lien Credit Agreement dated as of July 1, 2015 (as amended, supplemented, waived or otherwise modified from time to time, the “First Lien Credit Agreement”), among PRIME SECURITY SERVICES HOLDINGS, LLC, a Delaware limited liability company, PRIME SECURITY SERVICES BORROWER, LLC, a Delaware limited liability company (the “Borrower”), the Lenders party thereto from time to time and Barclays Bank PLC, as Administrative Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

C. Each Existing Guarantor has entered into the Guaranty in order to induce the Lenders to make Loans and each Issuing Bank to issue Letters of Credit. Section 11 of the Guaranty provides that additional Subsidiaries may become Subsidiary Guarantors (as defined in the Guaranty) under the Guaranty by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (each, a “New Subsidiary,” and collectively, the “New Subsidiaries”) is executing this Supplement in accordance with the requirements of the First Lien Credit Agreement to become a Subsidiary Guarantor under the Guaranty in order to induce the Lenders to maintain and/or make additional Loans and each Issuing Bank to maintain and/or issue additional Letters of Credit, and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, each of the New Subsidiaries agrees as follows:

SECTION 1. In accordance with Section 11 of the Guaranty, each of the New Subsidiaries by its signature below becomes a Subsidiary Guarantor under the Guaranty with the same force and effect as if originally named therein as a Subsidiary Guarantor and each of the New Subsidiaries hereby agrees to all the terms and provisions of the Guaranty applicable to it as a Subsidiary Guarantor thereunder. In furtherance of the foregoing, each of the New Subsidiaries does hereby guarantee to the Collateral Agent the due and punctual payment of the Guaranteed Obligations (as defined in the Guaranty) as set forth in the Guaranty. Each reference to a “Subsidiary Guarantor” or a
“Guarantor” in the Guaranty and in this Supplement shall be deemed to include each of the New Subsidiaries. The Guaranty is hereby incorporated herein by reference.

SECTION 2. Each of the New Subsidiaries represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of each of the New Subsidiaries. Delivery of an executed counterpart to this Supplement by facsimile or electronic transmission (or other electronic transmission pursuant to procedures approved by the Collateral Agent) shall be as effective as delivery of a manually signed original.

SECTION 4. Except as expressly supplemented hereby, the Guaranty shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR OTHER CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guaranty shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 5(d) of the Guaranty.

SECTION 8. Each of the New Subsidiaries agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this
Supplement, including the reasonable and documented fees, disbursements and other charges of counsel to the Collateral Agent.

[ remainder of page intentionally left blank; signature page follows ]
IN WITNESS WHEREOF, each of the New Subsidiaries has duly executed this Supplement as of the day and year first above written.

FIRE & SECURITY HOLDINGS, LLC
RED HAWK FIRE & SECURITY, LLC
RED HAWK FIRE & SECURITY (NY), LLC
RED HAWK FIRE & SECURITY (CA), LLC
RED HAWK SECURITY SYSTEMS, LLC
TELE-TECTOR OF MARYLAND, INC.
RED HAWK FIRE & SECURITY (CHES), LLC
ATCI COMMUNICATIONS, INC.
FIRE SYSTEMS INTERNATIONAL, INC.
PRATT LANDRY ASSOCIATES, INC.
CENTURY SPRINKLER HOLDINGS CORPORATION
CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

[Signature Page to Supplement to Subsidiary Guarantee Agreement (First Lien)]
SUPPLEMENT NO. 7
TO SUBSIDIARY GUARANTEE AGREEMENT (FIRST LIEN)

SUPPLEMENT NO. 7, dated as of January 30, 2019 (as amended, restated, supplemented or otherwise modified from time to time, this “Supplement”), to the Subsidiary Guarantee Agreement (First Lien), dated as of July 1, 2015 (as amended, restated, supplemented or otherwise modified from time to time, the “Guaranty”), among each Subsidiary listed on the signature page thereof and each other Subsidiary that became a party thereto after the date thereof (each an “Existing Guarantor” and collectively, the “Existing Guarantors”) and BARCLAYS BANK PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as collateral agent (in such capacity, together with any successor thereto, the “Collateral Agent”) for the Secured Parties.

A. Reference is made to the First Lien Credit Agreement dated as of July 1, 2015 (as amended, supplemented, waived or otherwise modified from time to time, the “First Lien Credit Agreement”), among PRIME SECURITY SERVICES HOLDINGS, LLC, a Delaware limited liability company, PRIME SECURITY SERVICES BORROWER, LLC, a Delaware limited liability company (the “Borrower”), the Lenders party thereto from time to time and Barclays Bank PLC, as Administrative Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the First Lien Credit Agreement.

C. Each Existing Guarantor has entered into the Guaranty in order to induce the Lenders to make Loans and each Issuing Bank to issue Letters of Credit. Section 11 of the Guaranty provides that additional Subsidiaries may become Subsidiary Guarantors (as defined in the Guaranty) under the Guaranty by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Borrower (the “New Subsidiary”) is executing this Supplement in accordance with the requirements of the First Lien Credit Agreement to become a Subsidiary Guarantor under the Guaranty in order to induce the Lenders to maintain and/or make additional Loans and each Issuing Bank to maintain and/or issue additional Letters of Credit, and as consideration for Loans previously made and Letters of Credit previously issued.

Accordingly, the New Subsidiary agrees as follows:

SECTION 1. In accordance with Section 11 of the Guaranty, the New Subsidiary by its signature below becomes a Subsidiary Guarantor under the Guaranty with the same force and effect as if originally named therein as a Subsidiary Guarantor and the New Subsidiary hereby agrees to all the terms and provisions of the Guaranty applicable to it as a Subsidiary Guarantor thereunder. In furtherance of the foregoing, the New Subsidiary does hereby guarantee to the Collateral Agent the due and punctual payment of the Guaranteed Obligations (as defined in the Guaranty) as set forth in the Guaranty. Each reference to a “Subsidiary Guarantor” or a “Guarantor” in the Guaranty and in this Supplement shall be deemed to include the New Subsidiary. The Guaranty is hereby incorporated herein by reference.
SECTION 2. The New Subsidiary represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors’ rights generally, (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (iii) implied covenants of good faith and fair dealing.

SECTION 3. This Supplement may be executed in two or more counterparts, each of which shall constitute an original but all of which, when taken together, shall constitute but one contract. This Supplement shall become effective when the Collateral Agent shall have received a counterpart of this Supplement that bears the signature of the New Subsidiary. Delivery of an executed counterpart to this Supplement by facsimile or electronic transmission (or other electronic transmission pursuant to procedures approved by the Collateral Agent) shall be as effective as delivery of a manually signed original.

SECTION 4. Except as expressly supplemented hereby, the Guaranty shall remain in full force and effect.

SECTION 5. THIS SUPPLEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR OTHER CAUSES OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY PRINCIPLE OF CONFLICTS OF LAW THAT COULD REQUIRE THE APPLICATION OF ANY OTHER LAW.

SECTION 6. In the event any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guaranty shall not in any way be affected or impaired thereby. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 5(d) of the Guaranty.

SECTION 8. The New Subsidiary agrees to reimburse the Collateral Agent for its reasonable and documented out-of-pocket expenses in connection with this Supplement, including the reasonable and documented fees, disbursements and other charges of counsel to the Collateral Agent.

[ remainder of page intentionally left blank; signature page follows ]
IN WITNESS WHEREOF, the New Subsidiary has duly executed this Supplement as of the day and year first above written.

ADVANCED CABLING SYSTEMS, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Supplement to Subsidiary Guarantee Agreement (First Lien)]
CONSENT OF GRANTOR

Dated: October 31, 2017

Reference is made to the First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016, among Barclays Bank PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, and Wells Fargo Bank, National Association, as Initial Other Authorized Representative (as the same may be amended, restated, supplemented, waived, or otherwise modified from time to time, the “Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

The Grantor listed on Annex 1 hereto has read the foregoing Intercreditor Agreement and consents thereto. The Grantor agrees that it will not take any action that would be contrary to the express provisions of the foregoing Intercreditor Agreement, agrees to abide by the requirements expressly applicable to it under the foregoing Intercreditor Agreement and agrees that, except as otherwise provided therein, no First-Priority Secured Party shall have any liability to the Grantor for acting in accordance with the provisions of the foregoing Intercreditor Agreement. The Grantor confirms that the foregoing Intercreditor Agreement is for the sole benefit of the First-Priority Secured Parties and their respective successors and assigns, and that the Grantor is not an intended beneficiary or third party beneficiary thereof except to the extent otherwise expressly provided therein.

The Grantor agrees to take such further action and to execute and deliver such additional documents and instruments (in recordable form, if requested) as the Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by the Intercreditor Agreement.

This Consent of Grantor shall be governed and construed in accordance with the laws of the State of New York. Notices delivered to the Grantor pursuant to this Consent of Grantor shall be delivered in accordance with the notice provisions set forth in the Intercreditor Agreement.

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<table>
<thead>
<tr>
<th>Pledgor</th>
<th>Jurisdiction of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>DataShield, LLC</td>
<td>Delaware</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Consent of Grantor is hereby executed by the Grantor as of the date first written above.

DATASHIELD, LLC

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: CFO

[Signature Page to Consent of Grantor]
CONSENT OF GRANTOR

Dated: January 22, 2018

Reference is made to the First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016, among Barclays Bank PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, and Wells Fargo Bank, National Association, as Initial Other Authorized Representative (as the same may be amended, restated, supplemented, waived, or otherwise modified from time to time, the "Intercreditor Agreement"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

The Grantor listed on Annex 1 hereto has read the foregoing Intercreditor Agreement and consents thereto. The Grantor agrees that it will not take any action that would be contrary to the express provisions of the foregoing Intercreditor Agreement, agrees to abide by the requirements expressly applicable to it under the foregoing Intercreditor Agreement and agrees that, except as otherwise provided therein, no First-Priority Secured Party shall have any liability to the Grantor for acting in accordance with the provisions of the foregoing Intercreditor Agreement. The Grantor confirms that the foregoing Intercreditor Agreement is for the sole benefit of the First-Priority Secured Parties and their respective successors and assigns, and that the Grantor is not an intended beneficiary or third party beneficiary thereof except to the extent otherwise expressly provided therein.

The Grantor agrees to take such further action and to execute and deliver such additional documents and instruments (in recordable form, if requested) as the Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by the Intercreditor Agreement.

This Consent of Grantor shall be governed and construed in accordance with the laws of the State of New York. Notices delivered to the Grantor pursuant to this Consent of Grantor shall be delivered in accordance with the notice provisions set forth in the Intercreditor Agreement.

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<tr>
<th>Pledgor</th>
<th>Jurisdiction of Organization</th>
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</thead>
<tbody>
<tr>
<td>ADT CANADA SECURITY HOLDINGS LLC</td>
<td>Delaware</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Consent of Grantor is hereby executed by the Grantor as of the date first written above.

ADT CANADA SECURITY DATASHIELD, LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[ Signature Page to Consent of Grantor ]
CONSENT OF GRANTORS

Dated: February 28, 2018

Reference is made to the First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016, among Barclays Bank PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, and Wells Fargo Bank, National Association, as Initial Other Authorized Representative (as the same may be amended, restated, supplemented, waived, or otherwise modified from time to time, the “Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

Each of the Grantors listed on Annex 1 hereto has read the foregoing Intercreditor Agreement and consents thereto. Each of the Grantors agrees that it will not take any action that would be contrary to the express provisions of the foregoing Intercreditor Agreement, agrees to abide by the requirements expressly applicable to it under the foregoing Intercreditor Agreement and agrees that, except as otherwise provided therein, no First-Priority Secured Party shall have any liability to the Grantors for acting in accordance with the provisions of the foregoing Intercreditor Agreement. Each of the Grantors confirms that the foregoing Intercreditor Agreement is for the sole benefit of the First-Priority Secured Parties and their respective successors and assigns, and that the Grantors are not an intended beneficiary or third party beneficiary thereof except to the extent otherwise expressly provided therein.

Each of the Grantors agrees to take such further action and to execute and deliver such additional documents and instruments (in recordable form, if requested) as the Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by the Intercreditor Agreement.

This Consent of Grantors shall be governed and construed in accordance with the laws of the State of New York. Notices delivered to the Grantors pursuant to this Consent of Grantors shall be delivered in accordance with the notice provisions set forth in the Intercreditor Agreement.

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<tr>
<th>Pledgor</th>
<th>Jurisdiction of Organization</th>
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</thead>
<tbody>
<tr>
<td>AA/ACME LOCKSMITHS, INC.</td>
<td>California</td>
</tr>
<tr>
<td>ARONSON SECURITY GROUP, INC.</td>
<td>Washington</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Consent of Grantors is hereby executed by each of the Grantors as of the date first written above.

AA/ACME LOCKSMITHS, INC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

ARONSON SECURITY GROUP, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Consent of Grantor]
Reference is made to the First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016, among Barclays Bank PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, and Wells Fargo Bank, National Association, as Initial Other Authorized Representative (as the same may be amended, restated, supplemented, waived, or otherwise modified from time to time, the "Intercreditor Agreement"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

The Grantor listed on Annex 1 hereto has read the foregoing Intercreditor Agreement and consents thereto. The Grantor agrees that it will not take any action that would be contrary to the express provisions of the foregoing Intercreditor Agreement, agrees to abide by the requirements expressly applicable to it under the foregoing Intercreditor Agreement and agrees that, except as otherwise provided therein, no First-Priority Secured Party shall have any liability to the Grantor for acting in accordance with the provisions of the foregoing Intercreditor Agreement. The Grantor confirms that the foregoing Intercreditor Agreement is for the sole benefit of the First-Priority Secured Parties and their respective successors and assigns, and that the Grantor is not an intended beneficiary or third party beneficiary thereof except to the extent otherwise expressly provided therein.

The Grantor agrees to take such further action and to execute and deliver such additional documents and instruments (in recordable form, if requested) as the Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by the Intercreditor Agreement.

This Consent of Grantor shall be governed and construed in accordance with the laws of the State of New York. Notices delivered to the Grantor pursuant to this Consent of Grantor shall be delivered in accordance with the notice provisions set forth in the Intercreditor Agreement.
<table>
<thead>
<tr>
<th>Grantor</th>
<th>Jurisdiction of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSA SYSTEMS INTEGRATION, INC.</td>
<td>Delaware</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Consent of Grantor is hereby executed by the Grantor as of the date first written above.

MSA SYSTEMS INTEGRATION, INC.

By:  /s/ P. Gray Finney
     
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

[Signature Page to Consent of Grantor]
Dated: January 7, 2019

Reference is made to the First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016, among Barclays Bank PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, and Wells Fargo Bank, National Association, as Initial Other Authorized Representative (as the same may be amended, restated, supplemented, waived, or otherwise modified from time to time, the “Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

Each of the Grantors listed on Annex 1 hereto has read the foregoing Intercreditor Agreement and consents thereto. Each of the Grantors agrees that it will not take any action that would be contrary to the express provisions of the foregoing Intercreditor Agreement, agrees to abide by the requirements expressly applicable to it under the foregoing Intercreditor Agreement and agrees that, except as otherwise provided therein, no First-Priority Secured Party shall have any liability to the Grantors for acting in accordance with the provisions of the foregoing Intercreditor Agreement. Each of the Grantors confirms that the foregoing Intercreditor Agreement is for the sole benefit of the First-Priority Secured Parties and their respective successors and assigns, and that the Grantors are not an intended beneficiary or third party beneficiary thereof except to the extent otherwise expressly provided therein.

Each of the Grantors agrees to take such further action and to execute and deliver such additional documents and instruments (in recordable form, if requested) as the Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by the Intercreditor Agreement.

This Consent of Grantors shall be governed and construed in accordance with the laws of the State of New York. Notices delivered to the Grantors pursuant to this Consent of Grantors shall be delivered in accordance with the notice provisions set forth in the Intercreditor Agreement.

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<table>
<thead>
<tr>
<th>Grantors</th>
<th>Jurisdiction of Organization</th>
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<tbody>
<tr>
<td>Fire &amp; Security Holdings, LLC</td>
<td>Delaware</td>
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<tr>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>Colorado</td>
</tr>
<tr>
<td>RED HAWK FIRE &amp; SECURITY (NY), LLC</td>
<td>New York</td>
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<tr>
<td>RED HAWK FIRE &amp; SECURITY (CA), LLC</td>
<td>California</td>
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<td>RED HAWK SECURITY SYSTEMS, LLC</td>
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<tr>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
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<tr>
<td>Red Hawk Fire &amp; Security (CHES), LLC</td>
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<tr>
<td>ATCi Communications, Inc.</td>
<td>Florida</td>
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<tr>
<td>FIRE SYSTEMS INTERNATIONAL, INC.</td>
<td>New York</td>
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<tr>
<td>Pratt Landry Associates, Inc.</td>
<td>Louisiana</td>
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<tr>
<td>Century Sprinkler Holdings Corporation</td>
<td>Delaware</td>
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<tr>
<td>Chain Electric Holdings, Inc.</td>
<td>Delaware</td>
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</tbody>
</table>
IN WITNESS HEREOF, this Consent of Grantors is hereby executed by each of the Grantors as of the date first written above.

FIRE & SECURITY HOLDINGS, LLC
RED HAWK FIRE & SECURITY, LLC
RED HAWK FIRE & SECURITY (NY), LLC
RED HAWK FIRE & SECURITY (CA), LLC
RED HAWK SECURITY SYSTEMS, LLC TELE-TECTOR OF MARYLAND, INC.
RED HAWK FIRE & SECURITY (CHES), LLC
ATCI COMMUNICATIONS, INC.
FIRE SYSTEMS INTERNATIONAL, INC. PRATT LANDRY ASSOCIATES, INC. CENTURY SPRINKLER HOLDINGS CORPORATION
CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Consent of Grantors]
EXECUTION VERSION

CONSENT OF GRANTOR

Dated: January 30, 2019

Reference is made to the First Lien/First Lien Intercreditor Agreement, dated as of May 2, 2016, among Barclays Bank PLC (as successor in interest to Credit Suisse AG, Cayman Islands Branch), as Collateral Agent, Barclays Bank PLC, as Authorized Representative under the Credit Agreement, and Wells Fargo Bank, National Association, as Initial Other Authorized Representative (as the same may be amended, restated, supplemented, waived, or otherwise modified from time to time, the “Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Intercreditor Agreement.

The Grantor listed on Annex 1 hereto has read the foregoing Intercreditor Agreement and consents thereto. The Grantor agrees that it will not take any action that would be contrary to the express provisions of the foregoing Intercreditor Agreement, agrees to abide by the requirements expressly applicable to it under the foregoing Intercreditor Agreement and agrees that, except as otherwise provided therein, no First-Priority Secured Party shall have any liability to the Grantor for acting in accordance with the provisions of the foregoing Intercreditor Agreement. The Grantor confirms that the foregoing Intercreditor Agreement is for the sole benefit of the First-Priority Secured Parties and their respective successors and assigns, and that the Grantor is not an intended beneficiary or third party beneficiary thereof except to the extent otherwise expressly provided therein.

The Grantor agrees to take such further action and to execute and deliver such additional documents and instruments (in recordable form, if requested) as the Collateral Agent may reasonably request to effectuate the terms of and the lien priorities contemplated by the Intercreditor Agreement.

This Consent of Grantor shall be governed and construed in accordance with the laws of the State of New York. Notices delivered to the Grantor pursuant to this Consent of Grantor shall be delivered in accordance with the notice provisions set forth in the Intercreditor Agreement.

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<th>Grantor</th>
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<tbody>
<tr>
<td>Advanced Cabling Systems, LLC</td>
<td>Arkansas</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Consent of Grantor is hereby executed by the Grantor as of the date first written above.

ADVANCED CABLING SYSTEMS, LLC

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary

[Signature Page to Consent of Grantor]
ACKNOWLEDGEMENT OF AND CONSENT TO
FIRST LIEN/SECOND LIEN INTERCREDITOR AGREEMENT
(Pledgor)

Dated: October 31, 2017

The Pledgor listed on Annex I hereto has read the First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Barclays
Bank PLC, in its capacities as First Lien Facility Agent and Applicable First Lien Agent, and Wells Fargo Bank, National Association, in its capacities as Second
Lien Facility Agent and Applicable Second Lien Agent (as amended, renewed, extended, supplemented, restated, replaced or otherwise modified from time to
time, the “First Lien/Second Lien Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in
the First Lien/Second Lien Intercreditor Agreement.

1. The Pledgor executes and delivers this instrument to evidence its acknowledgment of and consent to the First Lien/Second Lien
Intercreditor Agreement. The Pledgor agrees not to take any action that would be contrary to the express provisions of the First Lien/Second Lien Intercreditor
Agreement and agrees that, except as otherwise provided therein, including with respect to those provisions of which the Company is an intended third party
beneficiary, no Secured Party shall have any liability to the Pledgor for acting in accordance with the provisions of the First Lien/Second Lien Intercreditor
Agreement and the other Documents referred to therein. The Pledgor understands that it is not an intended beneficiary or third party beneficiary of the First
Lien/Second Lien Intercreditor Agreement except that it is an intended beneficiary and third party beneficiary thereof with the right and power to enforce with
respect to the applicable provisions set forth in Section 8.17 (No Third Party Beneficiaries).

2. Notwithstanding anything to the contrary in the First Lien/Second Lien Intercreditor Agreement or provided herein, the undersigned
acknowledges the Pledgor shall not have any right to consent to or approve any amendment, renewal, extension, supplement, modification or waiver of any
provision of the First Lien/Second Lien Intercreditor Agreement except to the extent their rights are affected (in which case the Company shall have the right to
consent to or approve any such amendment, amendment, renewal, extension, supplement).

3. The undersigned further agrees that it will not will bring any action or proceeding arising out of or relating to the First Lien/Second
Lien Intercreditor Agreement in any court other than New York Courts (it being acknowledged and agreed by the parties to the First Lien/Second Lien
Intercreditor Agreement that any other forum would be inconvenient and inappropriate in view of the fact that more of the parties hereto who would be affected
by any such action or proceeding have contacts with the State of New York than any other jurisdiction).

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<tr>
<td>DataShield, LLC</td>
<td>Delaware</td>
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</table>
IN WITNESS HEREOF, this Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement is hereby executed by the Pledgor as of the date first written above.

DATASHIELD, LLC

By: /s/ Jeff Likosar
Name: Jeff Likosar
Title: CFO

[Signature Page to First Lien/Second Lien Intercreditor Agreement (Company Consent)]
The Pledgor listed on Annex I hereto has read the First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Barclays Bank PLC, in its capacities as First Lien Facility Agent and Applicable First Lien Agent, and Wells Fargo Bank, National Association, in its capacities as Second Lien Facility Agent and Applicable Second Lien Agent (as amended, renewed, extended, supplemented, restated, replaced or otherwise modified from time to time, the “First Lien/Second Lien Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the First Lien/Second Lien Intercreditor Agreement.

1. The Pledgor executes and delivers this instrument to evidence its acknowledgment of and consent to the First Lien/Second Lien Intercreditor Agreement. The Pledgor agrees not to take any action that would be contrary to the express provisions of the First Lien/Second Lien Intercreditor Agreement and agrees that, except as otherwise provided therein, including with respect to those provisions of which the Company is an intended third party beneficiary, no Secured Party shall have any liability to the Pledgor for acting in accordance with the provisions of the First Lien/Second Lien Intercreditor Agreement and the other Documents referred to therein. The Pledgor understands that it is not an intended beneficiary or third party beneficiary of the First Lien/Second Lien Intercreditor Agreement except that it is an intended beneficiary and third party beneficiary thereof with the right and power to enforce with respect to the applicable provisions set forth in Section 8.17 (No Third Party Beneficiaries).

2. Notwithstanding anything to the contrary in the First Lien/Second Lien Intercreditor Agreement or provided herein, the undersigned acknowledges the Pledgor shall not have any right to consent to or approve any amendment, renewal, extension, supplement, modification or waiver of any provision of the First Lien/Second Lien Intercreditor Agreement except to the extent their rights are affected (in which case the Company shall have the right to consent to or approve any such amendment, amendment, renewal, extension, supplement).

3. The undersigned further agrees that it will not will bring any action or proceeding arising out of or relating to the First Lien/Second Lien Intercreditor Agreement in any court other than New York Courts (it being acknowledged and agreed by the parties to the First Lien/Second Lien Intercreditor Agreement that any other forum would be inconvenient and inappropriate in view of the fact that more of the parties hereto who would be affected by any such action or proceeding have contacts with the State of New York than any other jurisdiction).
Annex I (Supplement No. 3)

Pledgor  Jurisdiction of Organization

ADT CANADA SECURITY HOLDINGS LLC  Delaware
IN WITNESS HEREOF, this Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement is hereby executed by the Pledgor as of the date first written above.

ADT CANADA SECURITY DATASHIELD, LLC

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary
Each of the Pledgors listed on Annex I hereto has read the First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Barclays Bank PLC, in its capacities as First Lien Facility Agent and Applicable First Lien Agent, and Wells Fargo Bank, National Association, in its capacities as Second Lien Facility Agent and Applicable Second Lien Agent (as amended, renewed, extended, supplemented, restated, replaced or otherwise modified from time to time, the “First Lien/Second Lien Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the First Lien/Second Lien Intercreditor Agreement.

1. Each of the Pledgors executes and delivers this instrument to evidence its acknowledgment of and consent to the First Lien/Second Lien Intercreditor Agreement. Each of the Pledgors agrees not to take any action that would be contrary to the express provisions of the First Lien/Second Lien Intercreditor Agreement and agrees that, except as otherwise provided therein, including with respect to those provisions of which the Company is an intended third party beneficiary, no Secured Party shall have any liability to the Pledgors for acting in accordance with the provisions of the First Lien/Second Lien Intercreditor Agreement and the other Documents referred to therein. Each of the Pledgors understands that no Pledgor is an intended beneficiary or third party beneficiary of the First Lien/Second Lien Intercreditor Agreement except that it is an intended beneficiary and third party beneficiary thereof with the right and power to enforce with respect to the applicable provisions set forth in Section 8.17 (No Third Party Beneficiaries).

2. Notwithstanding anything to the contrary in the First Lien/Second Lien Intercreditor Agreement or provided herein, each of the undersigned acknowledges the Pledgors shall not have any right to consent to or approve any amendment, renewal, extension, supplement, modification or waiver of any provision of the First Lien/Second Lien Intercreditor Agreement except to the extent their rights are affected (in which case the Company shall have the right to consent to or approve any such amendment, amendment, renewal, extension, supplement).

3. Each of the undersigned further agrees that it will not will bring any action or proceeding arising out of or relating to the First Lien/Second Lien Intercreditor Agreement in any court other than New York Courts (it being acknowledged and agreed by the parties to the First Lien/Second Lien Intercreditor Agreement that any other forum would be inconvenient and inappropriate in view of the fact that more of the parties hereto who would be affected by any such action or proceeding have contacts with the State of New York than any other jurisdiction).

[Remainder of this page intentionally left blank]
Annex I (Supplement No. 4)

<table>
<thead>
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<tr>
<td>AA/ACME LOCKSMITHS, INC.</td>
<td>California</td>
</tr>
<tr>
<td>ARONSON SECURITY GROUP, INC.</td>
<td>Washington</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement is hereby executed by each of the Pledgors as of the date first written above.

AA/ACME LOCKSMITHS, INC

By: /s/ P. Gray Finney  
Name: P. Gray Finney  
Title: Senior Vice President,  
Chief Legal Officer and  
Secretary

ARONSON SECURITY GROUP, INC.

By: /s/ P. Gray Finney  
Name: P. Gray Finney  
Title: Senior Vice President,  
Chief Legal Officer and  
Secretary

{Signature Page to First Lien/Second Lien Intercreditor Agreement (Company Consent)}
The Pledgor listed on Annex I hereto has read the First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Barclays Bank PLC, in its capacities as First Lien Facility Agent and Applicable First Lien Agent, and Wells Fargo Bank, National Association, in its capacities as Second Lien Facility Agent and Applicable Second Lien Agent (as amended, renewed, extended, supplemented, restated, replaced or otherwise modified from time to time, the “First Lien/Second Lien Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the First Lien/Second Lien Intercreditor Agreement.

1. The Pledgor executes and delivers this instrument to evidence its acknowledgment of and consent to the First Lien/Second Lien Intercreditor Agreement. The Pledgor agrees not to take any action that would be contrary to the express provisions of the First Lien/Second Lien Intercreditor Agreement and agrees that, except as otherwise provided therein, including with respect to those provisions of which the Company is an intended third party beneficiary, no Secured Party shall have any liability to the Pledgor for acting in accordance with the provisions of the First Lien/Second Lien Intercreditor Agreement and the other Documents referred to therein. The undersigned understands that no Pledgor is an intended beneficiary or third party beneficiary of the First Lien/Second Lien Intercreditor Agreement except that it is an intended beneficiary and third party beneficiary thereof with the right and power to enforce with respect to the applicable provisions set forth in Section 8.17 (No Third Party Beneficiaries).

2. Notwithstanding anything to the contrary in the First Lien/Second Lien Intercreditor Agreement or provided herein, the undersigned acknowledges that it shall not have any right to consent to or approve any amendment, renewal, extension, supplement, modification or waiver of any provision of the First Lien/Second Lien Intercreditor Agreement except to the extent their rights are affected (in which case the Company shall have the right to consent to or approve any such amendment, amendment, renewal, extension, supplement).

3. The undersigned further agrees that it will not will bring any action or proceeding arising out of or relating to the First Lien/Second Lien Intercreditor Agreement in any court other than New York Courts (it being acknowledged and agreed by the parties to the First Lien/Second Lien Intercreditor Agreement that any other forum would be inconvenient and inappropriate in view of the fact that more of the parties hereto who would be affected by any such action or proceeding have contacts with the State of New York than any other jurisdiction).
<table>
<thead>
<tr>
<th>Pledgor</th>
<th>Jurisdiction of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSA SYSTEMS INTEGRATION, INC.</td>
<td>Delaware</td>
</tr>
</tbody>
</table>
IN WITNESS HEREOF, this Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement is hereby executed by the Pledgor as of the date first written above.

MSA SYSTEMS INTEGRATION, INC.

By: /s/ P. Gray Finney

Name: P. Gray Finney
Title: Senior Vice President, Chief Legal Officer and Secretary
ACKNOWLEDGEMENT OF AND CONSENT TO FIRST LIEN/SECOND LIEN INTERCREDITOR AGREEMENT

(Pledgors)

Dated: January 7, 2019

Each of the Pledgors listed on Annex I hereto has read the First Lien/Second Lien Intercreditor Agreement, dated as of July 1, 2015, between Barclays Bank PLC, in its capacities as First Lien Facility Agent and Applicable First Lien Agent, and Wells Fargo Bank, National Association, in its capacities as Second Lien Facility Agent and Applicable Second Lien Agent (as amended, renewed, extended, supplemented, restated, replaced or otherwise modified from time to time, the “First Lien/Second Lien Intercreditor Agreement”). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the First Lien/Second Lien Intercreditor Agreement.

1. Each of the Pledgors executes and delivers this instrument to evidence its acknowledgment of and consent to the First Lien/Second Lien Intercreditor Agreement. Each of the Pledgors agrees not to take any action that would be contrary to the express provisions of the First Lien/Second Lien Intercreditor Agreement and agrees that, except as otherwise provided therein, including with respect to those provisions of which the Company is an intended third party beneficiary, no Secured Party shall have any liability to the Pledgors for acting in accordance with the provisions of the First Lien/Second Lien Intercreditor Agreement and the other Documents referred to therein. Each of the Pledgors understands that no Pledgor is an intended beneficiary or third party beneficiary of the First Lien/Second Lien Intercreditor Agreement except that it is an intended beneficiary and third party beneficiary thereof with the right and power to enforce with respect to the applicable provisions set forth in Section 8.17 (No Third Party Beneficiaries).

2. Notwithstanding anything to the contrary in the First Lien/Second Lien Intercreditor Agreement or provided herein, each of the undersigned acknowledges the Pledgors shall not have any right to consent to or approve any amendment, renewal, extension, supplement, modification or waiver of any provision of the First Lien/Second Lien Intercreditor Agreement except to the extent their rights are affected (in which case the Company shall have the right to consent to or approve any such amendment, amendment, renewal, extension, supplement).

3. Each of the undersigned further agrees that it will not will bring any action or proceeding arising out of or relating to the First Lien/Second Lien Intercreditor Agreement in any court other than New York Courts (it being acknowledged and agreed by the parties to the First Lien/Second Lien Intercreditor Agreement that any other forum would be inconvenient and inappropriate in view of the fact that more of the parties hereto who would be affected by any such action or proceeding have contacts with the State of New York than any other jurisdiction).

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<table>
<thead>
<tr>
<th>Pledgor</th>
<th>Jurisdiction of Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire &amp; Security Holdings, LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>Red Hawk Fire &amp; Security, LLC</td>
<td>Colorado</td>
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<tr>
<td>RED HAWK FIRE &amp; SECURITY (NY), LLC</td>
<td>New York</td>
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<tr>
<td>RED HAWK FIRE &amp; SECURITY (CA), LLC</td>
<td>California</td>
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<tr>
<td>RED HAWK SECURITY SYSTEMS, LLC</td>
<td>Texas</td>
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<tr>
<td>TELE-TECTOR OF MARYLAND, INC.</td>
<td>Maryland</td>
</tr>
<tr>
<td>Red Hawk Fire &amp; Security (CHES), LLC</td>
<td>Delaware</td>
</tr>
<tr>
<td>ATCi Communications, Inc.</td>
<td>Florida</td>
</tr>
<tr>
<td>FIRE SYSTEMS INTERNATIONAL, INC.</td>
<td>New York</td>
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<tr>
<td>Pratt Landry Associates, Inc.</td>
<td>Louisiana</td>
</tr>
<tr>
<td>Century Sprinkler Holdings Corporation</td>
<td>Delaware</td>
</tr>
<tr>
<td>Chain Electric Holdings, Inc.</td>
<td>Delaware</td>
</tr>
</tbody>
</table>
IN WITNESS WHEREOF, this Acknowledgement of and Consent to First Lien/Second Lien Intercreditor Agreement is hereby executed by each of the Pledgors as of the date first written above.

FIRE & SECURITY HOLDINGS, LLC
RED HAWK FIRE & SECURITY, LLC
RED HAWK FIRE & SECURITY (NY), LLC
RED HAWK FIRE & SECURITY (CA), LLC
RED HAWK SECURITY SYSTEMS, LLC
TELE-TECTOR OF MARYLAND, INC.
RED HAWK FIRE & SECURITY (CHES), LLC
ATCI COMMUNICATIONS, INC.
FIRE SYSTEMS INTERNATIONAL, INC.
PRATT LANDRY ASSOCIATES, INC.
CENTURY SPRINKLER HOLDINGS CORPORATION
CHAIN ELECTRIC HOLDINGS, INC.

By: /s/ P. Gray Finney
Name: P. Gray Finney
Title: Senior Vice President,
Chief Legal Officer and
Secretary

[Signature Page to First Lien/Second Lien Intercreditor Agreement (Pledgor Consent)]
### Significant Subsidiaries

<table>
<thead>
<tr>
<th>Country</th>
<th>Entity</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>ADT LLC</td>
<td>DE</td>
</tr>
<tr>
<td>Canada</td>
<td>ADT Security Services Canada, Inc.</td>
<td>ON</td>
</tr>
<tr>
<td>United States</td>
<td>Prime Security Services Borrower, LLC</td>
<td>DE</td>
</tr>
<tr>
<td>United States</td>
<td>Prime Security Services Holdings, LLC</td>
<td>DE</td>
</tr>
<tr>
<td>United States</td>
<td>The ADT Security Corporation</td>
<td>DE</td>
</tr>
</tbody>
</table>
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-222783) of ADT Inc. of our report dated March 11, 2019 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
March 11, 2019
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James D. DeVries, certify that:

1. I have reviewed this Annual Report on Form 10-K of ADT Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2019

/s/ James D. DeVries
James D. DeVries
Chief Executive Officer
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jeffrey Likosar, certify that:

1. I have reviewed this Annual Report on Form 10-K of ADT Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2019

/s/ Jeffrey Likosar

Jeffrey Likosar
Chief Financial Officer
I, James D. DeVries, Chief Executive Officer of ADT Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

• the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

• information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James D. DeVries

James D. DeVries
Chief Executive Officer
March 11, 2019

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 of ADT Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

• the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

• information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey Likosar
Jeffrey Likosar
Chief Financial Officer
March 11, 2019

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).