THE ADT CORPORATION
2013 ANNUAL REPORT

# Building on a Secure Foundation

# **ADT IS THE INDUSTRY'S MOST TRUSTED BRAND** WITH A PRODUCT AND SERVICE OFFERING THAT WE BELIEVE IS SUPERIOR TO COMPETITORS.

## Our Brand

**139**

**YEARS OF EXPERIENCE**

90% aided brand awareness among consumers

**6.5M**

**CUSTOMERS**

52,000 alarm signals answered every day

## Our Product

Engineering testing lab ensures the quality, reliability & security of ADT's solutions

**ADT PULSE® INTERACTIVE SOLUTIONS**

ADT among the first companies to offer home automation

**500,000**

**ADT PULSE® CUSTOMERS**

Exciting roadmap for continued innovation

## Our Service

**THE MOST-TENURED SECURITY EXPERTS IN THE INDUSTRY:**

- 11 years for service technicians
- 7 years for installation technicians
- 4 years for dispatch operators

200+ sales & service offices in North America

**1,250**

**NEW ADT PULSE® INSTALLATIONS EVERY DAY**

BASED ON Q4 2013 DATA

## DEAR SHAREHOLDERS—

2013 was an exciting year for ADT. We began operating as a public company, added new talent to our executive management team, and continued to invest in technology and innovation to fuel revenue growth, while also improving our financial performance and returning $1.4 billion of capital to our shareholders.

It is a dynamic time for the electronic security industry, and ADT's unparalleled size, scale and brand strength uniquely position us for success. We have more than a 25 percent share of the $11 billion residential security and automation industry, and a 13 percent share of the $2.4 billion small business security and automation industry. Today, we are more than six times the size of our nearest competitor, with 6.5 million customers across the U.S. and Canada. More than 90 percent of our revenue is recurring revenue, and during the year we grew this recurring revenue by nearly 5 percent compared to 2012.

*"When consumers think of security, they think of ADT."*

Our market leadership position gives us several advantages over both new and traditional competitors. First, we have unparalleled brand awareness. With nearly 90 percent aided brand awareness, it is safe to say when consumers think of security, they think of ADT. More than 50 percent of ADT customers surveyed told us they did not consider any other company when making their purchase decision. Second, we offer consumers the benefits of our unique national and local scale. We have six fully-redundant customer monitoring centers across the U.S. and Canada to ensure the reliability of our alarm signal emergency response, and yet, a local ADT sales representative or technician can also come to your home or business, wherever you are based, to design a system that meets your unique needs or service your existing system. Third, we leverage our 139 years of experience in the security industry and our commitment to innovation to ensure that the quality, reliability and user experience of our technology is second to none. Our interactive services platform, ADT Pulse, has grown to more than one-half million customers, and take rates continue to improve each quarter. Fourth, we have 17,000 ADT employees and 350 ADT Authorized Dealers who are proud to be "customer obsessed." The average ADT employee tenure is six years, which is longer than some competitors have been in the industry.

Despite our compelling leadership position, we are committed to acting with the agility, speed and passion of a one-year-old startup rather than a 139-year-old industry titan. It is incumbent on us, as the industry leader, to pioneer the evolution of security for a mobile, always-on, on-demand world. We navigate this dynamic environment by staying focused on what matters most to ADT's stakeholders: our customers, our employees, our shareholders, and the communities where we live and work.

Our leadership team recently prepared and began executing on a multi-year plan to ensure ADT's continued success. Over the next three years, we will deliver innovations that differentiate ADT and enhance the customer experience, while also meaningfully improving our profit margins and returns to investors. With the freedom and flexibility to set our own course as a standalone public company, and a new management team fully aligned to drive our strategy, ADT will continue to lead and redefine security for the next generation.

Thank you for your support and partnership as we forge ahead.

Regards,

**Naren Gursahaney**
President & Chief Executive Officer
The ADT Corporation

# ADT EMPLOYEES HAVE A NOBLE CAUSE:
## We help save lives for a living.

The Mota-Clem family was spending a quiet evening at home when Aline began feeling weak and nauseous.

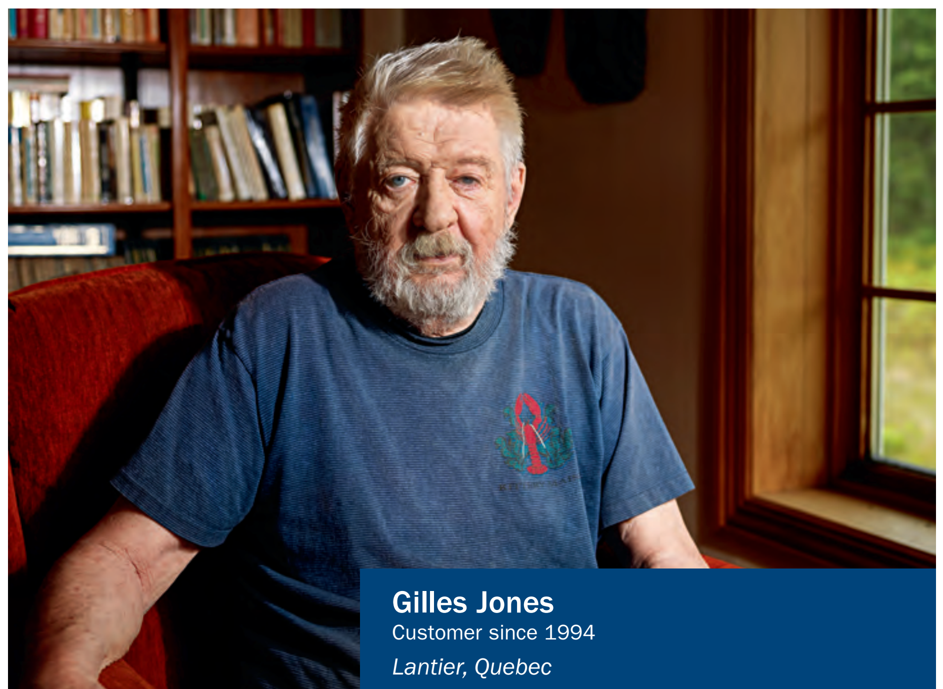
Their carbon monoxide detector alerted ADT that the deadly gas was seeping from their faulty water heater. ADT quickly dispatched the fire department and guided the family outside to safety.

*“We just followed the ADT dispatcher's instructions—we didn't have to think.”*

**The Mota-Clem Family**
Customers since 2013
*Arlington, Virginia*

ADT sent first responders to Gilles Jones’ Lantier, Quebec home after heavy smoke activated his detector. Hearing no response, firefighters broke down the door and discovered Gilles unconscious on the floor, in diabetic shock. They rushed him to a nearby hospital, saving his life as well as his home.

*“I am alive today because of ADT.”*



**Gilles Jones**
Customer since 1994
*Lantier, Quebec*

We are dedicated to earning the lifelong trust of our customers every day by helping them protect and connect to what matters most—their families, homes and businesses.

**Arizona Animal Wellness Clinic**
Customer since 2007
*Gilbert, Arizona*

Teen vandals threw a cinder block through a window of the Arizona Animal Wellness Clinic in Gilbert, Arizona, activating ADT glass break sensors, which signaled ADT. An emergency dispatch operator immediately sent police. Practice Manager Aan Gonsalves says when authorities arrived, they were able to capture and charge one of the suspects.

*“ADT Pulse reassures our clients that their animals are always safe with us.”*

**Margaret McCreery & George Wright**
Customer since 1998
*Xenia, Ohio*

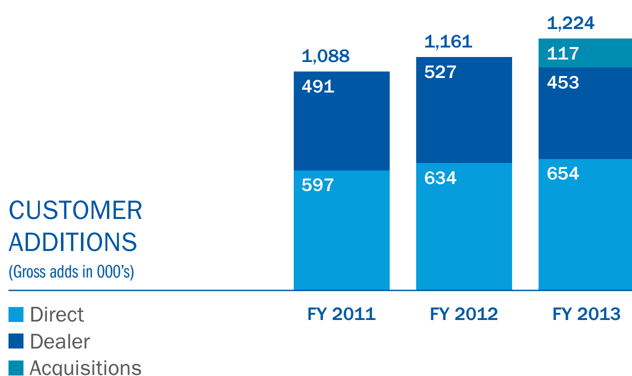
95-year-old Margaret McCreery was home with her 5-year-old great-grandson George in Xenia, Ohio when she fell and badly cut her head. She was unable to activate the emergency pendant around her neck, so George ran to the nearby base unit and pushed the “big red button.” An emergency dispatch operator summoned paramedics who quickly transported Margaret to the hospital. Thirty stitches later, she was back home with her family.

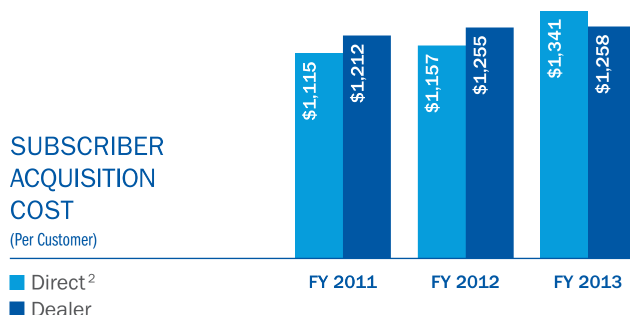
*“I wouldn't be here if it weren't for ADT.”*

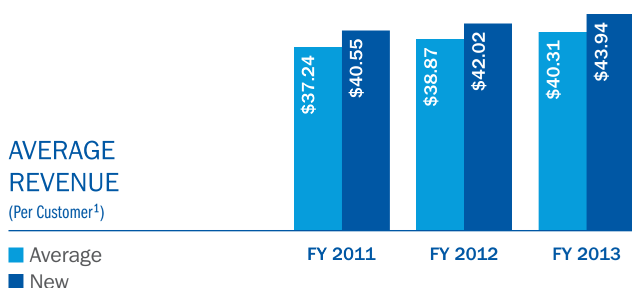
## INCOME STATEMENT OVERVIEW

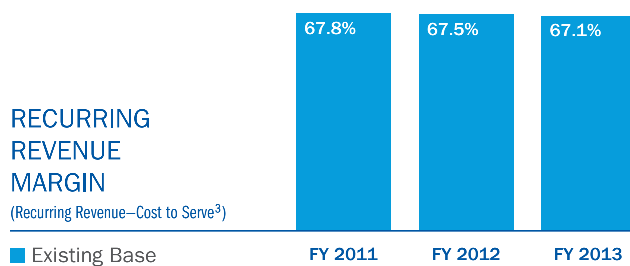
| ($ in millions, except per-share amounts) | FY 2013 | FY 2012 | FY 2011 | % CHANGE (FY 2013–2012) |
|---|---|---|---|---|
| RECURRING CUSTOMER REVENUE | **$3,041** | $2,903 | $2,765 | 4.8% |
| TOTAL REVENUE | **$3,309** | $3,228 | $3,110 | 2.5% |
| NET INCOME | **$ 421** | $ 394 | $ 376 | 6.9% |
| DILUTED EPS | **$ 1.88** | $ 1.67 | $ 1.59 | 12.6% |

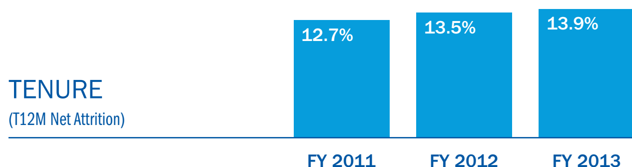
## FIVE KEY LEVERS: TRENDS




1 New represents ARPU for both new and resale gross additions.

2 Direct includes upgrades for existing customers to ADT Pulse.

3 Cost to serve is before special items of $28 million, $18 million and $1 million for FY 2011, FY 2012 and FY 2013 respectively.

The ADT Corporation
1501 Yamato Road
Boca Raton, Florida 33431

January 27, 2014

## Dear ADT Stockholder:

You are cordially invited to attend The ADT Corporation 2014 Annual Meeting of Stockholders (the "Annual Meeting"), which will be held at 8:30 a.m. Eastern Time, on Thursday, March 13, 2014 at the Embassy Suites Boca Raton, 661 NW 53rd Street, Boca Raton, Florida. Details of the business to be conducted at the Annual Meeting are given in the accompanying Notice of Annual Meeting and Proxy Statement, which provides information required by applicable laws and regulations.

In accordance with U.S. Securities and Exchange Commission rules, we are using the Internet as our primary means of furnishing proxy materials to stockholders. Because we are using the Internet, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") with instructions for accessing the proxy materials and voting via the Internet. This Notice also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. We believe use of the Internet makes the proxy distribution process more efficient, less costly and helps in conserving natural resources.

Your vote is important and we encourage you to vote whether you are a registered owner or a beneficial owner and whether or not you plan to attend the Annual Meeting. If you are a registered owner of ADT common stock and do not plan to vote in person at the Annual Meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by mailing the completed proxy card. Voting by any of these methods will ensure your representation at the Annual Meeting. If you are a beneficial owner and someone else, such as your bank, broker or trustee is the owner of record, the owner of record will communicate with you about how to vote your shares.

Thank you for your continued interest in ADT.

Yours sincerely,

**Bruce Gordon**
*Chairman of the Board of Directors*

[THIS PAGE INTENTIONALLY LEFT BLANK]

# The ADT Corporation

## Notice of 2014 Annual Meeting of Stockholders

**Date:** Thursday, March 13, 2014

**Time:** 8:30 a.m. Eastern Time

**Place:** Embassy Suites Boca Raton
661 NW 53rd Street
Boca Raton, Florida 33487

**Record Date:** January 15, 2014. You can vote if you were a stockholder of record at the close of business on the record date.

**Mailing or Availability Date:** Beginning on or about January 27, 2014, this Notice of Annual Meeting and the 2014 Proxy Statement are being mailed or made available, as the case may be, to stockholders of record on January 15, 2014.

**Proxy Voting:** **Your vote is important.** Proxy voting permits stockholders unable to attend the Annual Meeting to vote their shares through a proxy. Most stockholders are unable to attend the Annual Meeting. By appointing a proxy, your shares will be represented and voted in accordance with your instructions. If you sign the proxy card and do not provide instructions on how to vote, the proxies will vote as recommended by the Board of Directors. Most stockholders will not receive paper copies of our proxy materials and can vote their shares by following the Internet voting instructions provided on the Notice of Internet Availability of Proxy Materials. If you are a registered owner or beneficial owner and requested a paper copy of the proxy materials, you can vote your shares by proxy by completing and returning your proxy card or submitting voting instructions by completing and returning your voting instruction form, or by following the Internet or telephone voting instructions provided on the proxy card, or voting instruction form. You can change your voting instructions or revoke your proxy at any time prior to the Annual Meeting by following the instructions on page 2 of the 2014 Proxy Statement and on the proxy card.

**Items of Business:**

- To elect the members of our Board of Directors, each as named in the attached Proxy Statement.
- To ratify the appointment of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for fiscal year 2014.
- To approve, in a non-binding vote, the compensation of the Company's named executive officers.
- To transact such other business as may properly come before the annual meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on March 13, 2014**. The Company's 2014 Proxy Statement and 2013 Annual Report on Form 10-K are available online at *www.proxyvote.com*.

**By Order of the Board of Directors,**

**N. David Bleisch**
Senior Vice President, Chief Legal Officer and Corporate Secretary

January 27, 2014

[THIS PAGE INTENTIONALLY LEFT BLANK]

# The ADT Corporation
# Table of Contents

INFORMATION ABOUT THIS PROXY STATEMENT AND THE ANNUAL MEETING 1

Questions and Answers about Voting Your Shares 1
Costs of Solicitation 4
Returning Your Proxy or Voting Instruction Card to the Company 5

CORPORATE GOVERNANCE OF THE COMPANY 6

Our Corporate Governance Principles 6
Board of Directors 7
Experiences, Qualifications, Attributes and Skills of Director Nominees 12
Director Independence 13
Guidelines for Related Party Transactions 13
Director Service 14
Code of Conduct 14
Director Nomination Process 14

PROPOSAL NUMBER ONE—ELECTION OF DIRECTORS 16

Current Directors Nominated for Re-Election 16

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT 18

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE 19

EXECUTIVE OFFICERS 20

COMPENSATION OF EXECUTIVE OFFICERS 22

COMPENSATION DISCUSSION AND ANALYSIS 22

Executive Summary 22
Fiscal Year 2013 Business Highlights 22
Overview of Compensation Programs 22
Fiscal Year 2013 Compensation and Decisions 23
Pay for Performance 23
Process for Determining Executive Officer Compensation (including NEOs) 24
Components of Compensation Programs 26
2014 Incentive Plan Design Changes 30

Executive Benefits and Perquisites 30
Policies and Practices 30
Risk Mitigation in Compensation Program Design 31

REPORT OF THE COMPENSATION COMMITTEE 32

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION 32

FISCAL YEAR 2013 NEO COMPENSATION 33

Summary Compensation Table 33
Summary Compensation Table – All Other Compensation 34
Grants of Plan Based Awards Table 35
Outstanding Equity Awards at Fiscal Year-End Table 37
Option Exercises and Stock Vested Table 39
Non-Qualified Deferred Compensation Table 40
Potential Payments Upon Termination or Change in Control 40

COMPENSATION OF NON-MANAGEMENT DIRECTORS 43

AUDIT COMMITTEE REPORT 44

PROPOSAL NUMBER TWO—RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM 45

Audit and Non-Audit Fees 45
Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors 45

PROPOSAL NUMBER THREE—NON-BINDING ADVISORY VOTE ON COMPENSATION OF THE NAMED EXECUTIVE OFFICERS 46

OTHER MATTERS 47

Certain Relationships and Related Party Transactions 47
Registered and Principal Executive Offices 47
Householding of Proxy Materials 48

INCORPORATION BY REFERENCE 48

WEBSITE ACCESS TO REPORTS AND OTHER INFORMATION 48

# INFORMATION ABOUT THIS PROXY STATEMENT AND THE ANNUAL MEETING

## Questions and Answers about Voting Your Shares

### Why did I receive these proxy materials?

The ADT Corporation ("ADT" or the "Company") has sent a Notice of Internet Availability of Proxy Materials and/or Notice of Annual Meeting and Proxy Statement, together with the enclosed proxy card, because ADT's Board of Directors is soliciting your proxy to vote at the Annual Meeting of Stockholders on March 13, 2014 (the "Annual Meeting"). This Proxy Statement contains information about the items being voted on at the Annual Meeting and important information about ADT. ADT's 2013 Annual Report on Form 10-K, which includes ADT's consolidated and combined financial statements for the fiscal year ended September 27, 2013 (the "Annual Report"), is enclosed with these materials. ADT has made these materials available to each person who is registered as a holder of its shares in its register of stockholders (such owners are often referred to as "holders of record" or "registered stockholders") as of the close of business on January 15, 2014, the record date for the Annual Meeting. Any ADT stockholder as of the record date who does not receive Notice of the Annual Meeting and Proxy Statement, together with the enclosed proxy card or voting instruction card and the Annual Report, may obtain a copy at the Annual Meeting or by contacting ADT at (561) 322-4958 or investorrelations@adt.com.

ADT has requested that banks, brokerage firms and other nominees who hold ADT shares on behalf of the owners of the shares (such owners are often referred to as "beneficial owners," "beneficial stockholders" or "street name holders") as of the close of business on January 15, 2014 forward these materials, together with a voting instruction card, to those beneficial stockholders. ADT has agreed to pay the reasonable expenses of the banks, brokerage firms and other nominees for forwarding these materials.

### Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials?

Pursuant to rules adopted by the U.S. Securities and Exchange Commission (the "SEC"), we have elected to provide stockholders access to our proxy materials over the Internet. We believe that this e-proxy process will expedite our stockholders' receipt of proxy materials, lower our costs in connection with our Annual Meeting and reduce the environmental impact of our Annual Meeting. Accordingly, we sent a Notice of Internet Availability of Proxy Materials (the "Notice") on or about January 27, 2014 to stockholders of record entitled to vote at the Annual Meeting. If you receive the Notice by mail, you will not receive a printed copy of the proxy materials unless you specifically request a printed copy.

All stockholders will have the ability to access the proxy materials on a website referred to in the Notice, to download printable versions of the proxy materials from our website or to request and receive a printed copy of the proxy materials from us. Instructions on how to access the proxy materials over the Internet or to request a printed copy from us may be found on the Notice. If you receive paper copies of the proxy materials, a proxy card will also be enclosed.

### Who is entitled to vote?

**January 15, 2014** is the record date for the Annual Meeting. On January 15, 2014, there were 183,309,732 shares outstanding and entitled to vote at the Annual Meeting. Stockholders registered in our share register at the close of business on January 15, 2014 are entitled to vote at the Annual Meeting.

### How many votes do I have?

Every holder of a share of common stock on the record date will be entitled to one vote per share for each Director to be elected at the Annual Meeting and to one vote per share on each other matter presented at the Annual Meeting.

### What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most of our stockholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

#### *Stockholder of Record*

If your shares are registered directly in your name, as registered shares entitled to voting rights, in our share register operated by our transfer agent, Wells Fargo Shareowner Services, you are considered, with respect to those shares, the stockholder of record and the Notice or, if requested, hard copies of these proxy materials are being sent to you directly by us. As the stockholder of record, you have the right to grant your voting proxy directly to the Company officers named in the proxy card, or to grant a written proxy to any person (who does not need to be a stockholder), or to vote in person at the Annual Meeting. If you have received hard copies of the proxy materials, we have enclosed a proxy card for you to use in which you can elect to appoint Company officers as proxies.

#### *Beneficial Owner*

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and the Notice or, if requested, hard copies of these proxy materials are being forwarded to you by your broker, bank or other nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares and are also invited to attend the Annual Meeting.

However, since you are not the stockholder of record, you may only vote these shares in person at the Annual Meeting if you follow the instructions described below under the headings "How do I attend the Annual Meeting?" and "How do I vote?" If you have received hard copies of the proxy materials, your broker, bank or other nominee has enclosed a voting instruction card for you to use in directing your broker, bank or other nominee as to how to vote your shares, which may contain instructions for voting by telephone or electronically.

## How do I vote?

You can vote in the following ways:

- **By Mail:** If you are a holder of record and elect to receive a hard copy of your proxy materials, you can vote by marking, dating and signing the proxy card and returning it by mail in the enclosed postage-paid envelope. If you beneficially own your shares and receive a voting instruction card, you can vote by following the instructions on your voting instruction card. Please refer to information from your bank, broker or other nominee on how to submit voting instructions.
- **By Internet or Telephone:** You can vote over the Internet at ***www.proxyvote.com*** by following the instructions on the proxy card, voting instruction card or in the Notice of Internet Availability of Proxy Materials previously sent to you. You can vote using a touchtone telephone by calling 1-800-690-6903.
- **At the Annual Meeting:** If you are planning to attend the Annual Meeting and wish to vote your shares in person, we will give you a ballot at the meeting. Stockholders who own their shares in street name are not able to vote at the Annual Meeting unless they have a proxy, executed in their favor, from their broker, bank or other nominee, the holder of record of their shares.

Even if you plan to be present at the Annual Meeting and you are a holder of record, we encourage you to complete and mail the enclosed card to vote your shares by proxy or vote by phone or the Internet. Telephone and Internet voting facilities for stockholders will be available 24 hours a day and will close at 11:59 p.m. Eastern Time on March 12, 2014. Mailed proxy cards must be received no later than March 12, 2014.

## How do I vote by proxy given to a Company officer if I am a holder of record?

If you properly fill in your proxy card appointing an officer of the Company as your proxy and submit it to us in time to vote, your proxy, meaning one of the individuals named on your proxy card, will vote your shares as you have directed. If you sign the proxy card but do not indicate voting instructions, your proxy will vote your shares as recommended by the Board of Directors "FOR" each of the agenda items listed in this Proxy Statement.

If a new agenda item or a new motion or proposal for an existing agenda item is presented at the Annual Meeting, the Company officer acting as your proxy will vote in accordance with the recommendation of our Board of Directors. At the time we began printing this Proxy Statement, we knew of no matters that needed to be acted on at the Annual Meeting other than those described in this Proxy Statement.

Whether or not you plan to attend the Annual Meeting, we urge you to submit your proxy. Returning the proxy card or submitting your vote electronically will not affect your right to attend the Annual Meeting. You must return your proxy card by the times and dates specified therein in order for your vote to be counted.

## How do I attend the Annual Meeting?

All stockholders are invited to attend and vote at the Annual Meeting. For admission to the Annual Meeting, if you are a stockholder of record, you should bring the admission ticket which is part of the enclosed proxy card and a form of photo identification to the Registered Stockholders check-in area, where your ownership will be verified. Those who beneficially own shares should come to the Beneficial Owners check-in area. To be admitted, if you are a beneficial owner, you must bring an account statement or letter from your bank, broker or nominee showing that you own ADT shares as of January 15, 2014 along with a form of photo identification. Registration will begin at 8:00 a.m., and the Annual Meeting will begin at 8:30 a.m.

## What if I return my proxy but do not mark it to show how I am voting?

Your shares will be voted according to the instructions you have indicated. If you sign and return your proxy card but do not indicate instructions for voting, your shares will be voted: "FOR" the election of all nominees to the Board of Directors named on the proxy card; "FOR" the ratification of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm for fiscal year 2014 and "FOR" the approval, in a non-binding vote, of the compensation of ADT's named executive officers. For any other matter which may properly come before the Annual Meeting, and any adjournment or postponement thereof, proxies will be voted in accordance with the recommendations of the Board of Directors.

## May I change or revoke my vote after I submit my vote via telephone or the Internet, or return my proxy or voting instruction card?

You may change your vote by:

- Notifying our Corporate Secretary in writing before the Annual Meeting that you are revoking your proxy or, if you beneficially own your shares, following the instructions on the voting instruction card, provided that such notice is received no later than March 12, 2014;
- Submitting another proxy card (or voting instruction card if you beneficially own your shares) with a later date that is received not later than March 12, 2014;
- If you are a holder of record, or a beneficial owner with a proxy from the holder of record, voting in person at the Annual Meeting; or
- If you voted by telephone or the Internet, submitting subsequent voting instructions through the telephone or Internet before the closing of those voting facilities at 11:59 p.m., Eastern Time on March 12, 2014.

## What does it mean if I receive more than one proxy or voting instruction card?

It means you have multiple accounts at the transfer agent and/or with banks and stockbrokers. Please vote all of your shares. Beneficial owners sharing an address who are receiving multiple copies of the proxy materials and Annual Report will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all stockholders at the shared address in the future. In addition, if you are the beneficial owner, but not the record holder, of ADT's shares, your broker, bank or other nominee may deliver only one copy of the Proxy Statement and Annual Report to multiple stockholders who share an address unless that nominee has received contrary instructions from one or more of the stockholders. ADT will deliver promptly, upon written or oral request, a separate copy of the Proxy Statement and Annual Report to a stockholder at a shared address to which a single copy of the documents was delivered. Stockholders who wish to receive a separate printed copy of the Proxy Statement and Annual Report, now or in the future, should submit their request to ADT by telephone at (561) 322-4958, by email to investorrelations@adt.com or by submitting a written request to our Corporate Secretary at The ADT Corporation, 1501 Yamato Road, Boca Raton, Florida 33431.

## What proposals are being presented at the Annual Meeting and what vote is required to approve each proposal?

ADT intends to present proposals numbered 1 through 3 for stockholder consideration and voting at the Annual Meeting. These proposals are for:

1. Election of the nominees to the Board of Directors, each as named in this Proxy Statement.
2. Ratification of the appointment of Deloitte & Touche LLP as ADT's Independent Registered Public Accounting Firm for fiscal year 2014.
3. Approval, in a non-binding vote, of the compensation of the Company's named executive officers.

Other than matters incident to the conduct of the Annual Meeting and those set forth in this Proxy Statement, ADT does not know of any other business or proposals to be considered at the Annual Meeting. If any other business is proposed and properly presented at the Annual Meeting, the proxies received from our stockholders give the proxy holders the authority to vote on the matter at their discretion, and such proxy holders will vote in accordance with the recommendations of the Board of Directors.

## How does a stockholder submit a proposal for the 2015 Annual Meeting?

Rule 14a-8 of the Securities Exchange Act of 1934, or the "Exchange Act," establishes the eligibility requirements and the procedures that must be followed for a stockholder proposal to be included in a public company's proxy materials. Under the rule, if a stockholder wants to include a proposal in ADT's proxy materials for its 2015 Annual Meeting, the proposal must be received by ADT at its principal executive offices on or before September 29, 2014 and comply with eligibility requirements and procedures. An ADT stockholder who wants to present a matter for action at the 2015 Annual Meeting, but chooses not to do so under the Exchange Act Rule 14a-8, must deliver to ADT, at its principal executive offices, on or after November 14, 2014 and no later than December 13, 2014, a written notice to that effect; provided, however, in the event that the date of the 2015 Annual Meeting is convened more than 30 days prior to or delayed by more than 70 days after the anniversary date of the 2014 Annual Meeting, such notice must be received not earlier than 120 calendar days prior to the 2015 Annual Meeting and not later than the later of the 90th day before the 2015 Annual Meeting or the 10th day following the date on which public announcement of the date of the 2015 Annual Meeting is first made. In either case, as well as for stockholder nominations for Directors, the stockholder must also comply with the requirements in the Company's By-laws with respect to a stockholder properly bringing business before the Annual Meeting. (You can request a copy of the By-laws from our Corporate Secretary.)

## Can a stockholder nominate Director Candidates?

The Company's By-laws permit stockholders to nominate Directors at the Annual Meeting. To make a director nomination at the 2015 Annual Meeting, you must submit a notice with the name of the candidate on or before November 14, 2014 to the Corporate Secretary of ADT. The nomination and notice must meet all other qualifications and requirements of the Company's Board Governance Principles, By-laws and Regulation 14A of the Exchange Act. The Nominating and Governance Committee of the Board of Directors evaluates all director nominee candidates in the same manner, regardless of the source of the recommendation. These standards are discussed in further detail below at page 14 under "Corporate Governance of the Company-Director Nomination Process." (You can request a copy of the nomination requirements from our Corporate Secretary.)

## What constitutes a quorum?

In order to conduct business at the Annual Meeting, it is necessary to have a quorum. The holders of record of a majority of the voting power of the issued and outstanding shares of capital stock of the Company entitled to vote at the Annual Meeting, present in person or represented by proxy, shall constitute a quorum.

## How many votes are required to approve each item?

Election of each director nominee requires the affirmative vote of a majority of the votes cast with respect to the director at the Annual Meeting for the election of Directors, provided that in a "contested election" of directors, directors shall be elected by the vote of a plurality of the votes cast. Proposals No. 2 and 3 require the affirmative vote of a majority of the voting power of the shares of stock present in person or represented by proxy and entitled to vote on the subject matter. Proposals No. 2 and 3 are advisory in nature and are non-binding.

### What is the effect of broker non-votes and abstentions?

A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular agenda proposal because the broker does not have discretionary voting power for that particular proposal and has not received voting instructions from the beneficial owner. Under the current New York Stock Exchange ("NYSE") rules, although brokers have discretionary power to vote your shares with respect to "routine" matters, they do not have discretionary power to vote your uninstructed shares on "non-routine" matters. We believe the following proposals will be considered "non-routine" under the NYSE rules and therefore your broker will not be able to vote your shares with respect to these proposals unless the broker receives appropriate voting instructions from you: Proposal No. 1 (Election of Directors) and Proposal No. 3 (Non-Binding Advisory Vote on Compensation of the Named Executive Officers). Broker non-votes will have no effect on the outcomes of Proposal No. 1 or Proposal No. 3.

Shares owned by stockholders electing to abstain from voting and broker non-votes will be regarded as present at the meeting for purposes of determining whether a quorum is present. Votes cast shall exclude abstentions and therefore abstentions will have no effect on Proposal No. 1, but abstentions will have the effect of an "AGAINST" vote on Proposal No. 2 (Ratification of the appointment of Deloitte & Touche LLP as ADT's Independent Registered Public Accounting Firm for fiscal year 2014) and Proposal No. 3 (Non-Binding Advisory Vote on Compensation of the Named Executive Officers).

### What happens if a nominee for director declines or is unable to accept election?

Our Board of Directors does not contemplate that any of the nominees will be unable to serve as a director, but if that contingency should occur prior to the voting of the proxies, the persons named in the proxy card reserve the right to vote for such substitute nominee or nominees as they, in their discretion, may determine. Therefore, if you vote by proxy, and if unforeseen circumstances make it necessary or desirable for our Board of Directors to substitute another person for a director nominee, we will vote your shares for that other person.

### How will voting on any other business be conducted?

Other than matters incidental to the conduct of the Annual Meeting and those set forth in this Proxy Statement, we do not know of any other business or proposals to be considered at the Annual Meeting. If any other business is proposed and properly presented at the Annual Meeting, the proxies received from our stockholders give the proxy holders the authority to vote on the matter at their discretion and such proxy holders will vote in accordance with the recommendations of the Board of Directors.

### Who will count the votes?

Broadridge Financial Solutions, Inc. ("Broadridge") will act as the inspector of election and will tabulate the votes.

### *Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on March 13, 2014:*

Our Proxy Statement for the 2014 Annual Meeting, form of proxy card and 2013 Annual Report are available at *www.proxyvote.com*.

As permitted by SEC rules, ADT is making this Proxy Statement and its Annual Report available to its stockholders electronically via the Internet. On January 27, 2014, we mailed to our stockholders of record a Notice containing instructions on how to access this Proxy Statement and our Annual Report and vote online. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the Proxy Statement and Annual Report. The Notice also instructs you on how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials contained on the Notice.

## Costs of Solicitation

The cost of solicitation of proxies will be paid by ADT. ADT has engaged MacKenzie Partners, Inc. as the proxy solicitor for the Annual Meeting for an approximate fee of $10,000, plus reasonable out-of-pocket expenses. In addition to the use of the mails, certain Directors, officers or employees of ADT may solicit proxies by telephone or personal contact. Upon request, ADT will reimburse brokers, dealers, banks and trustees or their nominees for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of our common stock.

## Returning Your Proxy or Voting Instruction Card to the Company

ADT stockholders of record who have received hard copies of the proxy materials should complete and return the proxy card as soon as possible. In order to assure that your proxy is received in time to be voted at the Annual Meeting, the proxy card must be completed in accordance with the instructions on it and received at the address set forth below by the times (being local times) and dates specified therein:

Vote Processing
c/o Broadridge
51 Mercedes Way
Edgewood, NY 11717

If your shares are held in street name and you have received hard copies of the proxy materials, you should return your voting instruction card in accordance with the instructions on that card or as provided by the bank, brokerage firm or other nominee who holds ADT common shares on your behalf.

# CORPORATE GOVERNANCE OF THE COMPANY

## Our Corporate Governance Principles

Our corporate governance principles are embodied in a formal document called the ADT Board Governance Principles that has been approved by our Board of Directors. It is posted on our website at *www.adt.com/about-adt/corporate-governance/.* We will also provide a copy of the ADT Board Governance Principles to stockholders upon written request to our Corporate Secretary at The ADT Corporation, 1501 Yamato Road, Boca Raton, Florida 33431.

ADT's Board of Directors is responsible for directing, and providing oversight of, the management of ADT's business in the best interests of the stockholders and consistent with good corporate citizenship. In carrying out its responsibilities, the Board of Directors selects and monitors top management, provides oversight for financial reporting and legal compliance, determines ADT's governance principles and implements its governance policies. The Board of Directors, together with management, is responsible for establishing the firm's operating values and code of conduct and for setting strategic direction and priorities.

While ADT's strategy and leadership evolve in response to its changing market conditions, the Company's vision and values are enduring. So too are five governance principles as discussed under the sub-heading "Governance Principles: How the Board Oversees the Company," and along with the Company's vision and values, they constitute the foundation upon which the Company's governance policies are built.

ADT believes that good governance requires not only an effective set of specific practices but also a culture of responsibility throughout the firm, and governance at ADT is intended to optimize both. ADT also believes that good governance ultimately depends on the quality of its leadership, and it is committed to recruiting and retaining directors and officers of proven leadership and personal integrity. To further these goals, the Board of Directors has adopted the Board Governance Principles. The Board of Directors intends that these principles serve as a flexible framework within which the Board of Directors may conduct its business, and not as a set of binding legal obligations.

### ADT Vision: Why We Exist and the Essence of Our Business

We aspire to earn the lifelong trust of our customers by helping them protect and connect to what matters most—their families, homes and businesses. This vision, in conjunction with committing to the highest standards of business practices, will lead to ADT's long-term growth, value, and success.

### ADT Values: What Matters Most at ADT

***Trust:*** We earn trust everyday and never take it for granted.

- We never forget that we help save lives for a living
- We're proud that people count on us and our integrity is assumed
- We follow through on our commitments
- We don't make promises we can't keep to each other, our customers, our partners, or our communities
- We consistently create positive experiences in all our relationships and act in ways we can all admire

***Collaboration:*** Together we do great things.

- Across every function, we're passionate and proud about the work we do
- We ask questions, actively listen, and incorporate feedback
- We depend on each other to bring our best selves and our best ideas
- We can be counted on
- We succeed when individual performance strengthens collective performance
- We respect and value our teammates' opinions
- We build strong relationships with the people we work with
- We help foster an open and inclusive environment
- We are considered to be the "partner of choice"

***Service:*** We deliver excellent service in every experience.

- We get it right the first time
- We treat our customers the way we would treat family

- We always look for ways to improve our customers' experience
- We strive to exceed expectations in every interaction
- We give back to the communities where we live and work
- We have pride in our partnership with first responders
- We deliver value to investors by growing the business
- We treat our colleagues with respect and care

***Innovation:*** We think ahead to stay ahead.

- We are always looking for better ways of doing things
- We pioneer new technologies to differentiate ourselves and advance our industry leadership position
- We learn from both our successes and our failures
- We need to be nimble and agile so we can be proactive and seize opportunities
- We celebrate our successes and challenge ourselves to move to new heights of achievement
- We promote new ideas and encourage creativity
- We are willing to let go of old habits and test new ideas

### ADT Culture of Responsibility and Code of Conduct

ADT's corporate culture is built on the premise that the Company seeks to draw the best from its employees, and that every employee, without exception, is responsible for the conduct and success of the enterprise. This includes full, accurate, candid, and timely disclosure of information, and compliance with all laws and regulatory standards. Employee responsibilities are elaborated in our Code of Conduct. The Board of Directors is responsible for setting the ethical tenor for management and the Company. That ethical tenor works on the expectation that employees understand where the lines are that they should not cross and stay widely clear of those lines. The Code of Conduct is reviewed periodically by all directors, executive officers, managers and employees, and they affirm in writing that they understand it and are fully in compliance with it. All senior executives, including the Chief Executive Officer, are evaluated and compensated in part on proactively promoting integrity and compliance.

## Board of Directors

The business of the Company is managed under the direction of its Board of Directors, in the interest of the stockholders. The Board of Directors delegates its authority to management for managing the everyday affairs of the Company. The Board of Directors requires that senior management review major actions and initiatives with the Board prior to implementation.

### Mission of the Board of Directors: What the Board Intends to Accomplish

The mission of the Board of Directors is to promote the long-term value and health of the Company in the interests of the stockholders, its employees and its other stakeholders and set an ethical "tone at the top." To this end, the Board of Directors provides management with strategic guidance, and also ensures that management adopts and implements procedures designed to promote both legal compliance and the highest standards of honesty, integrity and ethics throughout the organization.

### Governance Principles: How the Board Oversees the Company

1. ***Active Board:*** The directors are well informed about the Company and vigorous in their oversight of management.
2. ***Company Leadership:*** The directors, together with management, set ADT's strategic direction, review financial objectives, and establish a high ethical tone for the management and leadership of the Company.
3. ***Compliance with Laws and Ethics:*** The directors ensure that procedures and practices are in place and designed to prevent and identify illegal or unethical conduct and to permit appropriate and timely redress should such conduct occur.
4. ***Inform and Listen to Investors and Regulators:*** The directors take steps to see that management discloses appropriate information fairly, fully, timely, and accurately to investors and regulators, and that the Company maintains a two-way communication channel with its investors and regulators.
5. ***Continuous Improvement:*** The directors remain abreast of new developments in corporate governance, and they implement new procedures and practices as they deem appropriate.

## Board Responsibilities

The Board of Directors is responsible for:

- Reviewing and approving management's strategic and business plans.
- Reviewing and approving financial plans, objectives, and actions including significant capital allocations and expenditures.
- Monitoring management execution of corporate plans and objectives.
- Advising management on significant decisions and reviewing and approving major transactions.
- Recommending director candidates for election by stockholders.
- Appraising the Company's major risks and overseeing that appropriate risk management and control procedures are in place.
- Selecting, monitoring, evaluating, compensating, and if necessary replacing the Chief Executive Officer and other senior executives, and seeing that management development and succession plans are maintained for these executive positions.
- Determining the Chief Executive Officer's compensation, and approving senior executives' compensation, based on performance in meeting pre-determined standards and objectives.
- Determining that procedures are in place and designed to promote compliance with laws and regulations and setting an ethical "tone at the top."
- Determining that procedures are in place designed to promote integrity and candor in the audit of the Company's financial statements and operations, and in all financial reporting and disclosure.
- Designing and assessing the effectiveness of its own governance practices and procedures.
- Periodically monitoring and reviewing stockholder communications sent to the Company.

## Board Leadership Structure

The Board of Directors does not have a formal policy regarding the separation of the roles of Chairman and Chief Executive Officer, as it believes it is in the best interests of the Company to make that determination based on the direction of the Company and the membership of the Board at a given time. The Company has had an independent Chairman since its separation from Tyco in September 2012, and the Board believes that having separate Chairman and Chief Executive Officer positions, and having an independent director serve as Chairman, continues to be the appropriate leadership structure for the Company at this time. The Board of Directors believes that the current leadership structure enables the Chief Executive Officer to focus on the operations of the Company's business, while the independent Chairman focuses on leading the Board in its responsibilities and helping the Board ensure that management is acting in the best interests of the Company and its stockholders.

## Board Risk Management

Risk is an inherent part of ADT's business activities and risk management is critical to the Company's innovation and success. The Company's compensation programs are designed to motivate employees to take appropriate levels of risks that are aligned with the Company's strategic goals, without encouraging or rewarding excessive risk. The Board of Directors is responsible for appraising the Company's major risks and for determining that appropriate risk management and control procedures are in place and that senior executives take the appropriate steps to manage all major risks.

During fiscal year 2013, with oversight by the Board of Directors, the Company implemented its enterprise risk management ("ERM") program and conducted an annual risk assessment survey covering risks, among others, in finance, operations, strategy, compliance, information technology, human resources, environment, health, safety and welfare, brand reputation, innovation, litigation, risk management, public affairs and competition. The Board of Directors has delegated responsibility for the oversight of the ERM program to its Nominating and Governance Committee. The Company formed the Enterprise Risk Management Council (the "ERMC"), which is chaired by the Chief Legal Officer, and consists of other senior executives from Risk Management, Internal Audit, Internal Controls and Compliance, IT, Corporate Development, Operations, Finance, Innovation and Technology, EHS&W and Brand. The ERMC meets periodically to (i) review the results of the annual risk assessment survey and to identify the top enterprise risks, (ii) determine specified risk owners, (iii) monitor the implementation of mitigation plans, and (iv) update and obtain direction from the Nominating and Governance Committee on a regular basis.

Throughout the year, the Board of Directors dedicates a portion of their meetings to review and discuss specific risks and mitigation processes in greater detail. Oversight of certain specific risks is delegated to the following committees of the Board of Directors:

Audit Committee—oversees risks relating to the Company's major financial risk exposures including financial statements and financial reporting and controls, internal controls, and legal, regulatory and compliance risks, and steps taken by management to monitor and control such exposures.

Compensation Committee—oversees risks arising from the Company's compensation policies and programs for all employees, including non-executive officers, and the non-management directors.

Nominating and Governance—oversees risks related to the Company's governance structure and process as well as oversee the ERMC as described above.

## Board Capacities

The Board of Directors as a whole is constituted to be strong in its collective knowledge and diversity of accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance, and global markets.

The culture of the Board of Directors is such that the Board can operate swiftly and effectively in making key decisions when facing major challenges. Board meetings are conducted in an environment of trust, open dialogue, mutual respect, and constructive commentary that are akin to those of a high-performance team.

The Board of Directors is informed, proactive, and vigilant in its oversight of the Company and protection of stockholder assets.

## Board Committees

To conduct its business the Board of Directors maintains three standing committees: Audit, Compensation, and Nominating and Governance, and each of these committees is entirely composed of independent directors. The members of the Board of Directors serving on these committees and the functions of those committees are set forth in the following table:

| | Audit Committee | Compensation Committee | Nominating and Governance Committee |
|---|---|---|---|
| Bruce Gordon, Chairman | | | Chair |
| Thomas Colligan | Chair | | ✓ |
| Richard Daly (1) | | ✓ | |
| Timothy Donahue | | ✓ | |
| Robert Dutkowsky | | ✓ | |
| Naren Gursahaney | | | |
| Bridgette Heller | ✓ | | |
| Kathleen Hyle | ✓ | | |
| Dinesh Paliwal (2) | | Chair | ✓ |
| Number of Meetings Held in Fiscal Year 2013 | 11 | 7 | 6 |

*(1) Upon the recommendation of the Nominating and Governance Committee, on January 9, 2014, the Board of Directors appointed Mr. Daly to the Company's Board for a term expiring at the 2014 Annual Meeting, or until his earlier resignation or removal, and to the Board's Compensation Committee.*

*(2) On January 8, 2014, Mr. Paliwal notified the Board of Directors of his decision not to stand for re-election as a director and to resign from the Board of Directors, effective at the end of his current term, which expires at the 2014 Annual Meeting.*

- Assignments to, and chairs of, the Audit and Compensation Committees are recommended by the Nominating and Governance Committee and selected by the Board of Directors. The independent directors as a group elect the members and the chair of the Nominating and Governance Committee. All committees report on their activities to the Board of Directors.
- The Chairman may convene a "special committee" to review certain material matters being considered by the Board of Directors. The special committee will report their activities to the Board of Directors.
- To ensure effective discussion and decision making while at the same time having a sufficient number of independent directors for its three standing committees, the Board of Directors is normally constituted of between seven and nine directors. Subject to ADT's certificate of incorporation, the number of directors shall be fixed by resolution by the Board of Directors, and vacancies occurring in the Board of Directors may be filled only by a majority of the vote of the remaining directors then in office.

- The Nominating and Governance Committee annually reviews the organization of the Board of Directors and recommends appropriate changes to the full Board of Directors.

Each of the committees operates under a written charter that is posted to our website at *www.adt.com/about-adt/corporate-governance/.* We will also provide a printed copy of the committee charters to stockholders upon written request to our Corporate Secretary at The ADT Corporation, 1501 Yamato Road, Boca Raton, Florida 33431.

## *Audit Committee*

The Audit Committee met eleven times during fiscal year 2013. The Audit Committee was established in accordance with Section 3(a)(58)(A) and Rule 10A-3 under the Exchange Act. The Audit Committee is responsible, among other things, for:

- overseeing the quality and integrity of our annual audited and quarterly financial statements, accounting practices and financial information that we provide to the SEC or the public;
- selecting our independent registered public accounting firm, such selection to be presented by our Board of Directors to our stockholders for their ratification at the annual meeting of stockholders;
- pre-approving all services to be provided to us by our independent registered public accounting firm;
- conferring with our independent registered public accounting firm to review the plan and scope of its proposed financial audits and quarterly reviews, as well as its findings and recommendations upon the completion of the audits and such quarterly reviews;
- reviewing the independence of the independent registered public accounting firm;
- overseeing our internal audit function;
- meeting with the independent registered public accounting firm, our appropriate financial personnel and internal financial controller regarding our internal controls, critical accounting policies and other matters; and
- overseeing all of our compliance, internal controls and risk management policies.

The Board of Directors has determined that all of the members of the Audit Committee meet the independence requirements set forth in the listing standards of the NYSE, are “financially literate” as defined by the NYSE rules and have accounting or related financial management expertise as such terms are interpreted by the Board of Directors in its business judgment, and that the committee chairman, Mr. Colligan, and Ms. Hyle each qualify as an “audit committee financial expert” as defined by the rules of the SEC. None of our Audit Committee members simultaneously serves on more than two other public company audit committees.

## *Compensation Committee*

The Compensation Committee met seven times during fiscal year 2013. The Compensation Committee oversees the Company’s overall compensation structure, policies and programs, including strategic compensation programs for our executive officers, that align the interests of our executive officers with those of our stockholders, and assesses whether the Company’s compensation structure establishes appropriate incentives for management and employees. The Compensation Committee is responsible, among other things, for:

- setting and reviewing our executive compensation philosophy and principles;
- proposing to our Board of Directors incentive compensation plans and equity-based plans, including performance objectives and metrics associated with these plans, on an annual basis for the Chief Executive Officer;
- reviewing annually the Chief Executive Officer’s performance and proposing to our independent directors Chief Executive Officer compensation (including salary, bonus, equity-based grants and any other long-term cash compensation);
- reviewing annual performance of the other executive officers and approving their compensation (including salary, bonus, equity-based grants and any other long-term cash compensation);
- reviewing and approving the comparator group(s) for benchmarking compensation levels and pay practices, as well as performance, for the Chief Executive Officer and executive officers;
- reviewing annually talent development and succession plans for executive officers other than the Chief Executive Officer and making recommendations to our Board of Directors;
- reviewing and approving benefit and perquisite programs for executive officers;
- administering the Company’s equity incentive plans, including the review and grant of stock option and other equity incentive grants to executive officers;
- overseeing the design, participation, adequacy, competitiveness, internal equity and cost effectiveness for the Company’s broadly-applicable benefit programs;
- establishing, in collaboration with the Nominating and Governance Committee, compensation for non-management directors;

- monitoring compliance by officers and directors with the Company's stock ownership guidelines;
- conducting an annual risk assessment of the Company's compensation programs;
- administering the Company's pay recoupment policy;
- reviewing the Company's human resources strategy and controls, including Sarbanes-Oxley Section 404 compliance;
- assessing annually the performance of the Compensation Committee and its members and the adequacy of the Committee charter and recommending results and/or changes to our Board of Directors;
- recommending to our Board of Directors the Company's approach with respect to the stockholder advisory vote on executive compensation or "say-on-pay" and how frequently the Company should permit stockholders to have a vote on say-on-pay, taking into account the results of stockholder votes on the frequency of say-on-pay resolutions at the Company;
- overseeing our disclosure regarding executive compensation, including approving the report to be included in our annual Proxy Statement on Schedule 14A, which disclosure is included or incorporated by reference in our annual report on Form 10-K; and
- reviewing and approving employment, retirement, severance and change-in-control agreements/arrangements for our executive officers.

The Board of Directors has determined that all of the members of the Compensation Committee meet the independence requirements, including the heightened independence criteria set forth in the listing standards of the NYSE, are "non-employee directors" (within the meaning of Rule 16b-3 of the Exchange Act) and "outside directors" (within the meaning of Section 162(m) of the Internal Revenue Code (the "Code")). For more information on the Compensation Committee, please see the Compensation Discussion and Analysis in this Proxy Statement.

## *Nominating and Governance Committee*

The Nominating and Governance Committee met six times during fiscal year 2013. The Nominating and Governance Committee is responsible, among other things, for:

- developing and recommending to our Board of Directors our corporate governance principles and otherwise taking a leadership role in shaping our corporate governance;
- reviewing and evaluating the adequacy of and recommending to our Board of Directors amendments to our by-laws, certificate of incorporation, committee charters and other governance policies;
- reviewing and making recommendations to our Board of Directors regarding the purpose, structure and operations of our various board committees;
- identifying, reviewing and recommending to our Board of Directors individuals for election or re-election to the Board of Directors, consistent with criteria approved by the Board of Directors;
- overseeing the Chief Executive Officer succession planning process, including an emergency succession plan, and making recommendations to our Board of Directors;
- establishing, in collaboration with the Compensation Committee, compensation for non-management directors;
- establishing criteria and qualifications for board membership, including standards for assessing independence;
- overseeing the Company's Environmental, Health & Safety management program;
- ensuring the appropriate process is in place to perform and review the Company's enterprise-wide risk assessments;
- overseeing the Board of Directors' annual self-evaluation; and
- overseeing and monitoring general governance matters including communications with stockholders, regulatory developments relating to corporate governance and our corporate social responsibility activities.

The Board of Directors has determined that all members of the Nominating and Governance Committee meet the independence requirements set forth in the listing standards of the NYSE and in accordance with the Nominating and Governance Committee charter.

## Experiences, Qualifications, Attributes and Skills of Director Nominees

When evaluating potential director nominees, the Nominating and Governance Committee utilizes a diverse group of experiences, qualifications, attributes and skills, including diversity in gender, ethnicity and race that the Nominating and Governance Committee believes enables a director nominee to make significant contributions to the Board of Directors, ADT and our stockholders. The Nominating and Governance Committee works with the Board of Directors to determine the appropriate mix of backgrounds and experiences in order to establish and maintain a Board that is strong in its collective knowledge and that can fulfill its responsibilities, perpetuate our long term success, and represent the interests of our stockholders. These experiences, qualifications, attributes and skills are more fully described in the following table:

| | T. Colligan | R. Daly | T. Donahue | R. Dutkowsky | B. Gordon | N. Gursahaney | B. Heller | K. Hyle |
|---|---|---|---|---|---|---|---|---|
| **Management Experience**<br>**Experience as a CEO, COO, President or Senior Vice President of a company or significant subsidiary, operating division or business unit.** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Independence**<br>**Satisfy the independence requirements of the New York Stock Exchange.** | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ |
| **Financial Expertise**<br>**Possess the knowledge and experience to be qualified as an "audit committee financial expert."** | ✓ | ✓ | | | | | | ✓ |
| **Technical; Research and Development; Information Technology**<br>**Experience in, or experience in a senior management position responsible for, managing a significant technical, information technology or research and development function.** | | ✓ | | ✓ | | ✓ | | |
| **Marketing; Sales**<br>**Experience in, or experience in a senior management position responsible for, managing a marketing and/ or sales function.** | | ✓ | | ✓ | ✓ | | ✓ | ✓ |
| **Minority; Diversity**<br>**Add perspective through diversity in gender, ethnic background, race, etc.** | | | | | ✓ | ✓ | ✓ | ✓ |

### Attendance at Meetings

The Board of Directors met thirteen times during fiscal year 2013. ADT policy dictates that the Board of Directors meets at least five times a year, and additional meetings may be called in accordance with our By-laws. One of these meetings is scheduled in conjunction with the Company's annual meeting of stockholders, and Board members are required to be in attendance at the annual meeting of stockholders in person or, via exception, by telephone. No current director attended fewer than 75 percent of the meetings held, including meetings held by all committees of the Board of Directors on which such director served. All of the current directors attended the 2013 Annual Meeting of Stockholders.

### Executive Sessions

The non-management directors of the Company meet in executive sessions without management on a regular basis. The Chairman presides at such executive sessions (the "Presiding Director"). In the absence of the Presiding Director, the non-management directors will designate another director to preside over such executive sessions.

### Board Communication

Management speaks on behalf of the Company, and the Board of Directors normally communicates through management with outside parties, including stockholders, business journalists, equity analysts, rating agencies, and government regulators. Stockholders and all interested parties can directly raise issues with the Board of Directors via email at directors@adt.com. The Board of Directors periodically reviews all pertinent communications from stockholders and other interested parties.

## Director Independence

To maintain its objective oversight of management, the Board of Directors consists of a majority of independent directors. The Board of Directors has adopted categorical standards designed to assist the Board in assessing director independence (the "Independence Standards"). The Independence Standards are included in our Board Governance Principles which can be found on our website at *www.adt.com/about-adt/corporate-governance/.* The Independence Standards have been designed to comply with the standards required by the NYSE. In addition, committee members are subject to any additional independence requirements that may be required by law, regulation or NYSE listing standards.

Based on an annual evaluation performed by, and recommendations made by, the Nominating and Governance Committee, our Board of Directors annually determines the independence of each director. Under our Board Governance Principles, a director is not independent unless the Board of Directors makes an affirmative determination that such director has no material relationships with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company).

Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships, among others.

On July 30, 2013, the Nominating and Governance Committee was informed that ADT Security Services Canada, Inc., a subsidiary of the Company ("ADTSS Canada") would be entering into a service contract for equipment, materials and services for approximately $16 million per year (the "Contract") with Tech Data Canada Corporation, a subsidiary of Tech Data Corporation ("Tech Data Canada"). The Contract was entered into on August 5, 2013. As stated in his biography on page 16, Mr. Dutkowsky is the Chief Executive Officer and a member of the board of directors of Tech Data Corporation. The Contract, including the payment for services, was analyzed under the Independence Standards and ADT's Guidelines for Related Party Transactions and determined to be a Type 1 matter since it is an arms-length transaction involving the purchase of products and services by ADTSS Canada from Tech Data Canada in the ordinary course of business for ADT's Canadian business operations. Pursuant to the analysis, the total annual amount of the Contract fell below the applicable thresholds and is deemed to be pre-approved by the Nominating and Governance Committee in accordance with the Independence Standards and the Guidelines for Related Party Transactions.

In connection with its recommendation to the Board of Directors to appoint Richard Daly to the Board, the Nominating and Governance Committee considered Mr. Daly's current position with Broadridge and the amounts paid by the Company or Tyco International Ltd. ("Tyco"), the Company's former parent company, during each of the last three fiscal years for proxy processing and mailing services, including conduit payments to banks and brokers (collectively, the "ADT Proxy Payments"), provided by Broadridge to the Company. Since the ADT Proxy Payments were less than the greater of $1 million or 2% of Broadridge's consolidated gross revenues in any of the last three fiscal years, the Nominating and Governance Committee determined that Mr. Daly satisfied the Independence Standards as well as the independence requirements of the NYSE.

Our Board of Directors has affirmatively determined that each of Mr. Colligan, Mr. Daly, Mr. Donahue, Mr. Dutkowsky, Mr. Gordon, Ms. Heller and Ms. Hyle has satisfied the Independence Standards as well as the independence requirements of the NYSE. Mr. Gursahaney, the current Chief Executive Officer, is not independent, because of his role as an executive officer of the Company.

## Guidelines for Related Party Transactions

The Board of Directors has adopted certain Guidelines for Related Party Transactions. These Guidelines provide a process for compliance with the related party provisions of the Board Governance Principles, the Company's Code of Conduct, and the Company's Amended and Restated By-laws, as well as the disclosure obligations under the SEC rules. The Nominating and Governance Committee monitors, reviews and approves, if necessary, any material related party transactions between ADT and its subsidiaries (collectively, the "Company") and its senior officers and directors. ADT's Guidelines for Related Party Transactions state that on an annual basis, the Nominating and Governance Committee will receive a list of related parties (the "Related Party List") for each senior officer and director and such list will include any entity that employs a director, any entity (including charitable organizations) for which the director or executive officer serves on the board of directors, and any entity in which the senior officer or director owns more than a 10% interest. There are three types of material related party transactions covered by the Guidelines for Related Party Transactions with specific review procedures:

- Type 1—transactions involving the purchase by or from the Company of products or services in the ordinary course of business in arms-length transactions.
- Type 2—transactions involving the provision of consulting, legal, accounting or financial advisory services to the Company that could compromise a director's independence.
- Type 3—transactions in which a director or officer has a direct or indirect personal interest or that create a conflict of interest for the director or officer.

Ordinary course of business, arms-length transactions with entities on the Related Party List are deemed pre-approved by the Nominating and Governance Committee, in amounts in the aggregate for each such entity of less than 1% of the revenue of such entity or the Company. For Type 1, the Guidelines for Related Party Transactions provide that the Nominating and Governance Committee, prior to filing the Company's

proxy statement, annually review the Related Party List, including the amount of payments to or from each related party, in comparison to the 1% threshold to ensure that the directors meet the director independence requirement. Any proposed related party transaction involving a member of the Board of Directors must be reviewed and approved by a majority of the disinterested members of the Board. All related party transactions involving potential conflicts of interest must be reported to the Nominating and Governance Committee and approved or ratified by such Committee. During fiscal year 2013, there were no related party transactions that exceeded the 1% threshold under the Company's Guidelines for Related Party Transactions or the amount of $120,000 under Item 404 of Regulation S-K promulgated by the SEC.

## Director Service

- Directors are elected by an affirmative vote of a majority of the votes cast by stockholders at the annual meeting and they serve for one-year terms. Any nominee for director who does not receive a majority of votes cast from the stockholders is not elected to the Board of Directors, however, such nominee will remain in office until a new director is elected, which shall take place in a timely manner.
- Directors are not eligible to stand for re-election to the Board of Directors at the annual meeting following their 72nd birthday. However, the Board of Directors may ask the director to continue his or her service on the Board when it is deemed to be in the best interest of the Company.
- The Nominating and Governance Committee is responsible for the review of all directors, and where necessary will take action to remove a director for performance, which requires the unanimous approval of the Board of Directors. This unanimous approval does not include the approval of the director whose removal is sought.
- Directors inform the Nominating and Governance Committee of any significant change in their employment or professional responsibilities and will offer their resignation to the Board of Directors. This allows for discussion with the Nominating and Governance Committee to determine if it is in the mutual interest of both parties for the director to continue on the Board of the Directors.
- Committee chairs will serve in their respective roles for five years, and rotate at the time of the annual meeting of stockholders following the completion of their fifth year of service.
- When the Chairman of the Board of Directors steps down, he or she simultaneously resigns from the Board of Directors, unless the remaining members of the Board of Directors decides that his or her services are in the best interests of the Company. It is only in unusual circumstances that the Board of Directors decides that the retired Chairman continues to serve.

## Code of Conduct

The Board of Directors has adopted a written Code of Conduct for directors, executive officers, managers and employees that is designed to deter wrongdoing and to promote, among other things:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents that we file with the SEC and other regulators and in our other public communications;
- compliance with applicable laws, rules and regulations, including insider trading compliance; and
- accountability for adherence to the Code of Conduct and prompt internal reporting of violations of the Code, including illegal or unethical behavior regarding accounting or auditing practices.

A copy of our Code of Conduct is posted on our website at *www.adt.com/about-adt/corporate-governance/.* We will also provide a copy of our Code of Conduct to stockholders upon written request to our Corporate Secretary at The ADT Corporation, 1501 Yamato Road, Boca Raton, Florida 33431.

## Director Nomination Process

In accordance with our governance policies, the Nominating and Governance Committee seeks to create a Board of Directors that as a whole is strong in its collective knowledge and has a diversity of skills and experience with respect to vision and strategy, management and leadership, business operations, business judgment, crisis management, risk assessment, industry knowledge, accounting and finance, corporate governance and global markets. Our Board of Directors does not have a specific policy regarding diversity. Instead, the Nominating and Governance Committee considers the Board of Directors' overall composition when considering a potential new candidate, including whether the Board of Directors has an appropriate combination of professional experience, skills, knowledge and variety of viewpoints and backgrounds in light of our current and expected future needs. We believe that it is desirable for new candidates to contribute to a variety of viewpoints on the Board of Directors, which may be enhanced by a mix of different professional and personal backgrounds and experiences.

General criteria for the nomination of director candidates include:

- the highest ethical standards and integrity;
- a willingness to act on and be accountable for board decisions;
- an ability to provide wise, informed and thoughtful counsel to top management on a range of issues;
- a history of achievement that reflects superior standards for themselves and others;
- loyalty and commitment to driving the success of ADT;
- an ability to take tough positions while at the same time working as a team player; and
- individual backgrounds that provide a portfolio of experience and knowledge commensurate with our needs.

Invitations to director nominees to become a member of the Board of Directors will be extended by the Chair of the Nominating and Governance Committee after discussion with the Chairman of the Board of Directors and the Chief Executive Officer and agreement by the other members of the Board of Directors. The Board of Directors will consider nominations submitted by stockholders.

# PROPOSAL NUMBER ONE—ELECTION OF DIRECTORS

Upon the recommendation of the Nominating and Governance Committee, the Board of Directors has nominated for election at the 2014 Annual Meeting a slate of eight nominees, all of whom are currently serving on the Board. The nominees are Mses. Heller and Hyle and Messrs. Colligan, Daly, Donahue, Dutkowsky, Gordon and Gursahaney. On January 8, 2014, Mr. Paliwal notified the Board of Directors of his decision not to stand for re-election as a director and to resign from the Board of Directors, effective at the end of his current term, which expires at the 2014 Annual Meeting. Upon the recommendation of the Nominating and Governance Committee, on January 9, 2014, the Board of Directors appointed Mr. Daly to the Company's Board for a term expiring at the 2014 Annual Meeting, or until his earlier resignation or removal, and to the Board's Compensation Committee.

Biographical information regarding each of the nominees is set forth below. Election of each director nominee requires the affirmative vote of a majority of the votes cast at the 2014 Annual Meeting. Stockholders are entitled to one vote per share for each of the Directors to be elected. ADT is not aware of any reason why any of the director nominees will not be able to serve if elected. Director nominees shall hold office until the next annual meeting of stockholders and until his or her successor is elected and qualified, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

## Current Directors Nominated for Re-Election

***Thomas Colligan (age 69)***—Mr. Colligan has been a member of our Board of Directors since September 2012. Mr. Colligan served as Vice Dean of the Wharton School's Aresty Institute of Executive Education at the University of Pennsylvania, where he was responsible for the non-degree executive education programs from July 2007 until his retirement in June 2010. Prior to that he was a managing director at Duke Corporate Education for two years. From 2001 to 2004, Mr. Colligan was Vice Chairman of PricewaterhouseCoopers LLP ("PwC") and he served PwC in other capacities, including Partner, from 1969 to 2004. Mr. Colligan has been a director of Targus, a private company, from 2010. He previously served on the boards of Schering Plough Corporation from 2005 to 2009; Educational Management Corporation from 2006 to 2007; Anesiva, Inc. from 2004 to 2008; CNH Global from 2010 to 2013; and Office Depot from 2010 to 2013. Mr. Colligan has a Bachelor of Science in Accounting from Fairleigh Dickinson University. Mr. Colligan is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants.

**Director Qualifications**: Mr. Colligan's qualifications include his 38 years as a Certified Public Accountant, his PwC experience, his extensive experience with audit and financial issues and his past service on public company audit committees.

***Richard Daly (age 60)***—Mr. Daly has been a member of our Board of Directors since January 2014. Mr. Daly currently serves as Chief Executive Officer and President of Broadridge Financial Solutions, Inc. and as a member of the Broadridge board of directors. Prior to his current role, he served as Group President of the Brokerage Services Group of ADP. Prior to joining ADP in 1989, Mr. Daly served as Senior Vice President of Operations at Thomson McKinnon Securities and was a member of its board of directors. He is a member of the Advisory Board for the National Association of Corporate Directors, a founding member of the board of directors of the Make-A-Wish Foundation of Suffolk County, Inc. and currently serves as an Honorary Director. Mr. Daly is also a director of Fountain House, a New York City based charity. Mr. Daly has a Bachelor of Science in Accounting from New York Institute of Technology and is a Certified Public Accountant. He also attended the Harvard Business School's Young President's Program from 1996-2004, and completed its President's Program in Leadership.

**Director Qualifications**: Mr. Daly's qualifications include his experience as the Chief Executive Officer of the largest independent processor of corporate governance related activities, his significant leadership experience and his extensive experience in the Financial Services industry.

***Timothy Donahue (age 65)***—Mr. Donahue has been a member of our Board of Directors since September 2012. Prior to his retirement, Mr. Donahue was Executive Chairman of Sprint Nextel Corporation from August 2005 to December 2006. He served as President and Chief Executive Officer of Nextel Communications, Inc. from 1999. He began his career with Nextel in January 1996 as President and Chief Operating Officer. Before joining Nextel, Mr. Donahue served as Northeast Regional President for AT&T Wireless Services operations from 1991 to 1996. Prior to that, he served as President for McCaw Cellular's paging division in 1986 and was named McCaw's President for the U.S. central region in 1989. Mr. Donahue is a director of NVR Inc., the non-executive chairman of UCT Coatings, Inc., a private company and the non-executive chairman of 4DK, a private mobile merchandising company. He previously served as a director of Tyco from 2008 to 2012; Covidien Ltd. from 2009 to 2012; and Eastman Kodak Company from 2003 to 2013. Mr. Donahue is a graduate of John Carroll University, with a Bachelor of Arts in English Literature.

**Director Qualifications**: Mr. Donahue's qualifications include his extensive experience and demonstrated leadership in the wireless communications industry, his experience in service-oriented industries and as an executive and board member of several publicly traded companies.

***Robert Dutkowsky (age 59)***—Mr. Dutkowsky has been a member of our Board of Directors since September 2012. Mr. Dutkowsky has been the Chief Executive Officer and a member of the board of directors of Tech Data Corporation since October 2006. Prior to joining Tech Data Corporation, Mr. Dutkowsky served as President, CEO, and Chairman of the Board of Egenera, Inc. from 2004 until 2006, and served as President, CEO, and Chairman of the Board of J.D. Edwards & Co., Inc. from 2002 until 2004. He was President, CEO, and Chairman of the Board of GenRad, Inc. from 2000 until 2002. Beginning in 1997, Mr. Dutkowsky was Executive Vice

PROXY STATEMENT

President, Markets and Channels, at EMC Corporation before being promoted to President, Data General, in 1999. He began his career at IBM where he served in several senior management positions. Mr. Dutkowsky also serves on the board of directors of Sepaton, Inc., a privately held data protection company, since 2004. Mr. Dutkowsky holds a Bachelor of Science in Industrial and Labor Relations from Cornell University.

**Director Qualifications**: Mr. Dutkowsky's qualifications include his extensive executive experience with technology companies and solutions providers.

***Bruce Gordon (age 67)***—Mr. Gordon has been the Chairman of our Board of Directors since September 2012. From August 2005 through April 2007, Mr. Gordon served as President and Chief Executive Officer of the NAACP. Until his retirement in December 2003, Mr. Gordon was the President of Retail Markets at Verizon Communications, Inc., a provider of wireline and wireless communications. Prior to the merger of Bell Atlantic Corporation and GTE, which formed Verizon in July 2000, Mr. Gordon filled a variety of positions at Bell Atlantic Corporation, including Group President, Vice President, Marketing and Sales, and Vice President, Sales. Mr. Gordon also serves as a director of CBS Corporation and Northrop Grumman Corporation. Previously, Mr. Gordon served as a director of Southern Company, an electricity generating company, from 1994 to 2006, and as a director of Tyco from 2003 to 2012. Mr. Gordon graduated from Gettysburg College and received a Master of Science from the Massachusetts Institute of Technology.

**Director Qualifications**: Mr. Gordon's qualifications include his significant leadership experience as the head of a large non-profit, his in-depth experience as an executive in the service-oriented communications industry and his corporate governance experience as a director of several publicly traded companies.

***Naren Gursahaney (age 52)***—Mr. Gursahaney is the Company's President and Chief Executive Officer. He also serves as a member of the Company's Board of Directors. Prior to the separation from Tyco in September 2012, Mr. Gursahaney served as President of Tyco's ADT North American Residential business segment. Prior to the restructuring of the segment in fiscal year 2012, he was the President of Tyco Security Solutions, the world's largest electronic security provider to residential, commercial, industrial and governmental customers and the largest operating segment of Tyco. Mr. Gursahaney joined Tyco in 2003 as Senior Vice President of Operational Excellence. He then served as President of Tyco Engineered Products and Services and President of Tyco Flow Control. Prior to joining Tyco, Mr. Gursahaney was President and Chief Executive Officer of GE Medical Systems Asia, where he was responsible for the company's $1.6 billion sales and services business in the Asia-Pacific region. During his 10-year career with GE, Mr. Gursahaney held senior leadership roles in services, marketing and information management. His career also includes positions with Booz Allen & Hamilton and Westinghouse Electric Corporation. Mr. Gursahaney holds a Bachelor of Science in Mechanical Engineering from The Pennsylvania State University and a Master of Business Administration from the University of Virginia.

**Director Qualifications:** Mr. Gursahaney's qualifications include his extensive executive experience with Tyco and ADT in the security services industry and his leadership roles in services, marketing, operations and information management.

***Bridgette Heller (age 52)***—Ms. Heller has been a member of our Board of Directors since September 2012. Ms. Heller has been Executive Vice President of Merck & Co, Inc. and President of Merck Consumer Care from 2010. Prior to joining Merck, Ms. Heller was President, Johnson & Johnson, Global Baby Business Unit from 2007 to 2010 and President, Johnson & Johnson, Global Baby Kids and Wound Care from 2005 to 2007. Prior to joining Johnson & Johnson, she was the Founder and Managing Partner at Heller Associates from 2004 to 2005. She served as the Chief Executive Officer of Chung's Foods Inc. Ms. Heller spent 17 years with Kraft Foods, from September 1985 to September 2002, including as Executive Vice President and General Manager for the North American Coffee portfolio. She served as a Director of PCA International, Inc. from March 1998 until October 2005. Ms. Heller received a Bachelor of Arts from Northwestern University and a Master of Business Administration from Northwestern University's Kellogg School of Management.

**Director Qualifications**: Ms. Heller's qualifications include her significant experience in leadership positions at consumer products companies.

***Kathleen Hyle (age 55)***—Ms. Hyle has been a member of our Board of Directors since September 2012. From 2008 until its 2012 merger with Exelon, Ms. Hyle was Senior Vice President of Constellation Energy and Chief Operating Officer of Constellation Energy Resources. From June 2007 to November 2008, Ms. Hyle served as Chief Financial Officer for Constellation Energy Nuclear Group and for UniStar Nuclear Energy, LLC, a strategic joint venture between Constellation Energy and Électricité de France. Ms. Hyle held the position of Senior Vice President of Finance for Constellation Energy from 2005 to 2007 and Senior Vice President of Finance, Information Technology, Risk and Operations for Constellation New Energy from January to October 2005. Prior to joining Constellation Energy, Ms. Hyle served as the Chief Financial Officer of ANC Rental Corp., the parent company of Alamo Rent-A-Car and National Rent-A-Car; Vice President and Treasurer of AutoNation, Inc.; and Vice President and Treasurer of Black and Decker Corporation. Ms. Hyle has been a director of AmerisourceBergen, a pharmaceutical services provider, since 2010, where she chairs the Audit and Corporate Responsibility Committee and serves on the Finance and Executive Committees. Since 2012, Ms. Hyle has been a director for Bunge Limited, a leading international agribusiness and food company, where she chairs the Audit Committee and serves on the Risk Committee. Ms. Hyle currently serves on the Executive and Finance Committee of the Board of Trustees of Center Stage in Baltimore, Maryland and on the Board of Sponsors for the Loyola University Maryland Sellinger School of Business and Management. Ms. Hyle graduated from Loyola College.

**Director Qualifications**: Ms. Hyle's qualifications her extensive experience as a leader in developing the business and financial strategy of retail divisions in various companies, as a Certified Public Accountant and service as chief financial officer in public companies.

**The Board of Directors unanimously recommends that stockholders vote FOR the election of all of the above listed director nominees to serve until the 2015 Annual Meeting.**

# SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information regarding the beneficial ownership of our common stock as of December 31, 2013 by (i) each of the individuals who currently serve as our directors; (ii) each of our named executive officers; and (iii) all of our directors and executive officers as a group.

Except as otherwise noted in the footnotes below the table, each person identified in the table below has sole voting and investment power with respect to the shares listed. To the extent indicated in the table below, shares beneficially owned by a person include shares of which the person has the right to acquire beneficial ownership within 60 days after December 31, 2013. As of December 31, 2013, there were 183,294,463 shares of our common stock issued and outstanding.

## Shares of Common Stock Beneficially Owned

| Name of Beneficial Owner | Common Stock Beneficially Owned Directly or Indirectly | Common Stock Acquirable within 60-Days | Total Common Stock Beneficially Owned | % of Shares of Common Stock Outstanding |
|---|---|---|---|---|
| N. David Bleisch | 21,783 | 98,322 | 120,105 | * |
| Thomas Colligan | 6,826 | — | 6,826 | * |
| Richard Daly | — | — | — | * |
| Timothy Donahue | 7,788 | — | 7,788 | * |
| Robert Dutkowsky | 1,326 | — | 1,326 | * |
| Alan Ferber | — | — | — | * |
| Bruce Gordon | 15,430 | — | 15,430 | * |
| Anita Graham | 3,184 | 23,208 | 26,392 | * |
| Naren Gursahaney | 144,266 | 920,644 | 1,064,910 | * |
| Bridgette Heller | 1,326 | — | 1,326 | * |
| Kathleen Hyle | 1,326 | — | 1,326 | * |
| Kathryn Mikells | — | — | — | * |
| Dinesh Paliwal | 1,905 | — | 1,905 | * |
| Directors and Executive Officers as a Group (21 persons) | 259,646 | 1,206,912 | 1,466,558 | * |

* *Less than 1.0%*

The following table sets forth the information indicated for persons or groups known to us to be beneficial owners of more than 5% of our outstanding common stock.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership | Percentage of Class |
|---|---|---|
| BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY 10022 | 15,749,366(1) | 8.59% |
| Dodge & Cox<br>555 California Street, 40th Floor<br>San Francisco, CA 94104 | 25,351,478(2) | 13.83% |
| The Vanguard Group<br>100 Vanguard Boulevard<br>Malvern, PA 19355 | 13,688,567(3) | 7.47% |

(1) *Information shown is based on information reported on Schedule 13G filed with the SEC on January 30, 2013, in which BlackRock, Inc. reported that it has sole voting power over 15,749,366 shares of our common stock and sole dispositive power of 15,749,366 shares of our common stock.*

(2) *Information shown is based on information reported on Schedule 13G filed with the SEC on September 10, 2013, in which Dodge and Cox reported that it has sole voting power over 24,193,254 shares of our common stock and sole dispositive power of 25,351,478 shares of our common stock.*

(3) *Information shown is based on information reported on Schedule 13G filed with the SEC on February 22, 2013, in which The Vanguard Group reported that it has sole voting power over 395,128 shares of our common stock, sole dispositive power of 13,305,078 shares of our common stock and shared dispositive power over 383,489 shares of our common stock.*

# SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that the Company's directors, certain of its officers and any persons beneficially owning more than 10% of a registered class of the Company's equity securities, to file reports of their ownership of ADT common stock and of changes in such ownership with the SEC and the NYSE within specified time periods. Regulations also require ADT to identify in this Proxy Statement any person subject to this requirement who failed to file any such report on a timely basis. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations from reporting persons that no other reports were required, we believe that all of our directors, officers, and greater than 10% stockholders complied with all Section 16(a) filing requirements applicable to them during the fiscal year ended September 27, 2013, except for Ms. Michele Kirse, whose original Form 3 was amended to include 167 shares which were inadvertently omitted from the original Form 3.

# EXECUTIVE OFFICERS

### *Naren Gursahaney*

**Age 52**

Mr. Gursahaney, a member of the Board of Directors, is the President and Chief Executive Officer of the Company, and his biographical information is set forth above under "Proposal Number One – Election of Directors – Current Directors Nominated for Re-Election."

## The following information is provided regarding the other executive officers of ADT:

### *David Bleisch*

**Age 54**

Mr. Bleisch is the Company's Senior Vice President, Chief Legal Officer and Corporate Secretary. Prior to the separation from Tyco in September 2012, he served as Vice President and General Counsel of Tyco's ADT North American Residential business segment. Prior to the restructuring of the segment in fiscal year 2012, Mr. Bleisch was the Vice President and General Counsel of Tyco Security Solutions, the largest segment of Tyco. He also managed the intellectual property legal group for all of Tyco's operating segments worldwide. Mr. Bleisch joined Tyco in 2005 as Vice President and General Counsel of ADT North America and Deputy General Counsel of Tyco Fire & Security. Prior to joining Tyco, he was Senior Vice President, General Counsel and Corporate Secretary of The LTV Corporation in Cleveland, Ohio. Prior to joining LTV, Mr. Bleisch was a partner in the law firm of Jackson Walker LLP, where he served as a corporate transactional attorney before transitioning to commercial trial work. He holds a Bachelor of Arts from Carleton College and a Juris Doctor from Boston College Law School. He is a member of the State Bar of Texas.

### *Donald Boerema*

**Age 56**

Mr. Boerema is the Company's Senior Vice President and Chief Corporate Development Officer. He leads the Health Business and is responsible for driving growth and enhancing customer experience for ADT's health services. He also directs ADT's corporate strategy, market and business development, and mergers and acquisitions. Prior to the separation from Tyco in September 2012, Mr. Boerema served as Chief Marketing Officer for Tyco's ADT North American Residential and Commercial business segments, overseeing all strategic marketing and communications and leading all advertising and online interactive marketing initiatives across ADT North America. Prior to joining ADT in November 2007, he served as President and Chief Operating Officer for FDN Communications, a privately held telecommunications company, where he was responsible for all aspects of sales, marketing, network operations engineering and customer care. Mr. Boerema also served as Senior Vice President of Business Solutions for AT&T Wireless and led sales and marketing for a division of McCaw Cellular Communications. Before joining McCaw, he held management positions with PepsiCo, Inc. and began his career at The Procter & Gamble Company. Mr. Boerema holds both a Bachelor of Science in Marketing and Finance and a Master of Business Administration from Eastern Illinois University.

### *Mark Edoff*

**Age 55**

Mr. Edoff is the Company's Senior Vice President of Business Operations Optimization. He is responsible for increasing efficiency and driving overall business process improvements in the organization. Prior to the separation from Tyco in September 2012, Mr. Edoff served as Vice President and Chief Financial Officer of Tyco Security Solutions from October 2010 until the restructuring of the segment in fiscal year 2012. He joined Tyco in 2003 as Vice President and Corporate Controller for the former Tyco Fire & Security business. In 2004, Mr. Edoff assumed the role of Chief Financial Officer for ADT North America, which included responsibility for the combined residential and commercial security business. Previously, he served as the Director of Finance and Principal Accounting Officer for The Gillette Company. Before joining Gillette, he had a 15-year career with KPMG, where he was a Partner in the Assurance practice. Mr. Edoff holds a Bachelor of Science in Business Administration from Northeastern University and is a Certified Public Accountant.

### *Alan Ferber*

**Age 46**

Mr. Ferber was appointed the Company's President of the Residential Business in October 2013. He is responsible for driving growth in the residential market through marketing, sales and exceptional customer service. He joined ADT in April 2013 as Senior Vice President and Chief Customer Officer, responsible for developing strategies and executing programs designed to create and sustain a superior experience for ADT customers. Previously, Mr. Ferber served as Chief Strategy and Brand Officer at U.S. Cellular. During his 11-year career with U.S. Cellular, he held various senior leadership roles in sales, marketing and operations, including Executive Vice President of Operations, Chief Marketing Officer and Vice President of Marketing and Sales Operations. He joined U.S. Cellular from Traq Wireless, a start-up management software and service provider he co-founded and built into a 100-employee, venture capital-backed company. Earlier in his career, Mr. Ferber held positions with Ameritech Corporation and First Chicago Corporation (now part of JPMorgan Chase & Co.). He holds a Bachelor of Arts from the University of Michigan and a Master of Business Administration from Northwestern University's Kellogg School of Management.

### *Michael Geltzeiler*

**Age 55**

Mr. Geltzeiler was appointed the Company's Senior Vice President and Chief Financial Officer in November 2013. He is responsible for all aspects of finance, treasury and investor relations and ADT's financial strategy to help grow its business operations and create stockholder value. Before joining ADT, Mr. Geltzeiler served as Chief Financial Officer and Group Executive Vice President at NYSE Euronext from 2008 to November 2013. From 2001 to 2008, he was an executive at the Reader's Digest Association, as Chief Financial Officer for six years, then as President of School and Educational Services. Previously, he served in financial leadership roles at ACNielsen Corporation, including Chief Financial Officer of

Marketing Services and Corporate Controller and Chief Financial Officer for the EMEA Region; and worked in a variety of senior finance positions both in the U.S. and abroad for Dun & Bradstreet. Mr. Geltzeiler holds a Bachelor of Science in Accounting from the University of Delaware, a Master of Business Administration in Finance from New York University's Stern School of Business, and a CPA certification in the State of New York.

## *Shawn Lucht*

### Age 47

Mr. Lucht was appointed the Company's Senior Vice President and Chief Customer Officer in October 2013. He is responsible for the organization's strategy and programs to deliver a superior customer experience, including customer care, monitoring, centralized field support and e-services. He previously served as the Company's Senior Vice President of Operations, overseeing critical customer-facing functions including installation, service, field administration, customer care, monitoring and e-services. Prior to the separation from Tyco in September 2012, Mr. Lucht served as the Group Vice President of Operations for Tyco's ADT North American Residential business segment. He joined ADT in 2010 as part of the Broadview Security acquisition. During his career with ADT and Broadview, Mr. Lucht has held a variety of senior leadership positions, including Executive Vice President of Operations and Senior Vice President for Strategy and Corporate Development at Broadview Security (formerly Brinks Home Security). He holds both a Bachelor of Business Administration and a Master of Business Administration from The University of Texas at Arlington.

## *Kathleen McLean*

### Age 54

Ms. McLean was appointed the Company's Senior Vice President and Chief Information Officer in June 2013. She is responsible for developing and executing ADT's information technology strategy in support of its product development and business operations. Ms. McLean has more than 30 years of business and strategic technology leadership experience, including service with world-leading consulting and telecommunications corporations. Before joining ADT, she served as Executive Vice President, Chief Revenue Officer and Chief Information Officer at FairPoint Communications, Inc. where, as a member of the executive committee, she was responsible for systems stability, operational excellence and revenue growth. Prior to FairPoint Communications, Inc., she spent nearly 12 years in several leadership positions at Verizon Communications, Inc., implementing people, process and systems strategies to improve operating performance and customer service across all sectors of the company. Earlier in her career, Ms. McLean worked for American Management Systems, Inc. (now part of CGI Group, Inc.) in leadership positions culminating as Vice President in the Telecom Industry Group. She holds a Bachelor of Science in International Economics from Georgetown University.

## *Luis Orbegoso*

### Age 43

Mr. Orbegoso was appointed the Company's President of Small Business in October 2013. He is responsible for developing and executing ADT's strategy to grow the Company's share of security and automation customers in the small business market. Mr. Orbegoso joined ADT in May 2013 as Senior Vice President of Small Business from United Technologies Corporation ("UTC") Climate, Controls & Security, where he served as President of the Global Fire Detection and Alarm segment. He previously served as President of Lenel Systems International, a division of UTC's Fire and Security segment. Prior to joining UTC in 2008, Mr. Orbegoso spent 13 years with General Electric in a variety of sales, marketing and general management roles, culminating as Chief Marketing Officer of GE Equipment Services. He holds a Bachelor of Science in Mechanical Engineering from the University of Cincinnati and a Master of Business Administration from Northwestern University's Kellogg School of Management.

## *Arthur Orduña*

### Age 48

Mr. Orduña is the Company's Senior Vice President and Chief Innovation Officer, leading the Company's vision for innovation and product development. He is responsible for building the strategic roadmap for new and existing solutions, defining product architecture and positioning ADT as a partner of choice for key technology companies. Prior to joining ADT in October 2012, he worked for Canoe Ventures, LLC, a joint venture founded by the top six U.S. cable companies, first serving as Chief Technology Officer then Chief Product Officer. He was responsible for building a national data and interactive services platform, developing product and technology strategies, and launching new applications and services with key partners including Comcast Cable, NBC-Universal, Time Warner Cable and Cox Communications. Prior to Canoe Ventures, Mr. Orduña was Senior Vice President of Policy & Product for Advance/Newhouse—Bright House Networks. Earlier in his career, he served as Vice President of Product & Marketing for Canal+ Technology U.S./Vivendi-Universal, and also Vice President of Product & Marketing for Integrated Systems Inc./Diab-SDS before its acquisition by Wind River Systems/Intel. He holds a Bachelor of Arts from Cornell University.

## *Tony Wells*

### Age 49

Mr. Wells was appointed the Company's Senior Vice President and Chief Marketing Officer in May 2013. He is responsible for promoting and protecting the brand as well as overseeing advertising and corporate communications, pricing, product marketing and consumer marketing. He previously served as the Company's Senior Vice President and Chief Marketing and Customer Officer. Before the separation from Tyco in September 2012, Mr. Wells was Chief Marketing and Customer Officer of Tyco's ADT North American Residential business segment. Before joining ADT in May 2012, he served as Executive Vice President and Chief Marketing Officer for 24 Hour Fitness, overseeing all marketing communications, public relations, 24hourfitness.com, member services and retail products and services. Prior to joining 24 Hour Fitness in 2007, Mr. Wells held leadership roles at Visa USA, including Vice President, Client Services and Vice President, Partnership Marketing. He also served in various sales and marketing positions with Interpublic Group of Companies (IPG), Clear Channel, The Mills Corporation and Nissan North America. A former Marine infantry officer, Mr. Wells holds a Bachelor of Science in Physical Science from the United States Naval Academy and a management certificate from Johns Hopkins University.

# COMPENSATION OF EXECUTIVE OFFICERS

## Compensation Discussion and Analysis

This section of the Proxy describes in detail the Company's compensation philosophy and its compensation programs, and reviews compensation decisions for fiscal year 2013 for its Named Executive Officers (the "NEOs"). Our NEOs for fiscal year 2013 are listed below.

| Name | Title |
|---|---|
| Naren Gursahaney | *President and Chief Executive Officer ("CEO")* |
| Alan Ferber | *President, Residential Business* |
| N. David Bleisch | *Senior Vice President, Chief Legal Officer and Corporate Secretary* |
| Anita Graham | *Former Senior Vice President and Chief Human Resources and Administrative Officer* |
| Kathryn Mikells | *Former Senior Vice President and Chief Financial Officer* |

The Compensation Discussion and Analysis also describes compensation programs that apply to executives, other than the NEOs, that report directly to the CEO (collectively, with the NEOs, the "Executive Officers" of the Company).

### Executive Summary

The Company is the largest provider of electronic security, interactive home and business automation and related monitoring services in the United States and Canada, serving approximately 6.5 million residential and small business customers. ADT has one of the most trusted and well-known brands in the security industry. We deliver an integrated customer experience by maintaining the industry's largest sales, installation and service field force as well as a robust monitoring network, all backed by the support of approximately 17,000 employees. Our broad and pioneering set of products and services, including interactive home and business solutions and home health services, meet a range of customer needs for today's active and increasingly mobile lifestyles. We believe we are well positioned to continue to lead the large and growing residential and small business security market, and that our demonstrated expertise and established footprint will help us to become a leader in the evolving market for integrated security, home health monitoring, lifestyle and business productivity solutions.

### Fiscal Year 2013 Business Highlights

Fiscal Year 2013 was a year of considerable change for ADT. Following the Company's separation from Tyco on September 28, 2012, we focused on redefining ourselves and building our business as a stand-alone public company. Our most significant achievements in fiscal year 2013 included:

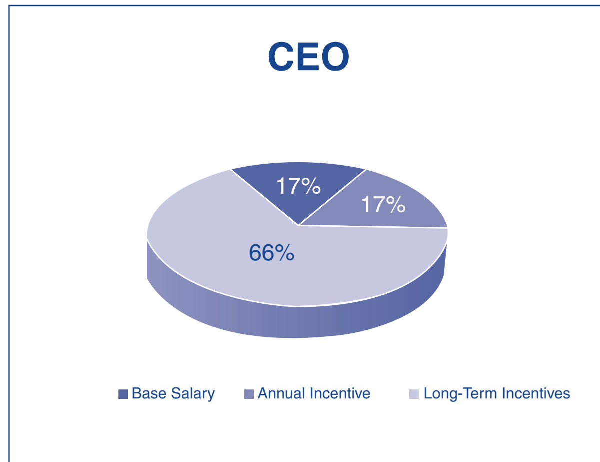
- We added over 1.1 million new customers on a gross basis and maintained our market share in the face of increased competition;
- We more than doubled recurring monthly revenue growth in our Small Business unit;
- The percentage of new Residential and Small Business customers who selected our interactive ADT Pulse offering (our "Pulse Take Rate"), as opposed to a traditional home or small business security system, grew to 32% in the fourth quarter, and to 26% for the year, up from 10% for fiscal year 2012;
- We added 117,000 customers via the acquisition of Devcon Security Holdings, Inc.; and
- We repurchased 28 million of our outstanding shares and paid out $112 million in dividends during fiscal year 2013.

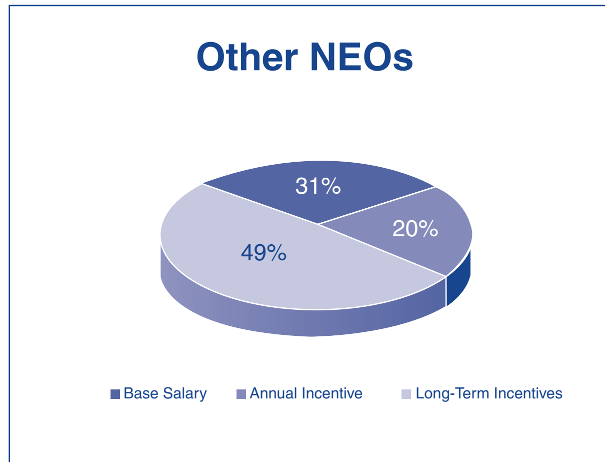
### Overview of Compensation Programs

The Company's compensation programs are designed to promote long-term value creation for stockholders and support the overall Company strategy and objectives by: (1) linking total compensation to defined short-term and long-term performance goals which are aligned with the interests of stockholders; (2) attracting and retaining key executives through competitive total compensation opportunities; and (3) motivating appropriate risk taking without encouraging or rewarding excessive risk.

Compensation for the NEOs is weighted toward variable compensation (both annual and long-term incentives), where actual amounts earned are based upon both Company and individual performance. NEO compensation is reviewed annually by the Compensation Committee (and, in the case of the CEO, by the independent members of the Board of Directors) to ensure alignment with the Company's compensation objectives and market practice.

The chart below, which summarizes the distribution of targeted total direct pay for our NEOs in fiscal year 2013, highlights that over 80% of CEO target annual compensation and, on average, nearly 70% of other NEO target annual compensation, is variable with performance, including stock price performance.




## Fiscal Year 2013 Compensation and Decisions

In fiscal year 2013, we made a number of decisions regarding the design of our compensation programs, as well as specific decisions regarding the compensation of several of our Executive Officers. Although our initial compensation programs generally were based on the compensation programs designed by Tyco when the Company operated as a Tyco subsidiary, we established our programs following our separation from Tyco to reflect our focus as a subscriber-based business with significant recurring monthly revenue. Among the changes we made were:

- The introduction of a Recurring Revenue Growth measure to the Company's Annual Incentive Plan ("AIP") to support our strategy to increase revenues through both net customer additions and increased Average Revenue Per User ("ARPU");
- Increased the weighting of Net Attrition in the AIP to reflect the importance of maintaining and growing our customer base;
- Added a Strategic Modifier to focus on selected strategic initiatives to drive profitable growth. We chose to focus on increasing the Pulse Take Rate and on growing our Small Business unit recurring revenues; and
- The modification of the Company's Long-Term Incentive Plan ("LTIP") with the focus on growing the business and generating increased cash flows by utilizing Recurring Revenue Growth and Adjusted Free Cash Flow Growth metrics.

In addition to the changes we made in our compensation programs, we made specific individual compensation decisions in fiscal year 2013 for certain of our NEOs to reflect their assumption of additional responsibilities:

- Mr. Gursahaney's base salary increased by 48% to reflect his new role as CEO. Mr. Gursahaney's annual incentive target remained at 100% of base salary, resulting in a corresponding increase to his annual incentive target. Prior to his appointment as CEO upon the Company's separation from Tyco, Mr. Gursahaney served as President of Tyco Security Solutions.
- Mr. Bleisch and Ms. Graham received an increase in base salary (which resulted in a corresponding increase in annual incentive target) of 19% and 8%, respectively, in recognition of their new roles in the stand-alone public company. In August 2013, Mr. Bleisch received an additional 10% increase in base salary (which resulted in a corresponding increase in annual incentive target) based upon a review of his compensation in relation to similarly situated roles in the broader market. Prior to their appointments to their respective positions upon the Company's separation from Tyco, Mr. Bleisch served as General Counsel and Ms. Graham served as Vice President of Human Resources, each of Tyco Security Solutions.

We also made several key executive hires during fiscal year 2013 in order to better position the Company for future success, among them Alan Ferber, the President of our Residential Business unit and one of our NEOs. In addition, subsequent to the end of the fiscal year, we hired Michael Geltzeiler as our Chief Financial Officer. Mr. Geltzeiler's target compensation for fiscal year 2014 is as follows:

| | |
|---|---|
| Base Salary | $ 750,000 |
| Annual Incentive Target | $ 750,000 |
| Target Long-Term Incentive Award | $1,875,000 |
| Total | $3,375,000 |

## Pay for Performance

We strongly believe that a significant portion of our executives' compensation opportunity should be fulfilled only when supported by our performance. Currently, all of our executives' annual incentive compensation and a portion of their long-term equity incentive compensation is payable only if we attain certain specified goals (including, for our NEOs other than the CEO, certain individual objectives included as part of our annual incentive program), thereby placing a substantial portion of executive compensation at risk. The remainder of our executives' long-term equity incentive compensation is awarded in stock options and time-vested restricted stock units, the value of each of which is dependent on our performance over an extended vesting period. This pay element is designed to create

additional incentives for our executives to focus on sustainable, long-term growth.

As a new public company beginning in fiscal year 2013, the Compensation Committee felt it was important to set aggressive targets in our incentive plans in order to focus our executives on taking appropriate actions to ensure the Company is well-positioned for long-term success. In fiscal year 2013, we did not fully meet the aggressive financial targets set in our Annual Incentive Plan, but outperformed against the strategic modifier metrics (see the performance targets and actual performance in "Fiscal Year 2013 Annual Incentive Compensation Design Summary" below). As a result, our CEO was awarded an annual incentive equal to 77% of his targeted annual payout. Our other NEOs (with the exception of Ms. Mikells, who forfeited her annual incentive award when she resigned from the Company during the fiscal year) received an average payout of 74.2% of their targeted award, including the impact of their performance against individual objectives. The Compensation Committee believes this result reflects proper alignment of pay and performance. The Compensation Committee set equally aggressive targets for fiscal year 2014 to ensure the relationship with performance continues.

The fiscal year 2013 long-term incentive programs were also designed to reward management for performance directly related to increasing stockholder value. Our CEO received 50%, and the other executives 40%, of long-term incentive value in stock options, which deliver value only when long-term stock price appreciation is achieved. The remaining 50% of the long-term incentive value for our CEO and an additional 40% for the other executives was comprised of Performance Share Units ("PSUs"), where vesting of shares is contingent upon achieving Recurring Revenue Growth and Adjusted Free Cash Flow Growth goals over a three-year performance period. Our NEOs other than the CEO received 20% of their long-term incentive value in Restricted Stock Units ("RSUs"), which deliver higher value when there is long-term stock price appreciation.

Although the Company did not utilize a Total Shareholder Return ("TSR") metric in our fiscal year 2013 compensation programs, we tracked our TSR throughout the year for two main purposes:

- as an additional data point in the overall assessment of performance of the Company, particularly as we assessed the performance of our executives relative to their compensation; and
- in anticipation of potentially utilizing a TSR metric in future years' long-term incentive compensation design.

The Compensation Committee has determined that, in order to better align our executive compensation with the value created for our stockholders, Relative TSR will replace the Recurring Revenue Growth metric as a metric for the PSUs granted during the 2014 fiscal year.

The following graph provides a comparison of the cumulative total shareholder return on the Company's common stock to the returns of the Standard & Poor's ("S&P") 500 Index and the S&P 500 Industrial Index from October 1, 2012 (the first day of fiscal year 2013) through September 27, 2013. The graph is not, and is not intended to be, indicative of future performance of our common stock.

The above graph assumes the following:

(1) $100 invested at the close of business on October 1, 2012, in ADT common stock, S&P 500 Index, and the S&P 500 Industrial Index.

(2) The cumulative total return assumes reinvestment of dividends.

The Compensation Committee believes that the annual incentive awards earned by the NEOs, in comparison to the performance of the Company's stock relative to the S&P 500 Index and the S&P 500 Industrial Index, reflect a proper alignment of pay and performance.

## Process for Determining Executive Officer Compensation (including NEOs)

### *Role of the Compensation Committee*

The Compensation Committee consists exclusively of independent directors also considered "outside directors" as defined in Section 162(m) of the Internal Revenue Code (the "Code"), and is responsible for, among other things, reviewing the performance of and approving the compensation awarded to our Executive Officers, other "senior officers" subject to the filing requirements of Section 16

of the Securities Exchange Act of 1934, as amended, and "senior executives" (those executives who are not senior officers, but who have a base salary of $350,000 or greater). The Compensation Committee also reviews CEO performance and makes recommendations regarding his compensation to our Board of Directors. To assist in these processes, the Compensation Committee reviews tally sheets to understand how each element of compensation relates to other elements and to the compensation package as a whole. These tally sheets summarize the executive's total compensation opportunity, as well as a summary of historical compensation.

## *Role of Independent Compensation Consultant*

In carrying out its role in establishing executive compensation plans, the Compensation Committee has the sole authority to retain, compensate and terminate the independent compensation consultant and any other advisors necessary to assist it in its evaluation of non-management director, chief executive officer or other senior executive compensation. The Compensation Committee receives advice from Farient Advisors LLC ("Farient"), its independent compensation consultant. Farient provides no services to the Company other than consulting services provided to the Compensation Committee. In fulfilling its duties to the Compensation Committee, Farient often works directly with management of the Company to prepare materials for the Committee's review. Farient regularly attends Compensation Committee meetings and in fiscal year 2013 advised the Committee on matters including, among others, incentive plan design, peer group composition and the compensation offered to our new Chief Financial Officer.

## *Role of Management*

The Company's Human Resources department supports the Compensation Committee in the execution of its responsibilities. The Company's Chief Human Resources and Administrative Officer supervises the development of materials for each Compensation Committee meeting, including individual and Company performance metrics, tally sheets, market data and, in conjunction with the CEO, individual compensation recommendations for the Company's executives. No member of management, including the CEO, has a role in determining his or her own compensation.

## *Benchmarking*

The Compensation Committee considers a number of factors in determining target total compensation for each of the Company's Executive Officers. These factors include, but are not limited to, position specific market data, the executive's experience and performance, and internal pay equity. While the Compensation Committee strives to generally target executive compensation at the median of the Company's competitive market (including both selected peer companies and the broader competitive market), they also apply discretion based upon their review of the factors noted above to make individual compensation decisions for the Company's Executive Officers.

Peer company data were utilized to benchmark pay levels for the CEO and CFO positions and to provide insights on pay practices at the executive level. We also used general industry data from third party providers as secondary data sources for the CEO and CFO positions and as a primary source for the other executive positions. The survey-sourced data was adjusted for size, and in some cases an implied telecom premium was applied to the general industry data to reflect (1) the fact that the telecom industry has increasingly become a source of executive talent for the Company, and (2) the similarities between the residential consumer-focused, recurring monthly revenue-based industries. Neither the Compensation Committee nor management has any input into the companies included in these general industry surveys.

### Peer Group Development

In conjunction with the Company's separation into a stand-alone public company, the Compensation Committee, with the assistance of our external advisor, Farient, developed a peer group for compensation purposes that would align with the Company's business model and size characteristics. Public companies were screened on whether they have a similar range of revenues and are generally focused on generating subscription-based recurring revenue, primarily in the business-to-consumer (B2C) arena. The Compensation Committee also reviews the peer group periodically to determine whether any significant changes to the business condition of the Company or any of its peers would warrant any changes to the peer group.

The following table represents the peer group utilized by the Compensation Committee in its review of the Company's fiscal year 2013 compensation programs and individual executive compensation decisions. All data in the table was provided by S&P Capital IQ.

| Company Name (1) | Revenues (2) | Operating Income (2) | Total Assets (2) | Market Cap (3) |
|---|---|---|---|---|
| Cablevision Systems Corp. | $ 6,705 | $ 849 | $ 7,246 | $ 3,995 |
| CenturyLink, Inc. | $18,376 | $2,796 | $ 54,020 | $ 18,973 |
| Charter Communications, Inc. | $ 7,504 | $ 931 | $ 15,599 | $ 13,401 |
| Equinix, Inc. | $ 1,896 | $ 419 | $ 6,133 | $ 8,272 |
| Frontier Communications Corp. | $ 5,012 | $1,101 | $ 17,734 | $ 4,898 |
| Netflix, Inc. | $ 3,609 | $ 50 | $ 3,968 | $ 20,726 |
| Rollins, Inc. | $ 1,271 | $ 177 | $ 693 | $ 4,057 |
| SIRIUS XM Radio, Inc. | $ 3,402 | $ 872 | $ 9,055 | $ 23,683 |
| Stanley Black & Decker, Inc. | $10,191 | $1,140 | $ 15,844 | $ 12,827 |
| STARZ | $ 1,631 | $ 423 | $ 2,176 | $ 3,289 |
| Telephone & Data Systems, Inc. | $ 5,345 | $ 245 | $ 8,624 | $ 3,216 |
| The Brink's Co. | $ 3,842 | $ 165 | $ 2,554 | $ 1,559 |
| Tyco International Ltd. | $10,403 | $ 837 | $ 12,365 | $ 17,160 |
| Windstream Corp. | $ 6,156 | $ 980 | $ 13,982 | $ 4,918 |
| **25TH PERCENTILE** | **$3,454** | **$ 289** | **$ 4,509** | **$ 4,011** |
| **MEDIAN** | **$5,179** | **$ 843** | **$ 8,839** | **$ 6,595** |
| **75TH PERCENTILE** | **$7,304** | **$ 968** | **$15,195** | **$16,220** |
| **The ADT Corporation** | **$3,228** | **$ 722** | **$ 9,260** | **$ 9,105** |
| ***PERCENT RANK*** | ***22%*** | ***44%*** | ***54%*** | ***55%*** |

(1) *Two additional companies, DIRECTV and Ascent Capital Group, are included as "reference peers" for purposes of assessing compensation design and practices only. While these companies meet the subscription-based recurring revenue and B2C screening criteria, their annual revenues are outside the range used in the screening process. As a result, utilizing specific compensation data may possibly skew comparative statistics.*

(2) *Data presented is as of each company's most recently reported fiscal year end, with the exception of ADT and Tyco, whose data is as of their fiscal year 2012 10-K filings (which were, at the time of the Compensation Committee's review of executive compensation, the most recently reported data).*

(3) *Data presented is as of November 15, 2013.*



### FY14 Peer Group

Based on a review of recommendations made by Farient at the December 2013 Compensation Committee meeting, the Committee approved the following changes to the peer group for fiscal year 2014:

- the removal of Equinix and STARZ; and
- the addition of Allegion, Cincinnati Bell and Earthlink and, as a reference peer only, T-Mobile US.

Equinix and STARZ were removed from the peer group due primarily to their business-to-business (B2B) focus. Additionally, Equinix is focused primarily on enterprise solutions, while STARZ has a focus on selling programming to distributors, neither of which is a business model comparable to the Company's. The three additions to the peer group all provide services to residential consumers: Allegion provides security and safety-related products and services, Cincinnati Bell offers voice and data services, as well as home security, and Earthlink provides network, communication and IT services. T-Mobile US was added as a reference peer due to its acquisition of a former member of the Company's peer group (MetroPCS). T-Mobile US also has a subscriber-based recurring revenue business model, but its size is outside the range of the screening criteria used to identify peer companies.

The revised peer group will be used to help the Compensation Committee establish pay decisions during fiscal year 2014.

## Components of Compensation Programs

The target total compensation opportunity for each of our Executive Officers is comprised of both fixed (base salary) and variable (both annual and long-term incentives) compensation elements. In addition, each of our NEOs is eligible to participate in the Company's benefit plans that are generally available to all employees.

### *Base Salary*

Base salaries, which comprise the fixed portion of our executives' compensation, are reviewed annually by the Compensation Committee. In addition, the Compensation Committee also reviews base salaries periodically in situations of promotion or other change in job responsibilities. These reviews are based upon market data, internal pay equity and the individual executive's performance, level of experience and level of responsibility.

## *Annual Incentive Compensation*

Executive Officers of the Company are eligible to earn annual incentives under the Company's Officer Short-Term Bonus Plan, which was approved by the Board of Directors during the first quarter of fiscal year 2013. Under the Officer Short-Term Bonus Plan, which is intended to comply with Section 162(m) of the Code, annual incentives are based upon achievement against an Operating Income target. For fiscal year 2013, each of the Company's Executive Officers was eligible for a maximum bonus under the Officer Short-Term Bonus Plan equal to 0.5% of the Company's Operating Income.

In addition to the Company's performance against the Operating Income criterion, the Compensation Committee also has the ability to apply negative discretion to the calculated incentive amount. The Compensation Committee generally utilizes a guideline formula in applying its negative discretion. This guideline formula is based upon the Company's AIP, which is the plan upon which a majority of incentive-eligible employees' annual incentives are based. Incentives subject to the AIP are based upon the Company's performance against a variety of financial and strategic goals, as well as specific individual objectives (other than for the CEO).

In our first year as a stand-alone public company, we designed our AIP program to reflect our focus as a subscriber-based business with significant recurring monthly revenues. The following table provides a basis for the decisions used to include specific metrics in the design of our AIP:

| Category | Measure | Weighting | Rationale for Inclusion in AIP |
|---|---|---|---|
| **Financial** | Recurring Revenue Growth | 30% | Supports our strategy of increasing recurring revenue through customer additions, retention of existing customers and increased ARPU. |
| | Adjusted Free Cash Flow | 30% | Captures the ability of the Company to generate positive cash flows from operations while excluding the impact of investing in growth. |
| | Net Attrition | 20% | Focuses efforts on reducing customer attrition, which is a key value driver and significantly impacts our operations. |
| **Individual Objectives** [1] | Various Strategic Goals | 20% | Provides individual line-of-sight to employees in supporting the strategic goals of the Company. |
| **Strategic Modifier (adjustment of +/- 20% points to overall weighted Financial results)** | Small Business Recurring Revenue Growth | | Focuses on growing revenues in our Small Business unit, which currently accounts for 8% of our Recurring Monthly Revenue, but which is a key strategic segment of the business. |
| | Pulse Take Rate | | Drives sales of Pulse units, which addresses the growing home automation market and generates significantly higher ARPU than traditional security-only systems. |

*(1) Individual objectives typically vary by NEO, but in general are related to key strategic goals and value drivers for the organization, including, but not limited to, the further development of public company capabilities, refinement of operational efficiencies designed to reduce costs, and focus on instilling a culture of customer obsession.*

The financial and strategic performance measures and targets utilized in the guideline formula, as well as the actual performance against the targets, are summarized in the table below.

## Fiscal 2013 Annual Incentive Compensation Design Summary

| Performance Measure | Weighting | Performance Target | Actual Performance | % of Target Attained |
|---|---|---|---|---|
| **Mr. Gursahaney** | | | | |
| *Recurring Revenue Growth* | 40% | 5.2% | 4.5% | 86.5% |
| *Adjusted Free Cash Flow* | 40% | $544 million | $520.3 million | 95.6% |
| *Net Attrition* | 20% | 13.4% | 13.9% | 103.7%[1] |
| *Strategic Modifier* (adjustment of +/- 20% to overall weighted financial results) | | | | |
| *Small Business Recurring Revenue Growth* | | 5.2% | 5.9% | 113.5% |
| *Pulse Take Rate* | | 17.0% | 25.5% | 150.0% |
| **Messrs. Ferber and Bleisch, Ms. Mikells and Ms. Graham** | | | | |
| *Recurring Revenue Growth* | 30% | see above | see above | see above |
| *Adjusted Free Cash Flow* | 30% | see above | see above | see above |
| *Net Attrition* | 20% | see above | see above | see above |
| *Strategic Modifier* (adjustment of +/- 20% to overall weighted financial results) | | | | |
| *Small Business Recurring Revenue Growth* | | see above | see above | see above |
| *Pulse Take Rate* | | see above | see above | see above |
| *Individual Objectives* | 20% | various | various | various |

(1) *As Net Attrition represents the percentage of customers lost, net of resales, performance greater than 100% represents achievement below target*

***Description of Performance Measures:*** For compensation purposes, Adjusted Free Cash Flow was adjusted to exclude the effects of events that the Compensation Committee deems would not reflect the performance of the NEOs. The categories of special items were identified at the time the performance measure was approved at the beginning of the fiscal year, although the Compensation Committee may in its discretion make adjustments during the fiscal year. For fiscal year 2013, the approved categories of adjustments included adjustments related to (i) business acquisitions and divestitures; (ii) debt refinancing; (iii) legacy legal and tax matters; (iv) goodwill and intangible asset impairments for business acquired prior to 2002; (v) certain unbudgeted capital expenditures and pension contributions; (vi) unbudgeted restructuring charges; (vii) charges related to the separation into a stand-alone public company; and (viii) realignments of segment and corporate costs. Adjusted Free Cash Flow was calculated by removing from cash flow from operations the effects of the sale of accounts receivable programs, cash paid for purchase accounting and holdback liabilities, and voluntary pension contributions, and then deducting net capital expenditures (including accounts purchased from the ADT dealer network), and then adding back the special items that increased or decreased cash flows, including, for fiscal year 2013, capital expenditures associated with Pulse Take Rates and Pulse upgrades (existing customers upgrading from a traditional security-only system to a Pulse system) that were significantly above plan, and capital expenditures related to gross customer additions that were below plan.

The table below shows the maximum and target annual incentive compensation opportunities and the actual payments earned for fiscal year 2013 for each of our NEOs. These amounts are reported in the "Non-Equity Incentive Plan Compensation" column of the *Summary Compensation Table*.

| Named executive officer | Maximum | Target | Actual |
|---|---|---|---|
| **Naren Gursahaney** | $1,800,000 | $900,000 | $693,000 |
| **Kathryn Mikells** [1] | $ 979,200 | $489,600 | $ — |
| **Alan Ferber** [2] | $ 540,000 | $270,000 | $ 90,383 |
| **N. David Bleisch** | $ 510,000 | $255,000 | $191,221 |
| **Anita Graham** | $ 504,000 | $252,000 | $187,439 |

(1) *Ms. Mikells forfeited her annual incentive award upon her resignation from the Company effective May 2, 2013.*

(2) *Maximum and target amounts for Mr. Ferber represent annual amounts. Actual amount was pro-rated for period from Mr. Ferber's hire date (April 17, 2013) through the end of the fiscal year.*

The Compensation Committee (and, in the case of the CEO, the independent members of the Board of Directors) approved award payouts for each of our NEOs, other than Ms. Mikells, in November 2013 based on the percentage of Operating Income each NEO was eligible to receive as a maximum bonus under the Officer Short-Term Bonus Plan, as well as through the exercise of negative discretion by the Committee based upon the achievement of the quantitative performance measures shown in the Fiscal 2013 Annual Incentive Compensation Design Summary table above.

## *Long-Term Incentive Program*

The Company's Long-Term Incentive Program is designed to provide a significant portion of executives' competitive compensation opportunity in equity based instruments. In so doing, the LTIP is a key component in aligning the long-term interests of executives with those of stockholders, thus promoting value creation for both our executives and stockholders. A majority of total equity granted under the LTIP is awarded during our annual grant process. This process occurs in conjunction with our annual assessment of individual performance and potential, and also takes into account a review of the competitive compensation landscape in the LTIP award target-setting process.

To align our executives' interests and efforts with the interests of our stockholders, we designed the PSU metrics for fiscal year 2013 to focus on the importance of growing the business and generating increased cash flows by utilizing Recurring Revenue Growth and Adjusted Free Cash Flow Growth metrics.

For fiscal year 2013, in addition to our annual LTIP awards, we granted to certain of our key employees, including the CEO and the other NEOs, (other than Mr. Ferber) special one-time "Founders' Awards." These Founders' Awards, which were not considered part of our regular annual compensation program, were granted in recognition of the efforts made by key employees in connection with our separation into a stand-alone public company, as well as to enhance retention of the management team and further align the interests of these key employees with those of the Company's stockholders. The value of the Founders' Awards was equal to 50% of an employee's fiscal year 2013 annual equity award. Mr. Ferber was not employed by the company at the time the Founders' Awards were granted.

Awards of equity under the annual LTIP process are delivered to employees utilizing a mix of Stock Options, RSUs and PSUs. The weighting of the different components of the awards varies by employee level. The Founders' Awards granted in fiscal year 2013 were delivered utilizing Stock Options and RSUs, and the weighting of each component was equal for all recipients. The table below summarizes the weighting of the components of equity awards made in fiscal year 2013 to our CEO and other NEOs:

| | Annual Awards | Founders' Awards |
|---|---|---|
| **CEO** | 50% Stock Options<br>50% PSUs | 50% Stock Options<br>50% RSUs |
| **Other NEOs** | 40% Stock Options<br>40% PSUs<br>20% RSUs | 50% Stock Options<br>50% RSUs |

The following table describes the general terms and conditions applicable to each of the equity-based grant type:

| | Grant Type | Vesting | Other Terms & Conditions |
|---|---|---|---|
| **Fiscal Year 2013 Annual Awards** | Stock Options | 25% per year | • Granted with an exercise price equal to the closing price of the Company's common stock on the date of grant.<br>• Expire on the 10th anniversary of the grant unless forfeited earlier. |
| | PSUs | 100% on the 3rd anniversary of the grant date, subject to satisfaction of performance conditions | • Vesting subject to performance against Recurring Revenue Growth (60% weighting) and Adjusted Free Cash Flow Growth (40% weighting).<br>• Accumulate dividend equivalent units ("DEUs") with respect to dividends, which vest only to the extent of vesting of the underlying PSU award. |
| | RSUs | 25% per year | • Accumulate DEUs with respect to dividends, which vest in accordance with the vesting of the underlying RSU award. |
| **Founders' Awards** | Stock Options | One-third per year | See Fiscal Year 2013 Annual Grant above. |
| | RSUs | 100% on the 3rd anniversary of the grant date | See Fiscal Year 2013 Annual Grant above. |

## 2014 Incentive Plan Design Changes

For fiscal year 2014, the Compensation Committee maintained the same general AIP plan design as in fiscal year 2013, but made the following changes to reflect the Company's focus on further aligning its incentive plans with stockholder interests:

- Replaced the Adjusted Free Cash Flow metric with Steady State Free Cash Flow, which:
  - captures the impact of key value drivers of the business;
  - is the best proxy for assessing the economic potential of the Company's existing subscriber base; and
  - is more aligned with metrics reported by key competitors, and which is a common metric among companies in the security industry.
- Replaced the Pulse Take Rate strategic modifier metric with Recurring Revenue Margin, which is a metric intended to focus on operating efficiency. Although increasing our Pulse Take Rate remains a priority, particularly due to the fact that the ARPU for Pulse customers is 25% greater than the ARPU for non-Pulse customers, we continue to look to reduce the cost of operations, particularly Cost to Serve and Subscriber Acquisition Costs. We believe aligning our Annual Incentive Plan with a margin modifier will provide our executives with the appropriate focus to reduce our cost of operations.

For fiscal year 2014, the Compensation Committee approved the following changes to the design of the LTIP:

- Adjusted the weighting of the equity mix for our Executive Officers. The value of awards granted in conjunction with the annual grant process will now be split as follows: 25% Stock Options, 25% RSUs and 50% PSUs. The change to reduce the weighting of Stock Options was recommended to the Compensation Committee by our external advisors, Farient, to increase the weighting on performance-based equity, and to recognize the fact that dividends, which are accounted for through DEUs in PSUs and RSUs, but not accounted for in stock options, have become a more important part of total return to stockholders. The change also aligns the equity mix for the CEO with the mix for other Executive Officers.
- Similar to the change made in the Annual Incentive Plan, replaced the Adjusted Free Cash Flow Growth metric with Steady State Free Cash Flow Growth. The weighting of the Steady State Free Cash Flow Growth metric was set at 50% of the PSU total.
- Replaced the Recurring Revenue Growth metric with Relative TSR. We believe that Relative TSR is a metric that will appropriately capture the overall performance of the Company in comparison to the broader market, as reflected in our stock price and adjusted for dividends. The Company's Absolute Total Shareholder Return ("Absolute TSR") over the performance period will be compared relative to the median Absolute TSR of companies in the S&P 500 Index. In order to minimize the impact of any short-term volatility in the price of the Company's common stock, Relative TSR will be measured utilizing a 60-day trailing average at both the beginning and ending of the performance period. The weighting of the Relative TSR metric was set at 50% of the PSU total.

## Executive Benefits and Perquisites

Our Executive Officers, including the CEO and other NEOs, are eligible to participate in the benefit plans that are available to substantially all of our U.S. employees, including our 401(k) Retirement Savings and Investment Plan ("RSIP"), our medical, dental and life insurance plans and long-term disability plans. Additionally, the Company provides relocation benefits when a move is required. None of our NEOs participate in a defined benefit pension plan.

### *Supplemental Savings and Retirement Plan*

Executive Officers are also eligible to participate in the Company's Supplemental Savings and Retirement Plan (the "SSRP"), a deferred compensation plan that permits the elective deferral of base salary and annual performance-based bonus for executives earning more than $115,000 per year. The SSRP provides eligible employees the opportunity to:

- contribute retirement savings in addition to amounts permitted under the Company's RSIP;
- defer compensation on a tax-deferred basis and receive tax-deferred market-based growth; and
- receive any Company contributions that were reduced under the RSIP due to Internal Revenue Service compensation limits.

### *Executive Physical Program*

The Company strongly believes in investing in the health and well-being of its executives as an important component in providing continued effective leadership for the Company. As such, we maintain an annual executive physical program, for which all of our Executive Officers are eligible. The program allows for expenses for an annual physical to be paid for by the Company, up to a total of $3,000 per year.

## Policies and Practices

The Company maintains certain policies and practices to ensure that its compensation programs appropriately align the interests of its executives with the interests of stockholders.

### *Change in Control and Severance Benefits*

Our Executive Officers, including the CEO and other NEOs, may be eligible for certain benefits under either The ADT Corporation Severance Plan for U.S. Officers and Executives (the "Severance Plan") or The ADT Corporation Change in Control Severance Plan (the "CIC Severance Plan"), depending upon the circumstances leading to their termination of service of employment with the Company. In the case of the CIC Severance Plan, a "double trigger" is required before benefits become available to the executives covered by that plan. Details with respect to the key provisions of the severance plans currently in effect and the payments and benefits that would be payable under the plans are set forth in the section titled "Potential Payments Upon Termination or Change in Control" below.

### *Stock Ownership and Retention Guidelines*

The Compensation Committee believes that requiring executives to own and hold a significant amount of Company stock aligns the executives' interests with those of our stockholders. The Compensation Committee has established the following ownership guidelines:

| Level | Ownership Guideline (as a multiple of base salary) |
|---|---|
| Chief Executive Officer | 6x |
| Other Executive Officers | 3x |

The Compensation Committee reviews ownership levels annually. Executive Officers are generally expected to meet the ownership guidelines within a number of years equal to the base salary multiple (i.e., six years for the CEO and three years for other Executive Officers). As of the most recent review by the Compensation Committee (on May 8, 2013), all but two of our Executive Officers (each of whom was hired during fiscal year 2013) either met the guideline or were progressing towards meeting the guideline within the prescribed number of years allowed. In addition to the ownership guidelines, the Compensation Committee also maintains a requirement that, until the ownership guideline is met, all Executive Officers must retain a minimum of 75% of net (after-tax) shares acquired through the exercise of Stock Options or the vesting of RSUs.

### *Equity Grant Practices*

The Company's practice is to grant annual equity awards to eligible employees on or after the second trading day after information about the Company has been widely released through a press release, news wire or report filed with the SEC. This timing ensures that annual equity grants are made at a time when the market has the greatest amount of information concerning the Company's performance, including its financial condition and results of operations, as is reasonably possible. All other equity grants during the year, which are generally comprised of new hire awards or other one-time grants, are made in conjunction with the timing of Compensation Committee meetings.

### *Insider Trading Policy*

The Company maintains an insider trading policy, applicable to all employees and directors, which prohibits the Company's personnel from: (1) buying, selling or engaging in transactions in the Company's securities at any time while aware of material non-public information about the Company; (2) buying or selling securities of other companies while aware of material non-public information about those companies that they become aware of as a result of business dealings between the Company and those companies; (3) disclosing material non-public information to any unauthorized persons outside the Company; or (4) engaging in transactions in puts, calls, cashless collars, options or similar rights and obligations involving the Company's securities, other than the exercise of any Company-issued stock option. The policy also restricts trading for a limited number of Company employees (including the Executive Officers) and the members of the Company's Board of Directors to defined window periods that follow the timing of the filing of the Company's periodic reports with the SEC.

### *Pay Recoupment Policy*

The Company's pay recoupment policy provides that, in addition to any other remedies available to it and subject to applicable law, the Company may recover any incentive compensation (whether in the form of cash or equity) paid by the Company to any Executive Officer that resulted from any financial result or operating metric that was impacted by the Executive Officer's fraudulent or illegal conduct. Our Board of Directors has the sole discretion to make any and all determinations under this policy. The Compensation Committee periodically reviews the policy to determine whether any changes are warranted.

## Risk Mitigation in Compensation Program Design

The Company's compensation programs are designed to motivate employees to take appropriate levels of risk that are aligned with the Company's strategic goals, without encouraging or rewarding excessive risk. Among the program features which balance and guard against excessive risk-taking include:

- A mix of compensation components (fixed and variable pay, annual and long-term incentives, cash and equity) that encourage a focus on both the short and long-term interests of the Company and its stockholders;
- Incentive awards with payouts based upon a variety of financial and strategic objectives, which minimizes the risk associated with any single performance measure;
- Incentive plans that cap maximum awards and which are not overly leveraged;
- Stock ownership guidelines that align executive and stockholder interests;
- A pay recoupment policy designed to deter excessive risk-taking; and
- An annual risk assessment of the Company's compensation programs by the Compensation Committee.

The Company has concluded that its compensation programs and policies are not reasonably likely to have a materially adverse effect on the Company. This conclusion is based on a risk assessment that was performed by management in conjunction with Farient and presented to and reviewed with the Committee at its September 2013 meeting.

# REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed with management the Company's Compensation Discussion and Analysis for the year ended September 27, 2013 as required by Item 407(e)(5) of Regulation S-K promulgated by the SEC. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the Compensation Discussion and Analysis for the year ended September 27, 2013 in the Company's 2014 Proxy Statement and its incorporation by reference into the Company's Annual Report on Form 10-K.

Submitted by the Compensation Committee of the Board of Directors:

Dinesh Paliwal, Chair

Timothy Donahue

Robert Dutkowsky

# COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Paliwal (Chairman), Donahue and Dutkowsky served as members of the Compensation Committee in fiscal year 2013. None of such committee members (i) was, during fiscal year 2013, an officer or employee of the Company or any of its subsidiaries; (ii) was formerly an officer of the Company or any of its subsidiaries; or (iii) had any relationship requiring disclosure by the Company pursuant to any paragraph of Item 404 of Regulation S-K promulgated by the SEC. No executive officer of the Company served as an executive officer, director or member of a compensation committee of any other entity of which an executive officer or director of such entity is a member of the Compensation Committee of the Company or the Company's Board of Directors.

# FISCAL YEAR 2013 NEO COMPENSATION

## Summary Compensation Table

The information set forth in the following table reflects compensation paid or earned by the NEOs for the fiscal years 2013, 2012 and 2011. The compensation shown for fiscal years 2012 and 2011 were earned by each NEO under the compensation programs of Tyco which, prior to September 28, 2012, was the parent corporation of ADT. The table reflects total compensation earned beginning in the later of fiscal year 2011 or the year an individual first became an NEO.

| Name and Principal Position (a) | Year (b) | Salary ($) (c) | Bonus ($) [4] (d) | Stock /Unit Awards ($) [5] (e) | Option Awards ($) [5] (f) | Non-Equity Incentive Plan Compensation ($) [6] (g) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h) | All Other Compensation ($) [7] (i) | Total ($) (j) |
|---|---|---|---|---|---|---|---|---|---|
| Naren Gursahaney Chief Executive Officer | 2013 | 900,000 | — | 2,708,100 | 2,602,377 | 693,000 | — | 267,286 | 7,170,763 |
| | 2012 | 610,000 | 290,000 | 1,747,016 | 1,698,545 | 451,300 | — | 152,957 | 4,949,818 |
| | 2011 | 597,500 | — | 1,296,760 | 807,609 | 787,000 | — | 200,421 | 3,689,290 |
| Kathryn Mikells [1] *Former* SVP, Chief Financial Officer | 2013 | 361,636 | — | 1,097,010 | 836,242 | — | — | 27,009 | 2,321,897 |
| | 2012 | 257,318 | 30,000 | 624,954 | 733,840 | 166,865 | — | 12,395 | 1,825,372 |
| Alan Ferber [2] President, Residential Business Unit | 2013 | 204,545 | 115,000 | 498,064 | 498,456 | 90,383 | — | 47,843 | 1,454,291 |
| N. David Bleisch SVP, General Counsel & Corporate Secretary | 2013 | 391,667 | — | 417,690 | 320,529 | 191,221 | — | 126,404 | 1,447,511 |
| | 2012 | 323,820 | 65,135 | 350,588 | 228,789 | 137,624 | — | 34,916 | 1,140,872 |
| | 2011 | 321,615 | — | 284,336 | 115,111 | 216,959 | — | 98,958 | 1,036,979 |
| Anita Graham [3] *Former* SVP, Chief Human Resources & Administrative Officer | 2013 | 420,000 | — | 417,690 | 320,529 | 187,439 | — | 32,475 | 1,378,133 |
| | 2012 | 390,000 | 24,000 | 322,478 | 184,696 | 189,540 | — | 64,087 | 1,174,801 |
| | 2011 | 214,783 | 50,000 | 224,902 | 203,736 | 316,953 | — | 6,305 | 1,016,679 |

(1) *Kathryn Mikells was hired by the Company on April 30, 2012. She resigned from the Company and from her position as Senior Vice President and Chief Financial Officer effective May 2, 2013.*

(2) *Alan Ferber was hired by the Company on April 17, 2013.*

(3) *Anita Graham resigned from the Company and from her position as Senior Vice President and Chief Human Resources and Administrative Officer effective December 31, 2013.*

(4) ***Bonus:*** *The amount shown in column (d) in fiscal year 2013 for Mr. Ferber represents a portion of a sign-on bonus paid when he joined the Company in April 2013. The amounts in fiscal year 2012 for Messrs. Gursahaney and Bleisch and Ms. Graham represent one-time lump sum payments in connection with their promotions into their new roles with ADT. The amount represents the difference between their fiscal year 2012 salary and target bonus and their post-separation salary and target bonus for the period from April 1, 2012 to September 28, 2012. The amount in fiscal year 2012 for Ms. Mikells reflects a sign-on bonus paid upon her hire in April 2012. The amount in fiscal year 2011 for Ms. Graham reflects a sign-on bonus paid when she joined Tyco in March 2011.*

(5) ***Stock/Unit Awards and Option Awards:*** *The amounts in columns (e) and (f) reflect the fair value of equity awards granted in fiscal years 2013, 2012 and 2011, which consisted of stock options, RSUs and PSUs. These amounts represent the fair value of the entire amount of the award calculated in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. Amounts for fiscal year 2013 were calculated based upon the price of the Company's common stock (including the impact on the value of options under the Black-Scholes option pricing model). Values for fiscal years 2012 and 2011 were calculated based upon the price of Tyco common stock. For stock options, amounts are computed by multiplying the fair value of the award (as determined under the Black-Scholes option pricing model) by the total number of options granted. For RSUs, fair value is computed by multiplying the total number of shares subject to the award by the closing market price of the Company's common stock on the date of grant. For PSUs, fair value is based on a model that considers the closing market price of the Company's common stock on the date of grant, the range of shares subject to such stock award and the estimated probabilities of vesting outcomes. The value of PSUs included in the table assumes target performance. The following amounts represent the maximum potential performance share value by individual for fiscal year 2013, determined at the time of grant (200% of the target award): Mr. Gursahaney—$3,497,580; Ms. Mikells—$1,037,340; Mr. Bleisch—$394,740; and Ms. Graham—$394,740. Mr. Ferber did not receive PSUs in fiscal year 2013. Ms. Mikells and Ms. Graham each forfeited the PSUs they received in fiscal year 2013 when they resigned from the Company.*

*Amounts in column (e) for fiscal year 2012 include the incremental fair value associated with the shortening of the performance period for outstanding PSUs. The shortening of the performance period was associated with ADT's separation from Tyco. Amounts in column (f) for fiscal year 2012 include the incremental fair value associated with the conversion of outstanding Tyco stock options into stock options of ADT. On July 12, 2012, in connection with the separation, the Tyco Board of Directors approved the conversion of all outstanding Tyco PSUs into RSUs based on performance achieved through June 29, 2012. On August 2, 2012, the Tyco Compensation Committee approved the conversion ratio based on its review and certification of performance results. On October 12, 2011 the Tyco Compensation Committee approved the methodology that would apply to convert outstanding Tyco equity awards upon completion of the separation into post-separation equity awards of ADT, or split into equity awards of Tyco, ADT and Pentair Ltd., in order to preserve intrinsic value.*

(6) ***Non-Equity Incentive Plan Compensation:*** *The amounts reported in column (g) for each NEO reflect annual cash incentive compensation for the applicable fiscal year. Annual incentive compensation for fiscal year 2013 is discussed in further detail above under the heading "Annual Incentive Compensation." Amounts for fiscal years 2012 and 2011 were earned pursuant to incentive plans designed and administered by Tyco.*

(7) ***All Other Compensation:*** *The amounts reported in column (i) for fiscal year 2013 represent the Company's contributions to the 401(k) Retirement Savings and Investment Plan and Supplemental Savings and Retirement Plan, taxable relocation benefits and associated tax gross-ups, and the value of the executive physical, as applicable. The amounts reported for fiscal years 2012 and 2011 were paid and/or earned with respect to similar programs administered by Tyco, as well as to cash perquisites and to insurance premiums paid by Tyco for the benefit of the officer (and, in some cases, the officer's spouse). Details with respect to the amounts in this column are set forth below, in the* All Other Compensation *table.*

## Summary Compensation Table – All Other Compensation

The components of the "All Other Compensation" column in the *Summary Compensation Table* for each NEO are shown in the following table.

| | | | Supplemental Executive Insurance Benefits | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Named Executive | Fiscal Year | Cash Perquisite (a) | Variable Universal Life (b) | Supplemental Disability (b) | Long-Term Care (b) | Tax Gross-Ups (c) | Retirement Plan Contributions (d) | Miscellaneous (e) | Total All Other Compensation |
| Naren Gursahaney | 2013 | $ — | $ — | $ — | $ — | $52,165 | $53,607 | $161,514 | $267,286 |
| | 2012 | 15,250 | 10,109 | 15,008 | 19,274 | — | 70,225 | 23,091 | 152,957 |
| | 2011 | 59,750 | 10,109 | 15,008 | 19,275 | — | 86,665 | 9,614 | 200,421 |
| Kathryn Mikells | 2013 | — | — | — | — | — | 27,009 | — | 27,009 |
| | 2012 | — | — | — | — | — | 7,395 | 5,000 | 12,395 |
| Alan Ferber | 2013 | — | — | — | — | 5,699 | 7,500 | 34,644 | 47,843 |
| N. David Bleisch | 2013 | — | — | — | — | 4,993 | 24,868 | 96,543 | 126,404 |
| | 2012 | — | — | — | — | 2,602 | 24,327 | 7,987 | 34,916 |
| | 2011 | — | — | — | — | 44,978 | 33,179 | 20,801 | 98,958 |
| Anita Graham | 2013 | — | — | — | — | 3,268 | 28,906 | 301 | 32,475 |
| | 2012 | — | — | — | — | 5,877 | 35,091 | 23,119 | 64,087 |
| | 2011 | — | — | — | — | — | 6,305 | — | 6,305 |

(a) *Cash Perquisites reflect an annual cash perquisite payment equal to the lesser of 10% of the executive's base salary and $70,000. Payments were made quarterly and were adjusted to reflect changes in salary. This benefit was discontinued by Tyco as of January 1, 2012.*

(b) *Supplemental Executive Insurance Benefits reflect premiums paid by Tyco for insurance benefits for the executive and, in the case of long-term care, for the executive's spouse as well. These benefits were provided to certain executives of Tyco upon the approval of the Tyco Compensation Committee. Mr. Gursahaney was the only one of our NEOs who received these benefits in his role as an executive of Tyco. ADT discontinued this benefit for Mr. Gursahaney as of November 30, 2012.*

(c) *The amounts shown in this column as tax gross-up payments for Messrs. Gursahaney, Ferber and Bleisch and Ms. Graham represent tax gross-up payments made with respect to taxable relocation expenses.*

(d) *For fiscal year 2013, amounts represent matching contributions made by the Company on behalf of each executive to its tax-qualified 401(k) Retirement Savings and Investment Plan and to its non-qualified Supplemental Savings and Retirement Plan. Amounts for fiscal years 2012 and 2011 represent contributions made by Tyco to similar plans it administered.*

(e) *Miscellaneous compensation in fiscal year 2013 includes the value of taxable relocation benefits for Messrs. Gursahaney, Ferber and Bleisch and Ms. Graham, as well as the value of an executive physical for Mr. Bleisch. Amounts for fiscal year 2012 include matching charitable contributions Tyco made on behalf of Mr. Gursahaney, the value of taxable relocation benefits for Messrs. Gursahaney and Bleisch, Ms. Mikells and Ms. Graham, and the value of an executive physical for Ms. Graham. In fiscal year 2011, miscellaneous compensation for Mr. Gursahaney includes matching charitable contributions Tyco made on his behalf, and for Mr. Bleisch, the value of taxable relocation benefits, as well as de minimis payments made for the vesting of fractional shares for Messrs. Gursahaney and Bleisch.*

## Grants of Plan Based Awards Table

The following table summarizes the number of Restricted Stock Units and Stock Options granted to our NEOs in fiscal year 2013 pursuant to The ADT 2012 Stock and Incentive Plan (the "SIP"), as well as the grant date fair value of these awards. The table also summarizes the range of potential payouts for the NEOs under the Officer Short-Term Bonus Plan and the Performance Share Unit Awards granted under the SIP. Actual bonus awards under the Officer Short-Term Bonus Plan are reported in the Summary Compensation Table under the heading "Non-Equity Incentive Plan Awards." All numbers have been rounded to the nearest whole dollar, share or unit, with the exception of the exercise price of Stock Option awards.

| | | | | Estimated Possible Payouts under Non-Equity Incentive Plan Awards [1] | | | Estimated Possible Payouts Under Equity Plan Awards [2] | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name (a) | Award Type | Grant Date (b) | Board or Committee Approval Date (c) | Threshold ($) (d) | Target ($) (e) | Maximum ($) (f) | Threshold (#) (g) | Target (#) (h) | Maximum (#) (i) | All Other Stock Awards: Number of Shares of Stock or Units (#) (j) | All Other Option Awards: Number of Securities Underlying Options (#) (k) | Exercise or Base Price of Option Awards ($/Sh) (l) | Grant Date Fair Value of Stock and Option Awards [3] ($) (m) |
| Naren Gursahaney | Performance Bonus | 12/13/2012 | 12/13/2012 | 450,000 | 900,000 | 1,800,000 | | | | | | | |
| | Performance Share Unit [4] | 11/30/2012 | 11/30/2012 | | | | 19,050 | 38,100 | 76,200 | | | | 1,748,790 |
| | Restricted Stock Unit [5] | 11/30/2012 | 11/30/2012 | | | | | | | 19,000 | | | 872,100 |
| | Restricted Stock Unit [6] | 11/30/2012 | 11/30/2012 | | | | | | | 1,900 | | | 87,210 |
| | Stock Option [4] | 11/30/2012 | 11/30/2012 | | | | | | | | 131,400 | 45.90 | 1,746,306 |
| | Stock Option [5] | 11/30/2012 | 11/30/2012 | | | | | | | | 65,700 | 45.90 | 856,071 |
| Kathryn Mikells | Performance Bonus | 12/13/2012 | 12/13/2012 | 244,800 | 489,600 | 979,200 | | | | | | | |
| | Performance Share Unit [4] | 11/30/2012 | 11/30/2012 | | | | 5,650 | 11,300 | 22,600 | | | | 518,670 |
| | Restricted Stock Unit [4] | 11/30/2012 | 11/30/2012 | | | | | | | 5,600 | | | 257,040 |
| | Restricted Stock Unit [5] | 11/30/2012 | 11/30/2012 | | | | | | | 7,000 | | | 321,300 |
| | Stock Option [4] | 11/30/2012 | 11/30/2012 | | | | | | | | 39,000 | 45.90 | 518,310 |
| | Stock Option [5] | 11/30/2012 | 11/30/2012 | | | | | | | | 24,400 | 45.90 | 317,932 |
| Alan Ferber | Performance Bonus | 04/17/2013 | 04/17/2013 | 135,000 | 270,000 | 540,000 | | | | | | | |
| | Restricted Stock Unit [7] | 05/08/2013 | 05/08/2013 | | | | | | | 11,200 | | | 498,064 |
| | Stock Option [7] | 05/08/2013 | 05/08/2013 | | | | | | | | 38,700 | 44.47 | 498,456 |
| N. David Bleisch | Performance Bonus | | | 127,500 | 255,000 | 510,000 | | | | | | | |
| | Performance Share Unit [4] | 11/30/2012 | 11/30/2012 | | | | 2,150 | 4,300 | 8,600 | | | | 197,370 |
| | Restricted Stock Unit [4] | 11/30/2012 | 11/30/2012 | | | | | | | 2,100 | | | 96,390 |
| | Restricted Stock Unit [5] | 11/30/2012 | 11/30/2012 | | | | | | | 2,700 | | | 123,930 |
| | Stock Option [4] | 11/30/2012 | 11/30/2012 | | | | | | | | 15,000 | 45.90 | 199,350 |
| | Stock Option [5] | 11/30/2012 | 11/30/2012 | | | | | | | | 9,300 | 45.90 | 121,179 |
| Anita Graham | Performance Bonus | | | 126,000 | 252,000 | 504,000 | | | | | | | |
| | Performance Share Unit [4] | 11/30/2012 | 11/30/2012 | | | | 2,150 | 4,300 | 8,600 | | | | 197,370 |
| | Restricted Stock Unit [4] | 11/30/2012 | 11/30/2012 | | | | | | | 2,100 | | | 96,390 |
| | Restricted Stock Unit [5] | 11/30/2012 | 11/30/2012 | | | | | | | 2,700 | | | 123,930 |
| | Stock Option [4] | 11/30/2012 | 11/30/2012 | | | | | | | | 15,000 | 45.90 | 199,350 |
| | Stock Option [5] | 11/30/2012 | 11/30/2012 | | | | | | | | 9,300 | 45.90 | 121,179 |

(1) *Amounts reported in columns (d) through (f) represent potential annual performance bonuses that the named executive officers could have earned under the Company's Officer Short-Term Bonus Plan for fiscal year 2013. The range of potential payouts is based upon the Guideline Formula the Compensation Committee uses to exercise its available "negative discretion" under the plan. The Compensation Committee established a maximum payout of 200% of target. Threshold amounts assume minimum performance levels are achieved with respect to each performance measure. For Mr. Ferber, amounts represent the annualized threshold, target and maximum, although his actual bonus opportunity was pro-rated based upon his hire date as discussed above. Upon her resignation from the Company during the fiscal year, Ms. Mikells forfeited her award.*

(2) *Amounts in (g) through (i) represent potential share payouts with respect to PSU awards that were made in connection with the fiscal year 2013 long-term incentive grant. PSU awards will vest at the end of the three-year performance period, based upon the Company's performance against its Recurring Revenue Growth and Adjusted Free Cash Flow Growth targets. The threshold amounts shown above reflect the number of shares which would be delivered assuming that threshold attainment was met for both performance metrics. The maximum amounts shown assume maximum attainment against both performance metrics. PSUs accrue dividend equivalent units, but these equivalents are ultimately delivered to the recipient only to the extent that the underlying awards vest based upon performance.*

(3) *Amounts in column (m) show the grant date fair value of the Stock Option, RSU and PSU awards granted to the NEOs. These amounts represent the fair value of the entire amount of the award calculated in accordance with Financial Accounting Standards Board ASC Topic 718 (ASC Topic 718), excluding the effect of estimated forfeitures. For grants of Stock Options, amounts are computed by multiplying the fair value of the award (as determined under the Black-Scholes option pricing model) by the total number of options granted. For grants of RSUs, fair value is computed by multiplying the total number of shares subject to the award by the closing price of the Company's common stock on the date of grant. For grants of PSUs, fair value is based on a model that considers the closing price of the Company's common stock on the date of grant, the range of shares subject to such stock award, and the estimated probabilities of vesting outcomes. The value of PSUs included in the table assumes target performance. However, the actual number of shares that will be delivered with respect to the PSUs will be determined based on performance through the end of the three-year performance period.*

(4) *Amounts represent grants of PSUs, RSUs and/or Stock Options with respect to our annual long-term incentive plan.*

(5) *Amounts represent grants of RSUs and Stock Options with respect to a one-time Founders' Award.*

(6) *During fiscal year 2013, the Compensation Committee elected not to renew the Supplemental Executive Insurance Benefit policies that Mr. Gursahaney received as a benefit with his service as a Tyco executive. The Compensation Committee made a one-time grant of RSUs to Mr. Gursahaney as a "buyout" of the value of these benefit policies. The RSUs vest in equal installments over two years and had a grant date fair value equal to two times the annual value of the Supplemental Executive Insurance Benefit.*

(7) *Amounts represent grants of RSUs and Stock Options with respect to a sign-on equity award for Mr. Ferber.*

The Company made its annual grant of equity for fiscal year 2013 in November 2012. The annual award for each of our NEOs (excluding Mr. Ferber, whose grant of equity was not made as part of the annual grant process) consisted of a mix of PSUs, RSUs and Stock Options. In addition, each of our NEOs other than Mr. Ferber received Founders' Awards in fiscal year 2013 in the form of RSUs and Stock Options. For Stock Options (including those granted to Mr. Ferber), the exercise price equals the closing price of the Company's common stock on the date of grant. Stock Options granted as part of the annual award process generally vest in equal installments over a period of four years, while those options granted in the form of Founders' Awards vest in equal installments over a period of three years. Each option holder has 10 years to exercise his or her Stock Option from the date of grant, unless forfeited earlier. PSUs generally vest at the end of a three-year performance cycle, with the number of shares delivered dependent on the achievement of applicable performance criteria. Anywhere between zero and 200% of the target number shares may be delivered based on performance. PSUs generally accrue dividend equivalent units, which are subject to the same performance conditions applicable to the underlying award, but do not carry voting rights. RSUs granted as part of the annual award process generally vest in equal installments over four years, accrue dividend equivalent units subject to the same vesting restrictions as the underlying award, and do not carry voting rights. RSUs granted as part of the Founders' Award vest fully on the third anniversary of the grant date.

## Outstanding Equity Awards at Fiscal Year-End Table

The following table shows outstanding Stock Option awards classified as exercisable and unexercisable and the number and value of any unvested or unearned equity awards outstanding as of September 27, 2013 for each of the NEOs. The value of any unvested or unearned equity awards outstanding is calculated based on a market value of $41.26, which was the NYSE closing price per share of the Company's common stock on September 27, 2013.

| | Option Awards (1) | | | | Stock Awards | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options: (#) Exercisable | Number of Securities Underlying Unexercised Options: (#) UnExercisable | Option Exercise Price ($) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#)(2) | Market Value of Shares or Units of Stock That Have Not Vested ($)(3) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3) |
| Naren Gursahaney | 31,138 | — | 36.4222 | 3/9/2015 | 94,890 | 3,915,161 | 38,535 | 1,589,954 |
| | 39,309 | — | 29.5082 | 11/21/2015 | | | | |
| | 14,741 | — | 31.1718 | 1/11/2016 | | | | |
| | 137,587 | — | 30.8309 | 11/20/2016 | | | | |
| | 110,850 | — | 34.1771 | 7/2/2017 | | | | |
| | 54,644 | — | 28.4959 | 8/17/2018 | | | | |
| | 201,873 | — | 18.5745 | 10/6/2018 | | | | |
| | 111,474 | 37,159 | 21.6169 | 9/30/2019 | | | | |
| | 61,982 | 61,983 | 23.8843 | 10/11/2020 | | | | |
| | 26,073 | 78,220 | 28.3870 | 10/11/2021 | | | | |
| | — | 131,400 | 45.9000 | 11/29/2022 | | | | |
| | — | 65,700 | 45.9000 | 11/29/2022 | | | | |
| Kathryn Mikells (5) | — | — | | | — | | — | |
| N. David Bleisch | 11,792 | — | 31.3397 | 6/19/2015 | 20,164 | 831,967 | 4,349 | 179,440 |
| | 8,352 | — | 29.5082 | 11/21/2015 | | | | |
| | 10,515 | — | 30.8309 | 11/20/2016 | | | | |
| | 11,491 | — | 34.1771 | 7/2/2017 | | | | |
| | 14,410 | — | 18.5745 | 10/6/2018 | | | | |
| | 7,892 | 2,631 | 21.6169 | 9/30/2019 | | | | |
| | 10,234 | 10,234 | 23.8843 | 10/11/2020 | | | | |
| | 4,519 | 13,560 | 28.3870 | 10/11/2021 | | | | |
| | — | 9,300 | 45.9000 | 11/29/2022 | | | | |
| | — | 15,000 | 45.9000 | 11/29/2022 | | | | |
| Alan Ferber | — | 38,700 | 44.4700 | 5/7/2023 | 11,234 | 463,515 | — | |
| Anita Graham (6) | 6,679 | 13,356 | 31.1796 | 5/3/2021 | 21,200 | 874,712 | 4,349 | 179,440 |
| | 4,839 | 14,520 | 28.3870 | 10/11/2021 | | | | |
| | — | 9,300 | 45.9000 | 11/29/2022 | | | | |
| | — | 15,000 | 45.9000 | 11/29/2022 | | | | |

(1) *Stock Options granted to the NEOs generally vest and become exercisable one-fourth per year on each anniversary of the grant date. Stock Options granted to the NEOs in conjunction with the Founders' Awards in fiscal year 2013 vest and become exercisable one-third per year on each anniversary of the grant date. Stock Options granted to the NEOs expire on the day prior to the tenth anniversary of the grant date.*

(2) *The amounts shown in this column represent unvested awards of RSUs. Amounts include outstanding dividend equivalent units associated with the underlying RSU awards.*

(3) *The amounts in these columns represent the market value of the unvested RSU and PSU awards calculated using a price of $41.26, which was the closing price of the Company's Common Stock on the NYSE on September 27, 2013.*

(4) *The amounts shown in this column represent outstanding and unvested awards of PSUs. The number of PSUs is based on the number granted (target amount) and includes outstanding dividend equivalent units associated with the underlying award. Dividend equivalent units will vest only to the extent the underlying awards vest based upon the Company's performance against its performance targets. The three-year performance period for the fiscal year 2013 grant ends on the last day of fiscal year 2015.*

(5) *Ms. Mikells' employment with the Company terminated on May 2, 2013. In accordance with the treatment of equity upon termination of employment as defined in The ADT Corporation 2012 Stock and Incentive Plan, and in the terms and conditions of her individual equity awards, all outstanding RSUs, PSUs and unvested Stock Options were cancelled upon her date of termination. Ms. Mikells had a period of 90 days post-termination to exercise any vested stock options, after which period any unvested stock options were cancelled.*

(6) *Ms. Graham's employment with the Company terminated on December 31, 2013. In accordance with the treatment of equity upon termination of employment as defined in The ADT Corporation 2012 Stock and Incentive Plan, and in the terms and conditions of her individual equity awards, all outstanding RSUs, PSUs and unvested Stock Options were cancelled upon her date of termination. Ms. Graham has a period of 90 days post-termination to exercise any vested stock options, after which period any unvested stock options will be cancelled.*

Vesting dates for each outstanding stock option award, as of September 27, 2013, for the NEOs are as follows:

| | | Number of Shares Underlying Vesting Awards | | | | |
|---|---|---|---|---|---|---|
| | Exercise Price | Naren Gursahaney | Kathryn Mikells | N. David Bleisch | Alan Ferber | Anita Graham |
| **2013** | | | | | | |
| 10/1/2013 | $21.6169 | 37,159 | — | 2,631 | — | — |
| 10/12/2013 | $23.8843 | 30,991 | — | 5,116 | — | — |
| 10/12/2013 | $28.3870 | 26,073 | — | 4,520 | — | 4,840 |
| 11/30/2013 | $45.9000 | 54,750 | — | 6,850 | — | 6,850 |
| **2014** | | | | | | |
| 5/4/2014 | $31.1796 | — | — | — | — | 6,677 |
| 5/8/2014 | $44.4700 | — | — | — | 9,675 | — |
| 10/12/2014 | $23.8843 | 30,992 | — | 5,118 | — | — |
| 10/12/2014 | $28.3870 | 26,073 | — | 4,520 | — | 4,840 |
| 11/30/2014 | $45.9000 | 54,750 | — | 6,850 | — | 6,850 |
| **2015** | | | | | | |
| 5/4/2015 | $31.1796 | — | — | — | — | 6,679 |
| 5/8/2015 | $44.4700 | — | — | — | 9,675 | — |
| 10/12/2015 | $28.3870 | 26,074 | — | 4,520 | — | 4,840 |
| 11/30/2015 | $45.9000 | 54,750 | — | 6,850 | — | 6,850 |
| **2016** | | | | | | |
| 5/8/2016 | $44.4700 | — | — | — | 9,675 | — |
| 11/30/2016 | $45.9000 | 32,850 | — | 3,750 | — | 3,750 |
| **2017** | | | | | | |
| 5/8/2017 | $44.4700 | — | — | — | 9,675 | — |

Vesting dates for each outstanding RSU award, including outstanding DEUs, as of September 27, 2013, for the NEOs are as follows:

| | Number of Shares Underlying Vesting Awards | | | | |
|---|---|---|---|---|---|
| | Naren Gursahaney | Kathryn Mikells | N. David Bleisch | Alan Ferber | Anita Graham |
| **2013** | | | | | |
| 10/1/2013 | — | — | 252 | — | — |
| 10/12/2013 | 5,033 | — | 1,721 | — | 1,348 |
| 11/30/2013 | 961 | — | 531 | — | 531 |
| 12/8/2013 | 2,119 | — | — | — | — |
| **2014** | | | | | |
| 5/4/2014 | — | — | — | — | 601 |
| 5/8/2014 | — | — | — | 2,809 | — |
| 9/26/2014 | 57,948 | — | 10,362 | — | 11,102 |
| 10/12/2014 | 5,031 | — | 1,720 | — | 1,347 |
| 11/30/2014 | 960 | — | 531 | — | 531 |
| **2015** | | | | | |
| 5/4/2015 | — | — | — | — | 600 |
| 5/8/2015 | — | — | — | 2,808 | — |
| 10/12/2015 | 3,621 | — | 1,255 | — | 1,348 |
| 11/30/2015 | 19,217 | — | 3,261 | — | 3,261 |
| **2016** | | | | | |
| 5/8/2016 | — | — | — | 2,809 | — |
| 11/30/2016 | — | — | 531 | — | 531 |
| **2017** | | | | | |
| 5/8/2017 | — | — | — | 2,808 | — |

Vesting dates for each outstanding PSU award, including outstanding DEUs, as of September 27, 2013, for the NEOs are as follows:

| | Number of Shares Underlying Vesting Awards | | | | |
|---|---|---|---|---|---|
| | Naren Gursahaney | Kathryn Mikells | N. David Bleisch | Alan Ferber | Anita Graham |
| **2015** | | | | | |
| 11/30/2015 | 38,535 | — | 4,349 | — | 4,349 |

## Option Exercises and Stock Vested Table

The following table sets forth information regarding option awards exercised and stock awards vested during fiscal year 2013 for the NEOs. Values have been rounded to the nearest dollar, where applicable.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) (1) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ($) (2) |
| Naren Gursahaney | 18,000 | 109,400 | 70,505 | 2,894,596 |
| Kathryn Mikells | 16,217 | 109,811 | 4,435 | 188,265 |
| N. David Bleisch | — | — | 13,089 | 529,205 |
| Alan Ferber | — | — | — | — |
| Anita Graham | — | — | 1,927 | 74,574 |

(1) *The amounts in this column reflect the value realized upon the exercise of vested stock options. The value realized is the difference between the sale price of the shares acquired via the exercise of the options and the exercise price of the options.*

(2) *The amounts shown in this column reflect the value of stock awards that vested based on the NYSE closing price per share of the Company's Common Stock on the date of vesting.*

PROXY STATEMENT

## Non-Qualified Deferred Compensation Table

The following table presents information related to the non-qualified deferred compensation accounts of each of our NEOs as of September 27, 2013.

| Name | Executive Contributions in Last Fiscal Year ($) [(1)] | Registrant Contributions in Last Fiscal Year ($) [(1)] | Aggregate Earnings in Last Fiscal Year ($) [(2)] | Aggregate Withdrawals/ Distributions ($) | Aggregate Balance at Last Fiscal Year End ($) |
|---|---|---|---|---|---|
| (a) | (b) | (c) | (d) | (e) | (f) |
| Naren Gursahaney | 56,137 | 44,232 | 747,274 | — | 5,166,960 |
| Kathryn Mikells | 16,359 | — | 5 | — | 16,364 |
| N. David Bleisch [(3)] | — | 11,337 | 21,219 | (37,605) | 141,361 |
| Alan Ferber | — | — | — | — | — |
| Anita Graham | 29,530 | 15,384 | 16,537 | — | 108,801 |

(1) *The amounts in columns (b) and (c) reflect employee and Company contributions, respectively, under the SSRP, the Company's non-qualified retirement savings plan. All of the amounts in column (c) are included in the Summary Compensation Table under the column heading "All Other Compensation." Under the terms of the SSRP, eligible executives may elect to defer up to 50% of his or her base salary and up to 100% of his or her performance bonus.*

(2) *The amounts in this column include earnings (or losses) on the NEO's notional account in the SSRP.*

(3) *Although Mr. Bleisch did not make contributions to the SSRP in fiscal year 2013, matching "spillover" contributions were made to the account to reflect the additional matching contributions Mr. Bleisch would have received relative to his participation in the Company's RSIP would he not have reached his contribution limits as defined by the Internal Revenue Service.*

## Potential Payments Upon Termination or Change in Control

Our NEOs are eligible for certain payments and benefits upon a termination of employment under either the Severance Plan or the CIC Severance Plan, depending on the circumstances of their termination.

*Severance Plan.* Our NEOs would receive benefits under the Severance Plan upon an involuntary termination of employment other than for Cause, permanent disability, or death. Upon such termination, an NEO would be entitled to the following:

- A payment equal to 1.5 times his or her base salary and 1.5 times his or her target annual bonus (2 times base salary and 2 times target annual bonus for Mr. Gursahaney).
- Continued participation in the Company's medical, dental and health care reimbursement account coverage for 12 months following termination of employment (or until the NEO commences employment by another company and becomes eligible for coverage under the new employer's plans), subject to the NEO's payment of the employee portion of such coverage.
- To the extent the NEO has not become eligible for medical, dental and health care reimbursement account coverage by a new employer after the 12-month period following termination of employment, a cash payment equal to the projected value of the employer portion of the premiums for such coverage for an additional period up to 12 months.
- At the Company's discretion and subject to the Officer Short-Term Bonus Plan, a pro-rata bonus for the year of termination based on the actual performance of the Company and paid when bonuses are paid to other participants in the plan.
- At the Company's discretion, outplacement services for a period not to exceed 12 months.

Each NEO must execute a general release of claims in favor of the Company in order to receive these benefits. Following termination, each NEO is prohibited from soliciting customers and employees for a period of two years, and is prohibited from competing with the Company for a period of one year.

*CIC Severance Plan.* In connection with a Change in Control, our NEOs would receive benefits under the CIC Severance Plan only if they had a qualifying termination of employment (an involuntary termination of employment other than for Cause, permanent disability or death, or a Good Reason Resignation, within the period beginning 60 days prior to, and ending 24 months following, a Change in Control). Upon such termination, an NEO would be entitled to the following:

- A payment equal to 2 times his or her base salary and 2 times his or her target annual bonus.
- Continued participation in the Company's medical, dental and health care reimbursement account coverage for 12 months following termination of employment (or until the NEO commences employed by another company and becomes eligible for coverage under the new employer's plans), subject to the NEO's payment of the employee portion of such coverage.
- To the extent the NEO has not become eligible for medical, dental and health care reimbursement account coverage by a new employer after the 12-month period following termination of employment, a cash payment equal to the projected value of the employer portion of the premiums for such coverage for an additional period of 12 months.
- A pro-rata bonus for the year of termination based on the target bonus for the year of termination.

- Payment of the cost of outplacement services for 12 months following the termination of employment.

Each NEO must execute a general release of claims in favor of the Company in order to receive these benefits. The Company will not reimburse an NEO with respect to any excise tax triggered by Section 280G or 4999 of the Code, but any Change in Control payments will be capped at 3 times the NEO's "base amount" under Section 280G of the Code if the cap results in a greater after-tax payment to the NEO than if the payments were not capped.

*Equity Awards.* In addition, the individual award agreements for the outstanding equity awards provide for special treatment upon termination of employment, including termination of employment during the two year period following a Change in Control.

- *Awards Granted Prior to October 12, 2011*. Other than in the case of a Change in Control, if an NEO is terminated without Cause, the NEO will continue to vest in unvested Stock Options for a period of one year from the date of termination. All other unvested Stock Options and all unvested RSUs and PSUs will be forfeited unless the NEO is retirement eligible, in which case all or a portion of the RSUs or Stock Options will vest and all or a portion of the PSUs will remain subject to the performance criteria and may vest upon the achievement of such performance criteria. With respect to Stock Options, the NEO will have 12 months following termination to exercise (or, for NEOs that are retirement eligible, 36 months), subject to the original term of the stock option.
- *Awards Granted On and After October 12, 2011*. Other than in the case of a Change in Control, if an NEO is terminated without Cause, the portion of Stock Options which would have vested within one year from the date of termination will immediately vest upon termination. All other unvested Stock Options and all unvested RSUs and PSUs will be forfeited unless the NEO is retirement eligible, in which case the RSUs or Stock Options will vest pro rata based on the number of full months of service completed from the date of grant through the termination date, and all or a portion of the PSUs will remain subject to the performance criteria and may vest upon the achievement of such performance criteria. With respect to Stock Options, the NEO will have 12 months following termination to exercise (or, for NEOs that are retirement eligible, 36 months), subject to the original term of the stock option.
- *Change in Control*. During the two year period following a Change in Control, if the NEO is terminated without Cause or has a Good Reason Resignation, all outstanding Stock Options and RSUs vest in full and all outstanding PSUs vest at the target level. Stock Options remain exercisable until the earlier of (i) the expiration of the remainder of their term and (ii) up to three years following the termination date.

The following table summarizes the severance benefits that would have been payable to each of our NEOs upon termination of employment or upon a qualifying termination in connection with a change in control, assuming that the triggering event or events occurred on September 27, 2013. Equity award amounts are calculated using a price of $41.26, which was the closing price of the Company's common stock on the NYSE on September 27, 2013.

| | Change in Control | | Other Termination | | | |
|---|---|---|---|---|---|---|
| **Name/Form of Compensation** | **Without Qualified Termination ($)** | **With Qualified Termination ($)** | **With Cause ($)** | **Without Cause ($)** | **Resignation/ Retirement ($)** | **Death or Disability ($)** |
| **Naren Gursahaney** | | | | | | |
| Cash Severance | — | 3,600,000 | — | 3,600,000 | — | — |
| Benefit & Perquisite Continuation | — | 20,545 | — | 20,545 | — | — |
| Accelerated Vesting of Equity Awards | — | 8,318,958 | — | 1,604,046 | — | 8,318,958 |
| Total | — | 11,939,503 | — | 5,224,591 | — | 8,318,958 |
| **Kathryn Mikells** [(1)] | | | | | | |
| Cash Severance | — | — | — | — | — | — |
| Benefit & Perquisite Continuation | — | — | — | — | — | — |
| Accelerated Vesting of Equity Awards | — | — | — | — | — | — |
| Total | — | — | — | — | — | — |
| **N. David Bleisch** | | | | | | |
| Cash Severance | — | 1,360,000 | — | 1,020,000 | — | — |
| Benefit & Perquisite Continuation | — | 20,545 | — | 20,545 | — | — |
| Accelerated Vesting of Equity Awards | — | 1,405,071 | — | 198,761 | — | 1,405,071 |
| Total | — | 2,785,616 | — | 1,239,306 | — | 1,405,071 |
| **Alan Ferber** | | | | | | |
| Cash Severance | — | 1,440,000 | — | 1,080,000 | — | — |
| Benefit & Perquisite Continuation | — | 26,935 | — | 26,935 | — | — |
| Accelerated Vesting of Equity Awards | — | 463,515 | — | — | — | 463,515 |
| Total | — | 1,930,450 | — | 1,106,935 | — | 463,515 |
| **Anita Graham** | | | | | | |
| Cash Severance | — | 1,344,000 | — | 1,008,000 | — | — |
| Benefit & Perquisite Continuation | — | 9,000 | — | 9,000 | — | — |
| Accelerated Vesting of Equity Awards | — | 1,375,702 | — | 129,612 | — | 1,375,702 |
| Total | — | 2,728,702 | — | 1,146,612 | — | 1,375,702 |

(1) *Ms. Mikells resigned from the Company effective May 2, 2013.*

# COMPENSATION OF NON-MANAGEMENT DIRECTORS

Compensation for our non-management directors consists of an annual cash retainer in the amount of $80,000 per year and an annual equity award of RSUs with a grant date fair value of approximately $120,000 and a one-year vesting term. In addition, the non-executive chairman of our Board of Directors receives an additional cash retainer in the amount of $150,000 per year, the chairs of the Audit Committee and Compensation Committee receive an additional cash retainer in the amount of $20,000 per year and the chair of the Nominating and Governance Committee receives an additional cash retainer in the amount of $15,000 per year.

The following table sets forth information concerning the fiscal year 2013 compensation paid to our non-management directors.

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) [1] | All Other Compensation ($) [2] | Total ($) |
|---|---|---|---|---|
| Thomas Colligan [3] | 100,000 | 180,060 | — | 280,060 |
| Timothy Donahue | 80,000 | 120,023 | 266 | 200,289 |
| Robert Dutkowsky [3] | 80,000 | 180,060 | — | 260,060 |
| Bruce Gordon | 245,000 | 120,023 | — | 365,023 |
| Bridgette Heller [3] | 80,000 | 180,060 | 950 | 261,010 |
| Kathleen Hyle [3] | 80,000 | 180,060 | 2,583 | 262,643 |
| Keith Meister [3][4] | 62,849 | 150,062 | — | 212,911 |
| Dinesh Paliwal | 100,000 | 120,023 | 480 | 220,503 |

*(1) This column reflects the fair value of the awards granted to our non-management directors calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718, excluding estimated forfeitures. The fair value of RSUs is computed by multiplying the total number of shares subject to the award by the closing price of the Company's common stock on the date of grant. RSUs granted to board members generally vest and the underlying units are converted to shares and delivered to board members on the first anniversary of the grant date. The value of DEUs granted in connection with dividends paid on the Company's common stock during fiscal year 2013 are excluded.*

*(2) This column reflects the value of the discount on security monitoring services provided by the Company, as well as the value of system installation, where applicable.*

*(3) The value of stock awards includes, in addition to the annual grant awarded to all directors in conjunction with the Company's Annual Meeting on March 14, 2013, the value of "stub grants" made to Messrs. Colligan, Dutkowsky and Meister, and to Mses. Heller and Hyle. These stub grants represented pro-rated grants covering the period from the date of their appointments to the Board until the Annual Meeting.*

*(4) Mr. Meister resigned from the Board of Directors on November 24, 2013.*

# AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors oversees ADT's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Audit Committee meets separately with management, the senior internal auditor, the independent auditors and the general counsel. The Audit Committee operates under a written charter approved by the Board of Directors, a copy of which is available on our website at *www.adt.com*. The charter, among other things, provides that the Audit Committee has direct responsibility to appoint, compensate, oversee, evaluate, and recommend termination when appropriate, the independent auditor. In this context, the Audit Committee:

- reviewed and discussed the audited financial statements in ADT's annual report on Form 10-K with management;
- reviewed with Deloitte & Touche LLP, ADT's independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality and acceptability of ADT's accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards;
- received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence;
- discussed with Deloitte & Touche LLP its independence from management and ADT and considered whether Deloitte & Touche LLP could also provide non-audit services without compromising the firm's independence;
- discussed with Deloitte & Touche LLP the matters required to be discussed by statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and
- discussed with ADT's internal auditors and Deloitte & Touche LLP the overall scope and plans for their respective audits, and then met with the internal auditors and Deloitte & Touche LLP, with and without management present, to discuss the results of their examinations, their evaluations of ADT's internal controls and the overall quality of ADT's financial reporting.

Based on the foregoing reviews and discussions, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended September 27, 2013 filed with the SEC.

Submitted by the Audit Committee of the Board of Directors:

Thomas Colligan (Chair)

Bridgette Heller

Kathleen Hyle

# PROPOSAL NUMBER TWO—RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is directly responsible for the appointment, compensation, oversight and evaluation of performance of the work of our independent registered public accounting firm. On January 9, 2014, the Audit Committee appointed the firm of Deloitte & Touche LLP ("D&T"), as the Company's independent registered public accounting firm to audit ADT's financial statements for the fiscal year ending September 26, 2014. The Audit Committee and the Board of Directors recommend that stockholders ratify the appointment of D&T as the Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal year ending September 26, 2014. Stockholder approval of the appointment of D&T is not required, but the Audit Committee and the Board of Directors are submitting the selection of D&T for ratification to obtain our stockholders' views. In the event the stockholders do not ratify the appointment of D&T as the independent auditors to audit our financial statements for fiscal year 2014, the Audit Committee and the Board of Directors will consider the voting results and evaluate whether to select a different independent auditor.

Representatives of D&T will attend the Annual Meeting and will be available to respond to appropriate questions. Although the audit firm has indicated that no statement will be made, an opportunity for a statement will be provided.

Set forth below are the aggregate audit and non-audit fees billed to the Company by D&T for fiscal years 2012 and 3013:

## Audit and Non-Audit Fees

| | 2012 (1) | 2013 |
|---|---|---|
| Audit Fees | $— | $2,837,000 |
| Audit Related Fees | — | 121,778 |
| Tax Fees | — | 499,545 |
| All Other Fees | — | 2,200 |
| Total: | — | 3,460,523 |

(1) *For the fiscal year ended September 28, 2012 (the date of our separation from Tyco), we did not pay any fees for professional services to Deloitte AG (Zurich), Deloitte & Touche LLP (United States) and their respective affiliates (collectively "Deloitte"). Prior to the Spin-off, (as defined under "Other Matters"), Tyco paid any audit, audit-related, tax and other fees of Deloitte, which amounts covered expenses associated with the separation of ADT into a stand-alone public company from Tyco.*

**Audit Fees:** These amounts represent fees of Deloitte & Touche LLP ("D&T") for the audit of our annual consolidated financial statements, the review of financial statements included in our quarterly Form 10-Q reports, the audit of internal control over financial reporting, and the services that an independent auditor would customarily provide in connection with regulatory filings and similar engagements for the fiscal year.

**Audit Related Fees:** Audit-related fees consist of fees billed for services performed by D&T that are reasonably related to the performance of the audit or review of the Company's financial statements.

**Tax Fees:** Tax fees consist of fees billed for professional services performed by D&T with respect to tax compliance and tax planning and advice.

**All Other Fees:** All Other Fees consist of permitted services other than those that meet the criteria above and primarily relate to accounting subscriptions.



## Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

The Audit Committee adopted a pre-approval policy that provides guidelines for the audit, audit-related, tax and other permissible non-audit services that may be provided by the independent auditors. The policy identifies the guiding principles that must be considered by the Audit Committee in approving services to ensure that the auditors' independence is not impaired.

Under the policy, the Audit Committee annually pre-approves the audit engagement fees and terms of all audit services to be provided by the independent auditor.

**The Audit Committee and the Board of Directors unanimously recommend that stockholders vote FOR the ratification of Deloitte & Touche LLP as our Independent Registered Public Accounting Firm.**

# PROPOSAL NUMBER THREE—NON-BINDING ADVISORY VOTE ON COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

We request our stockholders' non-binding advisory vote on the compensation of our named executive officers as disclosed in accordance with the SEC's rules in the section of this Proxy Statement under "Compensation of Executive Officers" on pages 22 to 42.

In considering their vote, stockholders should review with care that our compensation objectives, policies, practices and programs are designed to attract and retain the talent needed to align with the strategic mission of ADT and to drive financial performance and incentivize execution of our business strategy. Our compensation programs and practices are intended to reward our named executive officers for their performance in implementing our strategy to grow our business and create long-term stockholder value. We believe our programs effectively link executive pay to the financial performance of the Company while also aligning our named executive officers' interests with the interests of our stockholders.

We are seeking our stockholders' support for our executive officer compensation as detailed in this Proxy Statement. This proposal conforms to SEC requirements and seeks our stockholders' views on our executive compensation, compensation philosophy, pay principles and pay practices as described in this Proxy Statement. The advisory vote is non-binding and it will not be binding on the Board of Directors or obligate it to take any compensation actions, or to adjust our executive compensation programs or policies, as a result of the vote. However, the Board of Directors will take into account the outcome of the vote when considering future executive compensation decisions for executive officers.

**The Board of Directors unanimously recommends that stockholders support this proposal and vote FOR the following resolution:**

**"RESOLVED, that stockholders of The ADT Corporation (the "Company") approve, on an advisory basis, the executive compensation of the Company's named executive officers as disclosed within this Proxy Statement pursuant to the compensation disclosure rules of the Securities Exchange Act of 1934, as amended (Item 402 of Regulation S-K), which disclosure includes the Compensation Discussion and Analysis, the compensation tables and any related narrative discussion contained in this Proxy Statement."**

# OTHER MATTERS

## Certain Relationships and Related Party Transactions

On July 30, 2013, the Nominating and Governance Committee was informed that ADT Security Services Canada, Inc., a subsidiary of the Company ("ADTSS Canada") would be entering into a service contract for equipment, materials and services for approximately $16 million per year (the "Contract") with Tech Data Canada Corporation, a subsidiary of Tech Data Corporation ("Tech Data Canada"). The Contract was entered into on August 5, 2013. As previously stated, Mr. Dutkowsky is the Chief Executive Officer and a member of the board of directors of Tech Data Corporation. The Contract, including the payment for services, was analyzed under ADT's Guidelines for Related Party Transactions and determined to be a Type 1 matter since it is an arms-length transaction involving the purchase of products and services by ADTSS Canada from Tech Data Canada in the ordinary course of business for ADT's Canadian business operations. Pursuant to the analysis, the total annual amount of the Contract fell below the applicable thresholds and is deemed to be pre-approved by the Nominating and Governance Committee in accordance with the Guidelines for Related Party Transactions.

On September 28, 2012, ADT became an independent, publicly traded company as a result of Tyco's distribution, on a pro rata basis, of all of the shares of ADT to Tyco stockholders (the "Spin-off").

In order to govern certain ongoing relationships between the Company, Pentair and Tyco after the Spin-off and to provide mechanisms for an orderly transition, the Company, Pentair and Tyco have entered into the Pentair Separation and Distribution Agreement, the Company and Tyco have entered into the ADT Separation and Distribution Agreement and the Company, Tyco or Pentair, as applicable, have entered into other agreements pursuant to which certain services and rights are provided for following the Spin-off, and the Company, Pentair and Tyco have agreed to indemnify each other against certain liabilities arising from their respective businesses.

The following is a summary list of the material agreements we have entered into with Tyco and Pentair:

- transition services agreements with Tyco in connection with the transactions, including a master transition services agreement and an agreement governing the provision of services in Canada;
- a tax sharing agreement with Tyco and Pentair that governs the rights and obligations of the Company, Tyco and Pentair for certain pre-separation tax liabilities, including Tyco's obligations under the tax sharing agreement among Tyco, Covidien Ltd., and TE Connectivity Ltd. entered into in 2007;
- a non-income tax sharing agreement with Tyco that governs the respective rights, responsibilities and obligations of Tyco and the Company after the distributions with respect to tax returns, tax liabilities, tax contests and other tax matters regarding non-income taxes related to specified legal entities;
- a trademark agreement with Tyco in connection with the Spin-off that governs each party's use of certain trademarks;
- a patent agreement with Tyco in connection with the Spin-off under which Tyco agreed to provide to the Company and its affiliates with a release and covenant not to sue under Tyco and Affiliates'' pre-Spin-off patent portfolio (excluding certain patents from Tyco's businesses) for the continued manufacture, use and sale of pre-Spin-off products (and certain modifications thereof), whether manufactured internally or by the same pre-Spin-off suppliers;
- monitoring service agreements in the United States and Canada pursuant to which the Company and Tyco will each provide alarm receiving and notification and associated services for certain of each other's customers in the United States and Canada;
- guard services agreements in the United States and Canada pursuant to which the Company will provide alarm response and patrol services for Tyco's customers in certain parts of the United States and Tyco will provide such services for ADT's customers in certain parts of Canada;
- a master supply & purchasing agreement with Tyco to provide for the supply of Tyco products to the Company for installation at the Company's customer sites; and
- certain subleases where the Company and Tyco are physically co-located.

The foregoing is not a complete description of the terms of these agreements we have entered into with Tyco and Pentair. For further information about the terms of these agreements, please see our Form 10-K for the fiscal year ended September 27, 2013 filed with the SEC on November 20, 2013 and other periodic reports and registration statements that have been filed by the Company with the SEC.

## Registered and Principal Executive Offices

The registered and principal executive offices of The ADT Corporation are located at 1501 Yamato Road, Boca Raton, Florida 33431. The telephone number there is (561) 988-3600.

## Householding of Proxy Materials

SEC rules permit companies and intermediaries such as brokers to satisfy delivery requirements for Proxy Statements and notices with respect to two or more stockholders sharing the same address by delivering a single Proxy Statement or a single notice addressed to those stockholders. This process, which is commonly referred to as "householding," provides cost savings for companies. Some brokers household proxy materials, delivering a single Proxy Statement or notice to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement or notice, or if your household is receiving multiple copies of these documents and you wish to request that future deliveries be limited to a single copy, please notify your broker. You can request prompt delivery of a copy of the proxy materials by writing to: Broadridge, Attention Householding Dept., 51 Mercedes Way, Edgewood, NY 11711 or by calling 1-800-542-1061.

# INCORPORATION BY REFERENCE

The Report of the Compensation Committee and the Audit Committee Report are not deemed filed with the SEC and shall not be deemed incorporated by reference into any prior or future filings made by ADT under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that ADT specifically incorporates such information by reference. In addition, the website addresses contained in this Proxy Statement are intended to provide inactive, textual references only. The information on these websites is not part of this Proxy Statement.

# WEBSITE ACCESS TO REPORTS AND OTHER INFORMATION

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Proxy Statements, and other documents electronically with the SEC under the Exchange Act. You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800 SEC-0330. You may also obtain such reports from the SEC's website at www.sec.gov.

Our website is *www.adt.com*. We make available free of charge through the Investor Relations tab of our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Board Governance Principles, Board committee charters, and the ADT Code of Conduct are also available on our website. **We will provide, free of charge, a copy of any of our corporate documents listed above upon written request to our Corporate Secretary at The ADT Corporation, 1501 Yamato Road, Boca Raton, Florida 33431.**

By order of the Board of Directors,

N. David Bleisch
Senior Vice President, Chief Legal
Officer and Corporate Secretary

Boca Raton, Florida
January 27, 2014

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**

# FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
**For the fiscal year ended September 27, 2013**
**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: 001-35502**

# The ADT Corporation

**(Exact Name of Registrant as Specified in its Charter)**

| **Delaware** | **45-4517261** |
|---|---|
| **(State or Other Jurisdiction of Incorporation or Organization)** | **(IRS Employer Identification Number)** |

**1501 Yamato Road**
**Boca Raton, Florida, 33431**
**(Address of Principal Executive Offices, including Zip Code)**

**(561) 988-3600**
**(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 ☒ No ☐

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

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

Indicate by check mark whether the registrant has submitted electronically 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ |
| Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting company ☐ |

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of March 29, 2013 (based on the closing market price on the NYSE on March 28, 2013) was approximately $10,202,012,873 (determined by subtracting from the number of shares outstanding on that date the number of shares held by affiliates of the registrant).

The number of outstanding shares of the registrant's common stock, $0.01 par value, was 201,764,154 as of November 13, 2013.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement to be filed within 120 days after the end of the registrant's fiscal year covered by this Form 10-K in connection with the registrant's 2014 annual meeting of stockholders are incorporated by reference into Part III of this Form 10-K.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## TABLE OF CONTENTS


| | | Page |
|---|---|---|
| **Part I** | | |
| Item 1. | Business | 1 |
| Item 1A. | Risk Factors | 12 |
| Item 1B. | Unresolved Staff Comments | 31 |
| Item 2. | Properties | 31 |
| Item 3. | Legal Proceedings | 32 |
| Item 4. | Mine Safety Disclosures | 33 |
| **Part II** | | |
| Item 5. | Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 34 |
| Item 6. | Selected Financial Data | 37 |
| Item 7. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 38 |
| Item 7A. | Quantitative and Qualitative Disclosures About Market Risk | 54 |
| Item 8. | Financial Statements and Supplementary Data | 54 |
| Item 9. | Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 55 |
| Item 9A. | Controls and Procedures | 55 |
| Item 9B. | Other Information | 56 |
| **Part III** | | |
| Item 10. | Directors, Executive Officers and Corporate Governance | 57 |
| Item 11. | Executive Compensation | 57 |
| Item 12. | Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 57 |
| Item 13. | Certain Relationships and Related Transactions, and Director Independence | 58 |
| Item 14. | Principal Accountant Fees and Services | 58 |
| **Part IV** | | |
| Item 15. | Exhibits and Financial Statement Schedules | 59 |
| Signatures | | 60 |
| Index to Consolidated and Combined Financial Statements | | 61 |

[THIS PAGE INTENTIONALLY LEFT BLANK]

## PART I

### Item 1. Business.

### Overview

The ADT Corporation (hereinafter referred to as "we", the "Company" or "ADT") is a leading provider of electronic security, interactive home and business automation and related monitoring services in the United States and Canada. ADT has one of the most trusted and well-known brands in the security industry today. We currently serve approximately 6.5 million residential and small business customers, making us the largest company of our kind in both the United States and Canada. We deliver an integrated customer experience by maintaining the industry's largest sales, installation and service field force as well as a robust monitoring network, all backed by the support of approximately 17,000 employees. Our broad and pioneering set of products and services, including interactive home and business solutions and home health services, meet a range of customer needs for today's active and increasingly mobile lifestyles. We believe we are well positioned to continue to lead the large and growing residential and small business security market, and that our demonstrated expertise and established footprint will help us to become a leader in the evolving market for integrated security, home health monitoring, lifestyle and business productivity solutions.

We originated in 1874 as the American District Telegraph Company, a consortium of 57 telegraph operators. During the early part of the 20th century, we began offering fire and burglar alarm solutions. Over the years, we engaged in a variety of communications related activities and by 1987 had become one of the leading electronic security services providers. In 1997, we were acquired by Tyco International Ltd. ("Tyco"). In 2010, we acquired our largest competitor, Broadview Security.

The Company was incorporated in Delaware in 2012 as a wholly-owned subsidiary of Tyco. As part of a plan to separate Tyco into three independent companies, Tyco transferred the equity interests of the entities that held all of the assets and liabilities of its residential and small business security business in the United States and Canada to ADT. On September 28, 2012, Tyco distributed all of the shares of ADT to its shareholders on a pro-rata basis, thereby completing its spin-off of ADT (the "Separation") as an independent, publicly traded company.

We conduct business through our operating entities and report financial and operating information in one operating segment. For the year ended September 27, 2013, our revenue was $3.3 billion and our operating income was $735 million, and as of September 27, 2013, our total assets were $9.9 billion. Information about revenues and long-lived assets by geographic area is presented in Note 12 to the Consolidated and Combined Financial Statements. Unless otherwise indicated, references in this Annual Report on Form 10-K to 2013, 2012 and 2011 are to our fiscal years ended September 27, 2013, September 28, 2012 and September 30, 2011.

In order to optimize the financial performance of our business, we focus on several key business drivers, including customer additions, costs to add a new customer, average revenue per customer, costs incurred to provide services to customers and customer tenure. We believe we have a proven track record of successfully balancing these key business drivers to optimize our returns. We use a structured customer acquisition process designed to generate new customers with attractive characteristics, high adoption of automatic payment methods and strong credit scores, which we believe results in long average customer tenure.

The majority of the monitoring and home/business automation services and a large portion of the maintenance services we provide to our customers are governed by multi-year contracts with automatic renewal provisions. This provides us with significant recurring revenue, which for the year ended September 27, 2013, was approximately 92% of our revenue. We believe that the recurring nature of the majority of our revenue, combined with our large customer base and increasing average revenue per customer, enables us to invest continuously in growing and optimizing our business. This includes investments in technologies to further enhance the attractiveness of our solutions to current and potential customers, to continue development and

training to enable our direct sales, installation, customer service and field service personnel to more effectively deliver exceptional service to our customers, to expand our dealer and partner network and to make continued enhancements to operations efficiency.

We intend to achieve sustained, profitable growth in the markets we serve today, as well as in adjacent markets, by executing against strategies that leverage our key assets and core competencies. Where appropriate, we will supplement our organic growth efforts with complementary acquisitions, leveraging our experience in effectively integrating acquired businesses.

We will continue to manage our business by optimizing the key business drivers noted above to maximize the value from our residential customers. We also believe there is significant opportunity to increase our share of the monitored security and premises automation market for small businesses. Therefore, we intend to grow our share of small business customers by continuing to expand our small business field sales force and strengthening our small business marketing support to build a larger, more robust partner network and to assist in marketing additional value-added services, including ADT Pulse™, our remote monitoring and home automation system.

Additionally, we believe monitored security and home/business automation services remain underpenetrated in North American households. The number of U.S. households with monitored electronic security systems continues to be significantly lower than those with other home services such as video and Internet. We intend to increase penetration of security and automation services through the development of new solutions and enhanced offerings that attract new customers to enter the market. In addition, through our efficient operating model and potentially lower technology costs over time, we believe we can significantly reduce the cost of basic installation and services, opening up the potential for a much larger portion of households and businesses to purchase monitored security and home automation services.

**Brands and Services**

Our key brands are ADT®, ADT Pulse™ and Companion Service®. We believe our brands are some of the most respected, trusted and well-known brands in the electronic security industry. The strength of our brands is built upon our long-standing record of providing quality, reliable electronic security services. Due to the importance that customers place on reputation and trust when purchasing home and small business security and automation services, we believe the strength of our brand is a key contributor to our success.

Our electronic security and home/business automation offerings involve the installation and monitoring of residential and small business security and premises automation systems designed to detect intrusion, control access and react to movement, smoke, carbon monoxide, flooding, temperature and other environmental conditions and hazards, as well as to address personal emergencies, such as injuries, medical emergencies or incapacitation. We believe the breadth of our solutions allows us to meet a wide variety of customer needs. Our electronic security systems connect, upon the occurrence of a triggering event, to one of our state-of-the-art monitoring centers. Depending upon the type of service contract and the response specified by the customer, our monitoring center personnel respond to alarms by relaying appropriate information to local fire or police departments and notifying the customer or others on the customer's emergency contact list. Additional action may be taken by call center associates as needed, depending on the specific situation and recorded customer preferences.

Through the introduction of ADT Pulse in 2010, we pioneered interactive technologies that allow our customers to remotely monitor and manage their homes and small business environments through their electronic security systems. Depending on the service plan that they purchase and the type and level of product installation, customers can remotely access information regarding the security of their home or business, arm and disarm their security system, adjust lighting or thermostat levels or view real-time video from cameras covering different areas of their premises, all via secure access from web-enabled devices (such as smart phones, laptops and tablet computers) and a customized web portal. ADT Pulse also allows customers to create customized schedules and

automation for managing lights, thermostats and appliances, and can be programmed to perform certain functions, such as recording and viewing live video and sending text messages, based on triggering events.

Many of our customers are driven to purchase monitored security as a result of a perceived or actual increase in crime or other life safety concerns in their neighborhood, such as a break-in or fire nearby, or as a result of a move to a new home and/or neighborhood. These life events tend to heighten interest in solutions which can enhance safety and security and provide customers with greater peace of mind. We believe many of our customers purchase security systems and monitoring services as a result of encouragement by their insurance carriers, who offer lower insurance premium rates if a security system is installed or may require that a system be installed as a condition of coverage.

The majority of our customers use standard land-line telephone service as the primary communication method for alarm signals from their sites. However, as the use of land-line telephone service has decreased, the ability to provide alternative communication methods from a customer's control panel to our central monitoring stations has become increasingly important. We currently offer a variety of alternate and back-up alarm transmission methods including cellular, digital radio and broadband Internet.

Under our Companion Services brand, we provide monitoring center supported personal emergency response system ("PERS") products and services which leverage our safety monitoring infrastructure to provide customers with solutions that help sustain independent living, encourage better self-care activities and improve communication of critical health information. Our core PERS offering consists of a console unit and a wireless transmitter generally worn as a necklace or wristband by the client. In the event of an emergency, the transmitter allows the client to summon assistance via a two-way voice system that connects the client's home telephone with our emergency response center, where dedicated PERS monitoring specialists relay information to the appropriate local emergency responder, including police and fire departments. We offer customers the option to install the PERS unit themselves or to have one of our trained field staff perform the unit set-up.

In addition to monitoring services, we provide technical services to our customer base for routine maintenance and the installation of upgraded or additional equipment. Approximately 75% of our customer base is enrolled in a service plan which generates incremental recurring monthly revenue. Purchasers of our electronic security and home/business automation systems typically contract for ongoing system monitoring and maintenance at the time of initial equipment installation.

Most of the monitoring services and a large portion of the maintenance services that we provide to our customers are governed by multi-year contracts with automatic renewal provisions that provide us with recurring monthly revenue. Under our typical service agreement, the customer pays the initial installation fee and is then obligated to make monthly payments for the remainder of the initial contract term. The standard agreement term is three years (two years in California), with automatic renewals for successive 30-day periods unless canceled by either party. 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 charge from the customer in an amount equal to a percentage of all remaining monthly payments. Monitoring services are generally billed monthly or quarterly in advance. More than half of our customers pay us through automated payment methods, with a significantly higher percentage of new customers opting for these payment methods. We periodically adjust the standard monthly monitoring rate charged to new and existing customers.



**Customers and Marketing**

We serve approximately 6.5 million residential and small business customers throughout the United States and Canada. Our residential customers are typically owners of single-family homes, while our small business customers include, among others, retail businesses, small-scale commercial facilities and offices of professional service providers and similar businesses. We manage our existing customer base to maximize customer lifetime value, which includes continually evaluating our pricing and service strategies, managing our costs to provide

service to customers and achieving long customer tenure. Our ability to increase average revenue per customer is derived from, and largely dependent on, our continued introduction of additional features and services that increase the value of our offerings to customers.

To support the growth of our customer base and to improve awareness of our brands, we market our electronic security and home/business automation systems and services through national television advertisements, Internet advertising, including paid search, yellow pages, direct mail and social media tools. We continually work to optimize our marketing spend through a lead modeling process whereby we flex and shift our spending based on lead flow and measured marketing channel effectiveness. We utilize a variety of third-party referral providers who generate leads and sales referrals for both our direct sales team and our authorized dealers. Our partner lead generation methods include agreements with affinity organizations such as USAA and AARP, third-party referral companies and, in some instances, co-branding arrangements.

We are constantly trialing new customer lead methods and channels in an effort to increase our customer base and drive greater penetration within homes and small businesses without sacrificing customer quality. We continually explore opportunities to provide ADT-branded solutions through additional third parties, including telecommunications companies, broadband and cable companies, retailers and public and private utilities.

**Sales and Distribution Channels**

We utilize a network of complementary distribution channels that includes a mix of direct and indirect. In fiscal year 2013, we generated almost 60% of our new customers through our internal sales force, including our phone and field teams, supported by our direct response marketing efforts. We generated our remaining new customers in fiscal year 2013 through our authorized dealer program and, to a small 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, sometimes including competitors.

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 close a sale over the phone if appropriate, while balancing the opportunity for up-sales and customer education that occurs when a sales representative works with the customer in their home or business to fully understand their individual needs. When the sale is best handled in the customer's home or business, the sales center associate can schedule a field sales consultant appointment in real-time.



Our field sales force of approximately 3,900 sales consultants generates sales from residential and small business customers through company generated leads and leads generated by our field sales force as well as customer referrals and other lead "self-generation" methods. Our field sales consultants undergo an in-depth screening process prior to hire. Each 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, weekly monitoring of sales activity and effectiveness metrics and regular coaching by our sales management teams.

Our extensive dealer network, which consists of approximately 350 authorized dealers operating across the United States and Canada, extends our reach by aligning us with select independent security sales and installation companies. These authorized dealers agree to exclusivity with us for security related services. We train and monitor each dealer to help ensure the 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 company-owned field offices. We provide dealers with a full range of services designed to assist them in all aspects of their business.

Typically, our authorized dealers are contractually obligated to offer exclusively to us all qualified security services accounts they generate, but we are not obligated to accept these accounts. We pay our authorized dealers for the services they provide in generating qualified monitored accounts. In those instances when we reject an account, we generally still provide monitoring services for that account by means of 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 (two years in California) with automatic renewals for successive 30-day periods unless canceled by either party. If an accepted security services account is canceled during an initial guarantee period, generally twelve to fifteen months, the dealer is required to provide an account with equivalent economic characteristics or to refund our payment for their services for generating the account.

Additions to our customer base typically require an upfront investment, consisting primarily of direct materials and labor to install the security and home/business automation systems, direct sales costs, indirect sales costs, marketing costs and administrative costs related to installation activities. The economics of our installation business varies slightly depending on the customer acquisition channel. We operate our business with the goal of retaining customers for long periods of time in order to recoup our initial investment in new customers, achieving cash flow break-even in approximately three years.

**Field Operations**

We serve our customer base from approximately 200 sales and service offices located throughout the United States and Canada. From these locations our staff of approximately 4,300 installation and service technicians provides security and home/business automation system installations and field 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 maintain the relevant and necessary licenses related to the provision of installation and security and related services in the jurisdictions in which we operate.

**Monitoring Facilities and Support Services**

We operate eight redundant monitoring facilities located across the United States and Canada. We employ approximately 4,000 monitoring center customer care professionals, who are required to complete extensive initial training and receive ongoing training and coaching. All of our monitoring facilities are listed by Underwriters Laboratories, Inc. ("U.L.") as protective signaling services stations. 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 facilities. In addition, a U.L. listing is required by insurers of certain customers as a condition of insurance coverage. In the event of an emergency at one of our monitoring facilities (e.g., fire, tornado, major interruption in telephone or computer service or any other event affecting the functionality of the facility), all monitoring operations can be automatically transferred to another monitoring facility. All of our monitoring facilities operate 24 hours a day on a year-round basis.

**Customer Care**

We maintain a service culture aimed at "Creating Customers for Life" because developing customer loyalty and continually increasing customer tenure is an important value driver for our business. To maintain our high standard of customer service, we provide ongoing high quality training to call center and field employees and to dealer personnel. We also continually measure and monitor key operating and financial metrics, including customer satisfaction oriented metrics across each customer touch point.

Customer care specialists answer non-emergency inquiries regarding service, billing and alarm testing and support. Our monitoring centers provide customers with telephone and Internet coverage 24 hours a day on a year-round basis. To ensure that 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 related to security and home/business automation systems and in many cases are able to remotely resolve customer concerns. We continue to implement new customer self-service tools via interactive voice response systems and the Internet, which will provide 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 center at levels we believe sufficient to meet current and anticipated customer needs. We also maintain minimal inventories of equipment and components at each field office. Generally our third-party distributors maintain safety stock of certain key items to cover any minor supply chain disruptions. We also utilize dual sourcing methods to minimize the risk of a disruption from a single supplier. We do not anticipate any major interruptions in our supply chain.

**Industry and Competition**

We believe the primary factors driving industry growth include heightened concerns about crime, especially for an aging population that is increasingly concerned about security related to break-ins and theft of high-value items. We believe that a combination of increasing customer interest in lifestyle and business productivity and technology advancements, which are decreasing the cost of Internet Protocol-enabled security equipment, will support the increasing penetration of interactive services and home/business automation.

The security systems market in the United States and Canada is 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 wholesale monitoring (whereby smaller companies outsource their monitoring to operations that provide monitoring services but do not maintain the customer relationship). We believe that our principal competitors within the residential and small business security systems market are Protection One, Inc., Monitronics International, Inc. and Vivint, Inc.

Success in acquiring new customers in the residential and small business security and home/business automation markets is dependent on a variety of factors, including company 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 value of the solutions and service. Rather than compete purely on price, we emphasize the quality of our electronic security and home/business automation services, the reputation of our industry leading brands and our knowledge of customer needs, which together allow us to deliver an outstanding customer experience. In addition, we are increasingly offering added features and functionality, such as those in our ADT Pulse interactive services offering, which provide new services and capabilities that serve to further differentiate our offering and support a pricing premium.

We face new competition from competitors such as cable and telecommunications companies in the interactive services and home automation space. However, we believe our robust field sales force, including 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 fully redundant monitoring centers, our reliable product solutions and our highly skilled installation and service organization position us well to compete with these new competitors.

The market leader in the PERS space is Phillips/Lifeline. We believe we have the opportunity to enhance our position in this segment, and that as the demographics of the United States and Canada continue to change towards an increasingly older population, the market is poised to experience significant growth.

## Seasonality

Our business experiences a certain level of seasonality. Because more household moves take place during the second and third calendar quarters of each year, our disconnect rate is 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 investment in new subscribers; however, other factors, such as the level of marketing expense, can offset any seasonality effects. In addition, due to weather related incidences during the summer months, we may see increased servicing costs related to higher alarm signals and customer service requests as a result of customer power outages and related issues.

## Intellectual Property

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

We own a portfolio of patents that relate to a variety of security and home/business automation technologies utilized in our business, including security panels and sensors and video and information management solutions. We also own a portfolio of trademarks, including ADT®, ADT Pulse™, ADT *Always There*®, Companion Service® and Creating Customers for Life®, and are a licensee of various patents and trademarks, including from our third-party suppliers and technology partners. Due to the importance that customers place on reputation and trust when making a decision on a security provider, our brand is critical to our business. 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 dependent upon national laws and use of the marks.

## Government Regulation and Other Regulatory Matters

Our operations are subject to numerous federal, state and local laws and regulations in the United States and Canada in areas such as consumer protection, government contracts, trade, environmental protection, labor and employment, tax, licensing and others. For example, in the United States, most states in which we operate have licensing laws directed specifically toward the alarm industry. In certain jurisdictions, we must obtain licenses or permits in order to comply with standards governing employee selection, training and business conduct.

We also currently rely extensively upon the use of wireline and wireless telecommunications to communicate signals, and wireline and wireless telephone companies in the United States are regulated by federal, state and local governments. The U.S. Federal Communications Commission ("FCC") and state public utilities commissions regulate the operation and use of wireless telephone and radio frequencies. 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, including cellular, digital radio and broadband Internet technologies. Our advertising and sales practices are regulated by the U.S. Federal Trade Commission ("FTC") and state 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.

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 alarm 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.

The alarm industry is also subject to requirements, codes and standards imposed by various insurance, approval and listing and standards organizations. Depending upon the type of customer, security service provided and requirements of the applicable local governmental jurisdiction, adherence to the requirements, codes and standards of such organizations is mandatory in some instances and voluntary in others.

Changes in laws and regulations can affect our operations, both positively and negatively, and impact the manner in which we conduct our business.

**Employees**

As of September 27, 2013, we employed approximately 17,000 people. Approximately 12% of our employees are covered by collective bargaining agreements. We believe that our relations with our employees and labor unions are good.

**Available Information**

ADT is required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). Investors may read and copy any document that ADT files, including this Annual Report on Form 10-K, at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, DC 20549. Investors may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, from which investors can electronically access ADT's SEC filings.

We maintain a web site at www.adt.com. We make available free of charge on or through our web site 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 filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. In addition, we have posted the charters for our Audit Committee, Compensation Committee, and Nominating and Governance Committee, as well as our Board Governance Principles and Code of Conduct, on our web site under the heading "Corporate Governance."



**Executive Officers of the Registrant**

The following information is provided regarding the executive officers of ADT. Information with respect to our directors is incorporated by reference to information included in the Proxy Statement for our 2014 Annual Meeting of Stockholders.

***David Bleisch—54***

Mr. Bleisch is the Company's Senior Vice President, Chief Legal Officer and Corporate Secretary. Prior to the separation from Tyco in September 2012, he served as Vice President and General Counsel of Tyco's ADT North American Residential business segment. Prior to the restructuring of the segment in fiscal year 2012, Mr. Bleisch was the Vice President and General Counsel of Tyco Security Solutions, the largest segment of Tyco. He also managed the intellectual property legal group for all of Tyco's operating segments worldwide. Mr. Bleisch joined Tyco in 2005 as Vice President and General Counsel of ADT North America and Deputy General Counsel of Tyco Fire & Security. Prior to joining Tyco, he was Senior Vice President, General Counsel and Corporate Secretary of The LTV Corporation in Cleveland, Ohio. Prior to joining LTV, Mr. Bleisch was a

partner in the law firm of Jackson Walker LLP, where he served as a corporate transactional attorney before transitioning to commercial trial work. He holds a Bachelor of Arts from Carleton College and a Juris Doctor from Boston College Law School. He is a member of the State Bar of Texas.

***Don Boerema—56***

Mr. Boerema is the Company's Senior Vice President and Chief Corporate Development Officer. He leads the Health Business and is responsible for driving growth and enhancing customer experience for ADT's health services. He also directs ADT's corporate strategy, market and business development, and mergers and acquisitions. Prior to the separation from Tyco in September 2012, Mr. Boerema served as Chief Marketing Officer for Tyco's ADT North American Residential and Commercial business segments, overseeing all strategic marketing and communications and leading all advertising and online interactive marketing initiatives across ADT North America. Prior to joining ADT in November 2007, he served as President and Chief Operating Officer for FDN Communications, a privately held telecommunications company, where he was responsible for all aspects of sales, marketing, network operations engineering and customer care. Mr. Boerema also served as Senior Vice President of Business Solutions for AT&T Wireless and led sales and marketing for a division of McCaw Cellular Communications. Before joining McCaw, he held management positions with PepsiCo, Inc. and began his career at The Procter & Gamble Company. Mr. Boerema holds a Bachelor of Science in Marketing and Finance and a Master of Business Administration from Eastern Illinois University.

***Mark Edoff—55***

Mr. Edoff is the Company's Senior Vice President of Business Operations Optimization. He is responsible for increasing efficiency and driving overall business process improvements in the organization. Prior to the separation from Tyco in September 2012, Mr. Edoff served as Vice President and Chief Financial Officer of Tyco Security Solutions from October 2010 until the restructuring of the segment in fiscal year 2012. He joined Tyco in 2003 as Vice President and Corporate Controller for the former Tyco Fire & Security business. In 2004 Mr. Edoff assumed the role of Chief Financial Officer for ADT North America, which included responsibility for the combined residential and commercial security business. Previously, he served as the Director of Finance and Principal Accounting Officer for The Gillette Company. Before joining Gillette, he had a 15-year career with KPMG, where he was a Partner in the Assurance practice. Mr. Edoff holds a Bachelor of Science in Business Administration from Northeastern University and is a Certified Public Accountant.

***Alan Ferber—46***

Mr. Ferber was appointed the Company's President of the Residential Business in October 2013. He is responsible for driving growth in the residential market through marketing, sales and exceptional customer service. He joined ADT in April 2013 as Senior Vice President and Chief Customer Officer, responsible for developing strategies and executing programs designed to create and sustain a superior experience for ADT customers. Previously, Mr. Ferber served as Chief Strategy and Brand Officer at U.S. Cellular. During his 11-year career with U.S. Cellular, he held various senior leadership roles in sales, marketing and operations, including Executive Vice President of Operations, Chief Marketing Officer and Vice President of Marketing and Sales Operations. He joined U.S. Cellular from Traq Wireless, a start-up management software and service provider he co-founded and built into a 100-employee, venture capital-backed company. Earlier in his career, Mr. Ferber held positions with Ameritech Corporation and First Chicago Corporation (now part of JPMorgan Chase & Co.). He holds a Bachelor of Arts from the University of Michigan and a Master of Business Administration from Northwestern University's Kellogg School of Management.

***Michael Geltzeiler—55***

Mr. Geltzeiler was appointed the Company's Senior Vice President and Chief Financial Officer in November 2013. He is responsible for all aspects of finance, treasury and investor relations and ADT's financial strategy to help grow its business operations and create shareholder value. Before joining ADT, Mr. Geltzeiler

served as Chief Financial Officer and Group Executive Vice President at NYSE Euronext. From 2001 to 2008, he was an executive at the Reader's Digest Association, as Chief Financial Officer for six years, then as President of School and Educational Services. Previously, he served in financial leadership roles at ACNielsen Corporation, including Chief Financial Officer of Marketing Services and Corporate Controller and Chief Financial Officer, EMEA Region; and in a variety of senior finance positions both in the U.S. and abroad for Dun & Bradstreet. Mr. Geltzeiler holds a Bachelor of Science in Accounting from the University of Delaware, a Master of Business Administration in Finance from New York University's Stern School of Business, and a CPA certification in the State of New York.

***Anita Graham—42***

Ms. Graham is the Company's Senior Vice President and Chief Human Resources and Administrative Officer. She is responsible for all aspects of the Company's human resources and talent development areas, as well as its environmental, health, safety and wellness functions. Prior to the separation from Tyco in September 2012, Ms. Graham served as Vice President of Human Resources for Tyco's ADT North American Residential business segment. She joined ADT in March 2011 as Vice President of Human Resources for Tyco Security Solutions. Previously, Ms. Graham served as Executive Vice President, Global Human Resources and then as Executive Vice President, Chief Administrative Officer at Shire Pharmaceuticals. In the latter role, she was responsible for a broad range of functions including human resources, information technology, corporate communications, procurement, real estate, safety and corporate security. Previously, Ms. Graham held executive leadership roles in several life science companies. She began her career in the insurance and investment management industry, where she held various global human resources leadership roles. She holds a Bachelor of Science in Industrial and Labor Relations from Cornell University and a Master of Business Administration from New York University.

***Naren Gursahaney—51***

Mr. Gursahaney is the Company's President and Chief Executive Officer. He also serves as a member of the Company's Board of Directors. Prior to the separation from Tyco in September 2012, Mr. Gursahaney served as President of Tyco's ADT North American Residential business segment. Prior to the restructuring of the segment in fiscal year 2012, he was the President of Tyco Security Solutions, the world's largest electronic security provider to residential, commercial, industrial and governmental customers and the largest operating segment of Tyco. Mr. Gursahaney joined Tyco in 2003 as Senior Vice President of Operational Excellence. He then served as President of Tyco Engineered Products and Services and President of Tyco Flow Control. Prior to joining Tyco, Mr. Gursahaney was President and Chief Executive Officer of GE Medical Systems Asia, where he was responsible for the company's $1.6 billion sales and services business in the Asia-Pacific region. During his 10-year career with GE, Mr. Gursahaney held senior leadership roles in services, marketing and information management. His career also includes positions with Booz Allen & Hamilton and Westinghouse Electric Corporation. Mr. Gursahaney holds a Bachelor of Science in Mechanical Engineering from The Pennsylvania State University and a Master of Business Administration from the University of Virginia.



***Shawn Lucht—47***

Mr. Lucht was appointed the Company's Senior Vice President and Chief Customer Officer in October 2013. He is responsible for the organization's strategy and programs to deliver a superior customer experience, including customer care, monitoring, centralized field support and e-services. He previously served as the Company's Senior Vice President of Operations, overseeing critical customer-facing functions including installation, service, field administration, customer care, monitoring and e-services. Prior to the separation from Tyco in September 2012, Mr. Lucht served as the Group Vice President of Operations for Tyco's ADT North American Residential business segment. He joined ADT in 2010 as part of the Broadview Security acquisition. During his career with ADT and Broadview, Mr. Lucht has held a variety of senior leadership positions including

Executive Vice President of Operations and Senior Vice President for Strategy and Corporate Development at Broadview Security (formerly Brinks Home Security). He holds both a Bachelor of Business Administration and a Master of Business Administration from The University of Texas at Arlington.

***Kathleen McLean—53***

Ms. McLean was appointed the Company's Senior Vice President and Chief Information Officer in June 2013. She is responsible for developing and executing ADT's information technology strategy in support of its product development and business operations. Ms. McLean has more than 30 years of business and strategic technology leadership experience, including service with world-leading consulting and telecommunications corporations. Before joining ADT, she served as Executive Vice President, Chief Revenue Officer and Chief Information Officer at FairPoint Communications, Inc. where, as a member of the executive committee, she was responsible for systems stability, operational excellence and revenue growth. Prior to FairPoint Communications, Inc., she spent nearly 12 years in several leadership positions at Verizon Communications, Inc., implementing people, process and systems strategies to improve operating performance and customer service across all sectors of the company. Earlier in her career, Ms. McLean worked for American Management Systems, Inc. (now part of CGI Group, Inc.) in leadership positions culminating as Vice President in the Telecom Industry Group. She holds a Bachelor of Science in International Economics from Georgetown University.

***Luis Orbegoso—43***

Mr. Orbegoso was appointed the Company's President of Small Business in October 2013. He is responsible for developing and executing ADT's strategy to grow the Company's share of security and automation customers in the small business market. Mr. Orbegoso joined ADT in May 2013 as Senior Vice President of Small Business from United Technologies Corporation ("UTC") Climate, Controls & Security, where he served as President of the Global Fire Detection and Alarm segment. He previously served as President of Lenel Systems International, a division of UTC's Fire and Security segment. Prior to joining UTC in 2008, Mr. Orbegoso spent 13 years with General Electric in a variety of sales, marketing and general management roles, culminating as Chief Marketing Officer of GE Equipment Services. He holds a Bachelor of Science in Mechanical Engineering from the University of Cincinnati and a Master of Business Administration from Northwestern University's Kellogg School of Management.

***Arthur Orduña—48***

Mr. Orduña is the Company's Senior Vice President and Chief Innovation Officer, leading the Company's vision for innovation and product development. He is responsible for building the strategic roadmap for new and existing solutions, defining product architecture and positioning ADT as a partner of choice for key technology companies. Prior to joining ADT in October 2012, he worked for Canoe Ventures, LLC, a joint venture founded by the top six U.S. cable companies, first serving as Chief Technology Officer then Chief Product Officer. He was responsible for building a national data and interactive services platform, developing product and technology strategies, and launching new applications and services with key partners including Comcast Cable, NBC-Universal, Time Warner Cable and Cox Communications. Prior to Canoe Ventures, Mr. Orduña was Senior Vice President of Policy & Product for Advance/Newhouse—Bright House Networks. Earlier in his career, he served as Vice President of Product & Marketing for Canal+ Technology U.S./Vivendi-Universal, and also Vice President of Product & Marketing for Integrated Systems Inc./Diab-SDS before its acquisition by Wind River Systems/Intel. He holds a Bachelor of Arts from Cornell University.

***Tony Wells—49***

Mr. Wells was appointed the Company's Senior Vice President and Chief Marketing Officer in May 2013. He is responsible for promoting and protecting the brand as well as overseeing advertising and corporate communications, pricing, product marketing and consumer marketing. He previously served as the Company's

Senior Vice President and Chief Marketing and Customer Officer. Before the separation from Tyco in September 2012, Mr. Wells was Chief Marketing and Customer Officer of Tyco's ADT North American Residential business segment. Before joining ADT in May 2012, he served as Executive Vice President and Chief Marketing Officer for 24 Hour Fitness, overseeing all marketing communications, public relations, 24hourfitness.com, member services and retail products and services. Prior to joining 24 Hour Fitness in 2007, Mr. Wells held leadership roles at Visa USA, including Vice President, Client Services and Vice President, Partnership Marketing. He also served in various sales and marketing positions with Interpublic Group of Companies (IPG), Clear Channel, The Mills Corporation and Nissan North America. A former Marine infantry officer, Mr. Wells holds a Bachelor of Science in Physical Science from the United States Naval Academy and a management certificate from Johns Hopkins University.

## 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 our 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 before investing in our securities. Our business may also be adversely affected by risks and uncertainties that are not presently known to us or risks that we currently deem immaterial. The following risk factors should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated and combined financial statements and related notes in this report.*

### Risks Relating to Our Business

***We sell our products and services in highly competitive markets, which results in pressure on our profit margins and limits our ability to maintain or increase the market share of our products and services.***

The monitored security alarm 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 significant 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 are expanding into the monitored security alarm industry and are bundling their existing offerings with monitored security services. In some instances, it appears that the monitored security services component of such bundled offerings is significantly underpriced and, in effect, subsidized by the rates charged for the other services offered by these companies. These pricing alternatives may influence customers' desire to subscribe to our services at rates and fees we consider appropriate. In many cases we face competition for direct sales from our 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 major security companies. We also face potential competition from improvements in self-monitoring systems, which enable customers to monitor their home environment without third-party involvement through the Internet, text messages, emails or similar communications, but with the disadvantage that alarm events may go unnoticed. It is possible that one or more of our competitors could develop a significant technical 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 or improvements in technology and shifts in customer preferences towards self-monitoring could adversely impact our customer base or pricing structure and have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Expiration of non-competition agreements will allow the entry of potential competitors with deep knowledge of our business.***

We acquired Broadview Security in 2010. In connection with the separation of Broadview Security from The Brink's Company in 2008 (the "Broadview Spin-Off"), Broadview Security and The Brink's Company entered into a non-competition and non-solicitation agreement pursuant to which The Brink's Company agreed

not to compete with Broadview Security in the United States, Puerto Rico and Canada with respect to the security alarm systems or personal emergency response systems businesses for a period of five years from the date of the Broadview Spin-Off. Following the expiration of the non-competition and non-solicitation agreement in October 2013, The Brink's Company is free to directly pursue competitive activities in these businesses and to license the Brink's brand to other existing or potential competitors in these businesses. In addition, although the Separation and Distribution Agreement with Tyco that we entered into in connection with the Separation ("2012 Separation and Distribution Agreement") includes non-competition provisions, the non-competition provisions will expire on September 29, 2014, with respect to certain facilities no longer shared between ADT and Tyco, at which time, Tyco will be free to compete with us in the residential and small business security market. Such competitive activities could have a material adverse effect on our business, financial condition, results of operations and cash flows. However, where ADT and Tyco continue to co-locate in the same office space beyond September 29, 2014, those offices continue to be bound by the non-competition provisions.

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

Our brand name is critical to our success. Unauthorized use of our brand name by third parties may adversely affect our business and reputation, including the perceived quality and reliability of our products. 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 name. Despite our precautions, we cannot provide assurance that those procedures are sufficiently effective to protect against unauthorized third-party use of our brand name. In particular, in recent years various third parties have used the ADT® brand name to engage in fraudulent activities, including inducing customers to switch monitoring service providers, generating leads for competitors and obtaining personal financial information. We may not be successful in investigating, preventing or prosecuting unauthorized third-party use of our brand name. Future litigation with respect to such unauthorized use could also result in substantial costs and diversion of our resources. These factors could adversely affect our reputation, business, financial condition, results of operations and cash flows.

***We do not own the right to use certain of our trademarks, including the ADT® brand name, outside of the United States and Canada.***

Following the Separation, Tyco owns the ADT® brand name outside of the United States and Canada. Therefore, in order to expand our business outside the United States and Canada, we would need to either acquire or otherwise license the ADT® brand name from Tyco (to the extent not already used by Tyco in the applicable jurisdictions(s)) or use an alternative brand name. This would put us at a distinct competitive disadvantage. Development of a new brand outside the United States and Canada could be costly and would also require us to market other brands as superior alternatives to the ADT® brand, which could undermine its value among customers within the United States and Canadian residential and small business security markets. These factors may make it difficult for us to develop a business outside of the United States and Canada. These factors also expose us to the risk that the ADT® brand name could suffer reputational damage or devaluation for reasons outside of our control, including Tyco's business conduct outside of the United States and Canada. Any of these factors may materially and adversely affect our business, financial condition, results of operations and cash flows.

***Infringement of our intellectual property rights could negatively affect us.***

We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect our proprietary rights. We cannot guarantee, however, that the steps we have taken to protect our intellectual property will be adequate to prevent infringement of our rights or misappropriation of our 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 United States 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 trade secrets and know-how related to the design, manufacture or operation of our products. 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 trade secrets and manufacturing expertise. If we fail to successfully enforce our intellectual property rights, our competitive position could suffer, which could adversely affect our business, financial condition, results of operations and cash flows.

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

We may be subject to claims of intellectual property infringement rights by third parties. In particular, as our services have expanded into areas more heavily populated by intellectual property, 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 enforcing 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, including a Patent Agreement with Tyco covering the manufacture, use and sale of pre-separation products. Notwithstanding these arrangements, we could be at risk for infringement claims from third parties, including Tyco. Although the Patent Agreement generally includes a covenant by Tyco not to sue us for products and services in existence as of the distribution date that may infringe Tyco patents, it does not protect us from infringement claims for future product or service expansions, or if we change third-party product suppliers or if an alleged infringement involves certain patents. In general, if a court determines that one or more of our services infringes on intellectual property 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 to take other actions to avoid infringing the intellectual property. 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.



***Failure to maintain the security of our information and technology networks, including personally identifiable and other information could adversely affect us.***

We are dependent on information technology networks and systems, including Internet and Internet-based or "cloud" computing services, to process, transmit and store electronic information. In the normal course of our business, we or our partners collect and retain significant volumes of certain types of personally identifiable and other information pertaining to our customers and employees, including video images of customer sites. In addition, Tyco has, and may continue to have access to information concerning our customers as a result of our transition services arrangements with Tyco.

The legal, regulatory and contractual environment surrounding information security and privacy is constantly evolving and companies that collect and retain such information are under increasing attack by cyber-criminals around the world. While we take security measures relating to our operations, those measures may not prevent security breaches and 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 security systems and infrastructure. We also do not control the operation of Tyco's facilities and therefore must rely on Tyco to ensure that our customer data is adequately protected. 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 our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could result in significant costs, fines, litigation or regulatory actions against us. Such an event could additionally result in adverse publicity and therefore adversely affect the market's perception of the security and reliability of our services, which could result in lost sales and increased customer 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 result in disruptions to our operations. Increasingly, our security and home/business automation 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. If any one of the foregoing risks materializes, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

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

A disruption in our ability to provide security monitoring services and serve our customers could have a material adverse effect on our business. A disruption could occur for many reasons, including fire, natural disasters, weather, disease, transportation interruption, extended power outages, human or other error, terrorism or sabotage or as a result of disruptions to third-party transmission lines. Monitoring could also be disrupted by information systems and network-related events or cyber security attacks, such as computer hacking, computer viruses, worms or other malicious software, 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 systems are fully redundant, a failure of our back-up procedures or a disruption affecting multiple monitoring facilities could disrupt our ability to provide monitoring services. 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. In conjunction with the Separation, we entered into a monitoring agreement with Tyco that provides for a transition period during which our monitoring facilities include facilities owned and operated by Tyco that provide monitoring services to our customers. During the transition period if an event causes a disruption in the ability of Tyco to operate such monitoring facilities and to provide security monitoring services to our customers, such disruption could adversely affect our business, financial condition and results of operations. At the end of the transition period and with the separation of our operations and security monitoring system from Tyco, our monitoring facilities will no longer include facilities owned and operated by Tyco.

***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 in order to recoup our initial investment in new customers, achieving cash flow break-even in approximately 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. The primary reason for disconnects is customers who relocate and do not reconnect. Customer relocations are impacted by changes in the housing market. See risk factor "We are susceptible to downturns in the housing market and consumer discretionary income, which may inhibit our ability to sustain customer base growth rate." Some other factors that can increase disconnects include problems with our product or service quality, unfavorable general economic conditions, and the desirability and pricing of competitors' products and services over ours. Our customer attrition rates for fiscal years 2013, 2012 and 2011 were 13.9%, 13.5% and 12.7%, respectively. If we fail to keep our customers for a sufficiently long period of time, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

***If we experience significantly higher rates of customer attrition, we may be required to change the estimated useful lives of assets related to our security monitoring customers, increasing our depreciation and amortization expense or impairing such assets.***

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 internally generated residential and small business monitoring system assets. If attrition rates were to rise significantly, we may be required to accelerate the amortization of expenses related to such contracts and the depreciation of our subscriber system assets or to impair such assets, which could cause a material adverse effect on our financial condition and results of operations.

***We are susceptible to downturns in the housing market and consumer discretionary income, which may inhibit our ability to sustain customer base growth rates.***

Demand for alarm monitoring services is affected by the turnover in the housing market. 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, would reduce opportunities to make sales of new security and home automation systems and services and reduce opportunities to take over existing security and home automation systems. In addition, because of personal economic circumstances, current security alarm and home automation customers may decide to disconnect our services in an effort to reduce their monthly spending and may default on their remaining contractual obligations to us. Our long-term revenue growth rate depends on installations exceeding disconnects. If the housing market downturn or the general economic downturn continues, customer disconnects and defaults could increase and our business, financial condition, results of operations and cash flows could be materially and adversely affected. See risk factor "We rely on a significant number of our customers remaining with us as customers for long periods of time."

***Our future growth is largely dependent upon our ability to successfully compete with new and existing competitors by developing or acquiring new technologies that achieve market acceptance with acceptable margins.***

Our business operates in markets that are characterized by rapidly changing technologies, evolving industry standards and potential new entrants. For example, a number of cable and other telecommunications companies are offering interactive security services that are competitive with our products and services. If these services gain market acceptance, our ability to grow our business, in particular our ADT Pulse offering, could be materially and adversely affected. Accordingly, our future success depends upon a number of factors, including our ability to accomplish the following: identify emerging technological trends in our target end-markets; develop, acquire and maintain competitive products and services; enhance our products and services by adding innovative features that differentiate us from our competitors; and develop or acquire and bring products and services to market quickly and cost-effectively. Our ability to develop or acquire new products and services based on technological innovation can affect our competitive position and requires the investment of significant resources. These acquisitions and development efforts divert resources from other potential investments in our businesses, and they may not lead to the development of new technologies, products or services on a timely basis. Moreover, as we introduce new products such as ADT Pulse, 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 may not satisfy consumer preferences and potential product failures may cause consumers to reject our products. As a result, these products may not achieve market acceptance and our brand image could suffer. In addition, our competitors may introduce superior designs or business strategies, impairing our brand and the desirability of our products and services, which may cause consumers to defer or forego purchases of our products and services. 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 adversely affect our business, financial condition, results of operations or cash flows.

***Our business operates in a regulated industry.***

Our operations and employees are subject to various federal, state, provincial and local laws and regulations in the United States 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 and local governments.

In certain jurisdictions, we are required to obtain licenses or permits in order 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 in order 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 forgo marketing in certain jurisdictions.

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 and adversely affected.

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

We rely on telemarketing and email marketing conducted internally and through third parties to generate a substantial number of leads for our business. The telemarketing and email marketing services industries are subject to an increasing amount of regulation in the United States and Canada. In the United States, the FTC and FCC have issued regulations that place restrictions on unsolicited automated telephone calls to residential and wireless telephone subscribers by means of automatic telephone dialing systems, prerecorded or artificial voice messages and telephone fax machines, and require us to maintain a “do not call” list and to train our personnel to comply with these restrictions. The FTC regulates both general sales practices and telemarketing specifically and has broad authority to prohibit a variety of advertising or marketing practices that may constitute “unfair or deceptive acts or practices.” Most of the statutes and regulations in the United States allow a private right of action for the recovery of damages or provide for enforcement by the FTC, state attorneys general or state agencies permitting the recovery of significant civil or criminal penalties, costs and attorneys’ fees in the event that regulations are violated. The Canadian Radio-Television and Telecommunications Commission enforces rules regarding unsolicited communications using automatic dialing and announcing devices, live voice and fax. In December 2010, the Government of Canada passed legislation to restrict the sending of unsolicited commercial electronic messages including email messages, although that legislation has not yet been proclaimed into force. We are diligent in our efforts to comply with all such applicable regulations, but cannot assure you that we or third parties that we rely on for telemarketing, email marketing and other lead generation activities will be in compliance with all applicable regulations at all times. Although our contractual arrangements with such third parties expressly require them to comply with all such regulations and to indemnify us for their failure to do so, we cannot assure you that the FTC, FCC, private litigants or others will not attempt to hold us responsible for any unlawful acts conducted by such third parties or that we could successfully enforce or collect upon such indemnities. Additionally, changes in such regulations or the interpretation thereof that further restrict such activities could result in a material reduction in the number of leads for our business and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***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. A few 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 and adversely affected.

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

Police departments in a limited number of U.S. and Canadian jurisdictions do not respond to calls from monitored security service companies, either as a matter of policy or by local ordinance. In certain cases, we have offered affected customers the option of receiving response from private guard companies, in most cases through contracts with us, 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, our ability to attract and retain customers could be negatively impacted and our business, financial condition, results of operations and cash flows could be adversely affected.

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

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 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. 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.



***We have entered into non-compete and non-solicit restrictions that prohibit us from competing with Tyco in the commercial security market in the United States and Canada for a period of time after the Separation.***

The 2012 Separation and Distribution Agreement includes non-compete provisions pursuant to which we are prohibited from competing with Tyco in the commercial security market in the United States and Canada, subject to certain small business related exceptions. These provisions will expire on September 29, 2014. In addition, the 2012 Separation and Distribution Agreement contains non-solicitation provisions preventing us from soliciting Tyco's existing security customers in the United States and Canada for two years after the distribution date. This effectively prevents us from expanding our business into the commercial security market, other than the small business market, in these jurisdictions during the restricted periods. These provisions could materially and adversely affect our business, financial condition, results of operations and cash flows.

***Shifts in our customers' choice of, or telecommunications providers' support for, telecommunications services and equipment could adversely impact our business 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. In addition, many of our customers who use cellular communication technology for their security and home/business automation systems use products that rely on 2G cellular technology, and certain telecommunication providers have advised us that they will discontinue their 2G services in the future. Older installed security systems use technology that is not compatible with the newer cellular, satellite or Internet communication technology, such as 3G and 4G networks, and will not be able to transmit alarm signals on these networks. The discontinuation of land-line, 2G cellular 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 attrition rates and slow new customer generation. In order to maintain our customer base that uses security and home/business automation system components that are or could become obsolete, we may be required to upgrade or implement new technologies, including offering to subsidize the replacement of customers' outdated systems at our expense. Any technology upgrades or implementations could require significant capital expenditures and also divert management's attention and other important resources away from our customer service and sales efforts. 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 timely to changing technologies, market conditions or customer preferences, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

In addition, we recently began using broadband Internet access service, including video streaming services, to support our product offerings, and we may choose to implement broadband Internet access in our intrusion panels as a communications option for our services. Video streaming services use significantly more bandwidth than traditional Internet activity. As utilization rates and availability of these services increases, 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 in order to avoid service disruptions or reduced capacity for customers.

***We depend on third-party software licenses for our products and services.***

We 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 and the home automation software for our ADT Pulse offering from third parties. Because our products and services incorporate software developed and maintained by third parties, we are, to a certain extent, dependent upon such third parties' ability to 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 and other technological changes. Further, these third-party technology licenses may not always be available to us on commercially reasonable terms or at all. If our agreements with third-party vendors are not renewed or the third-party software becomes obsolete, is incompatible with future versions of our products or services or otherwise fails to address our needs, we cannot provide assurance that we would be able to replace the functionality provided by the third-party software with technology from alternative providers. Furthermore, even if we obtain licenses to alternative software products or services that provide the functionality we need, we may be required to replace hardware installed at our monitoring centers and at our customers' sites, including security system control panels and peripherals, in order to affect our integration of or migration to alternative software products. Any of these factors could materially and adversely affect our business, financial condition, results of operations and cash flows.

***We rely on third party providers for components of our security and home/business automation systems and 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 home/business automation systems that we install are manufactured by third parties, including divisions of Tyco that are no longer part of our business. We are therefore susceptible to interruptions in supply and to the receipt of components that do not meet our high 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. 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 and adversely affect our business, financial condition, results of operations and cash flows.

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

If a customer or third party believes that he or she has suffered harm to person or property due to an actual or alleged act or omission of one of our employees or security system failure, he or she (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 consumer and small business products and services. Substantially all of our 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 and adversely affect our business, financial condition, results of operations and cash flows.

***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 adversely affect our revenue and growth.***

Our interactive and home automation services are accessed through the Internet and our security monitoring services are increasingly delivered using Internet technologies. Users who access our services through mobile devices, such as smart phones and tablets, must have a high-speed connection, such as Wi-Fi, 3G or 4G, to use our services. Currently, this access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace, including telephone companies, cable companies and wireless companies. 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 those 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. Some of these providers could also offer products and services that directly compete with our own offerings, which could potentially give them a competitive advantage. These actions could decrease the demand for our products and services and increase our cost of doing business.



In the United States, there continues to be some uncertainty regarding whether suppliers of broadband Internet access have a legal obligation to allow their customers to access services such as ours without interference. In December 2010, the FCC adopted net neutrality rules that would protect services like ours from such interference by making it more difficult for broadband Internet access service providers to block, degrade or discriminate against our services. These rules apply to wired broadband Internet providers, but not all of the rules apply to wireless broadband service. Several parties have sought judicial review of the FCC's net neutrality rules, including an action brought against the FCC in the U.S. Court of Appeals for the District of Columbia Circuit. These appeals are currently pending. We cannot assure that current net neutrality rules will not change in the future. Interference with our services or higher charges to customers by broadband service providers for using our products and services could cause us to lose existing customers, impair our ability to attract new customers and materially and adversely affect our business, financial condition, results of operations and cash flows.

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

We are subject to income taxes in the United States 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 and 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. 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. As part of the separation of the ADT residential business from Tyco in July 2012, a separate return limitation year ("SRLY") event occurred as defined under relevant U.S. Income Tax Regulations (the "Regulations"). A SRLY event can limit a corporation's ability to utilize carryforward attributes should income attributable to specific subgroup members relative to total U.S. consolidated income be insufficient to allow for full utilization. In addition, if a corporation experiences an "ownership change," Internal Revenue Code (the "Code") Sections 382 and 383 provide annual limitations with respect to the ability of a corporation to utilize its net operating loss (as well as certain built-in loses) 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. During fiscal year 2013, we determined that the SRLY limitation was no longer applicable as an ownership change is deemed to have occurred upon Separation from Tyco on September 28, 2012 in accordance with Code Section 382. Therefore, pursuant to the Code Section 382 "overlap rule," the tax attributes as of the end of September 2012 are only subject to the limitations provided by Code Sections 382 and 383. We do not, however, expect that this limitation will impact our ability to utilize the tax attributes carried forward from pre-Separation periods.

In addition to the pre-Separation tax attributes, we generated a significant NOL in fiscal year 2013 along with tax credit carryforwards. Our ability to fully utilize these tax assets may also be affected if in the future we experience another "ownership change" within the meaning of Section 382 of the Code. Future changes in our stock ownership, depending on the magnitude, including the purchase or sale of our common stock by five percent shareholders, and issuances or redemptions of common stock by us could result in an ownership change that would trigger the imposition of limitations under Section 382 of the Code for these post-Separation tax attributes.

In addition, as a significant taxpayer, we are subject to regular audits by the U.S. Internal Revenue Service ("IRS") as well as state, territorial, provincial and local tax authorities. These audits, whether for periods before Separation or post-Separation, could subject us to tax liabilities if tax authorities make adverse determinations with respect to our NOLs or tax credits. Further, any future disallowance of some or all of our tax credits or NOL carryforwards as a result of legislative change could materially 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.

***We face risks in acquiring and integrating customer accounts.***

An element of our business strategy involves 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, lower minimum financial qualifications

for purchased accounts or lower prices for monitoring services provided. This competition could reduce the acquisition opportunities available to us, thus 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 cannot assure you 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 home/business automation equipment 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 cannot assure you 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 materializes, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

***Our customer generation strategies and the competitive market for customer accounts may affect our future profitability.***

A principal element of our business strategy is the generation of new customer accounts through our authorized dealer program, which accounted for approximately 40% of our new customer accounts for our 2013 fiscal year. Our future operating results will depend in large part on our ability to manage this generation strategy effectively. Although we currently generate accounts through hundreds of authorized dealers, a significant portion of our accounts originate from a smaller number of authorized dealers. In particular, during our 2013 fiscal year one authorized dealer accounted for approximately 16% of all our new accounts. We experience loss of authorized dealers from our authorized dealer program due to various factors, such as authorized dealers becoming inactive or discontinuing their electronic security business, non-renewal of our dealer contracts and competition from other alarm monitoring companies. If we experience a loss of authorized dealers representing a significant portion of our account generation from our authorized dealer program or if we are unable to replace or recruit authorized dealers in accordance with our business plans, our business, financial condition, results of operations and cash flows may be materially and adversely affected.



In addition, successful promotion of our brand depends on the effectiveness of our marketing efforts and on our ability to offer member discounts and special offers for our products and services. We have actively pursued affinity marketing programs, which provide members of participating organizations with discounts on our products and services. The organizations with which we have affinity marketing programs closely monitor their relationships with us, as well as their members' satisfaction with our products and services. These organizations may require us to increase our fees to them, decrease our pricing for their members 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. If any of our important affinity or marketing relationships, such as our relationships with USAA or AARP, were terminated, we would lose a significant source of sales leads and our business, financial condition, results of operations and cash flows could be materially and adversely affected.

***Our business strategy includes making acquisitions and investments that complement our existing business. These acquisitions and investments could be unsuccessful or consume significant resources, which could adversely affect our operating results.***

We will continue to analyze and evaluate the acquisition of strategic businesses or product lines with the potential to strengthen our industry position or enhance our existing set of products and service offerings. We cannot assure you that we will identify or successfully complete transactions with suitable acquisition candidates in the future. Nor can we assure you that completed acquisitions will be successful.

Acquisitions and investments may involve significant cash expenditures, debt incurrence, operating losses and expenses that could have a material adverse effect on our business, financial condition, results of operations and cash flows. Acquisitions involve numerous other risks, including:

- diversion of management time and attention from daily operations;
- difficulties integrating acquired businesses, technologies and personnel into our business or achieving anticipated operations efficiencies or cost savings;
- possibility of litigation or other claims in connection with, or as a result of, an acquisition, including claims from terminated employees, customers, former stockholders or other third parties;
- inability to obtain required regulatory approvals and/or required financing on favorable terms;
- potential loss of key employees, key contractual relationships or key customers of acquired companies or of us;
- assumption of the liabilities and exposure to unforeseen liabilities of acquired companies; and
- dilution of interests of holders of shares of our common stock through the issuance of equity securities or equity-linked securities.

It may be difficult for us to complete transactions quickly and to integrate acquired operations efficiently into our current business operations. Any acquisitions or investments may ultimately harm our business or financial condition, as such acquisitions may not be successful and may ultimately result in impairment charges.

***We may pursue business opportunities that diverge from our current business model, which may cause our business to suffer.***

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 offer 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 revenue from installations. Additionally, any new alliances or customer acquisition channels could 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 might be required to draw on our revolving credit facility or pursue other external financing, which may not be readily available. Any of these factors could materially and adversely affect our business, financial condition, results of operations and cash flows.

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

As of September 27, 2013, approximately 2,000 of our employees at various sites, or approximately 12 percent of our total workforce, were represented by unions and covered by collective bargaining agreements. Our relationships with these unions have generally been good. We are currently party to approximately 35 collective bargaining agreements in the United States 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 adversely affect our financial condition and results of operations in the future.

*We may be subject to liability for obligations of The Brink's Company under the Coal Act.*

On May 14, 2010, we acquired Broadview Security, a business formerly owned by The Brink's Company. Under the Coal Industry Retiree Health Benefit Act of 1992, as amended (the "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 Associate ("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. At the time of the Broadview Spin-Off, 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 our acquisition of Broadview Security. We have evaluated our potential liability under the Coal Act as a contingency in light of all known facts, including the funding of the VEBA and indemnification provided by The Brink's Company. We have concluded that no accrual is necessary due to the existence of the indemnification and our belief that The Brink's Company and VEBA will be able to satisfy all future obligations under the Coal Act. However, 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 or cash flows.

**Risks Relating to Our Liquidity**

***Disruptions in the financial markets or changes in our credit ratings could adversely affect us by reducing availability of credit or access to financing on favorable terms or at all and could adversely affect our suppliers by increasing funding costs or reducing availability of credit.***

In the normal course of our business, we may access the capital markets for general corporate purposes, which may include repayment of indebtedness, acquisitions, additions to working capital, repurchase of common stock, capital expenditures and investments in our business. We rely on the capital markets, particularly for offerings of debt securities to meet our financial commitments and liquidity needs. Although we expect to have sufficient liquidity to meet our foreseeable needs, our access to and the cost of capital could be negatively impacted by disruptions in the financial markets or changes in our credit ratings. In recent years, the credit markets experienced significant dislocations and liquidity disruptions, and similar disruptions in the credit markets in the future could make financing terms for borrowers unattractive or unavailable. These factors may make it more difficult or expensive for us to access the capital markets if the need arises. In addition, these factors may make it more difficult for our suppliers to meet demand for their products or for potential strategic partners to commence new projects, as they may experience increased costs of debt financing or difficulties in obtaining debt financing. Disruptions in the financial markets have had adverse effects on other areas of the economy and have led to a slowdown in general economic activity that may continue to adversely affect our businesses. These disruptions may have other unknown adverse effects. One or more of these factors could adversely affect our business, financial condition, results of operations or cash flows.



In fiscal 2013, Standard and Poor's Rating Services, Moody's Investors Service, Inc. and Fitch Ratings downgraded the Company from BBB to BB-, from Baa2 to Ba2 and from BBB+ to BBB-, respectively. Our credit ratings are based upon information furnished by us or obtained by a rating agency from its own sources and are subject to revision, suspension or withdrawal by one or more rating agencies at any time. Rating agencies may review the ratings assigned to us due to developments that are beyond our control, including as a result of new standards requiring the agencies to reassess rating practices and methodologies. If further downgrades in our credit ratings were to occur, it could result in higher interest costs under our revolving credit facility. It could also cause our future borrowing costs to increase and reduce our access to capital.

***Covenants in our debt instruments may adversely affect us.***

Our revolving credit facility contains customary covenants, including a limit on the ratio of debt to earnings before interest, taxes, depreciation, and amortization ("EBITDA"), a minimum required ratio of EBITDA to interest expense and limits on incurrence of liens and subsidiary debt. In addition, the indenture governing our senior unsecured notes contains customary covenants including limits on liens and sale/leaseback transactions.

Our ability to meet our financial covenants can be affected by events beyond our control, and we cannot provide assurance that we will meet those tests. A breach of any of these covenants could result in a default under our revolving credit facility or our indenture. Upon the occurrence of an event of default under our revolving credit facility or our indenture, the lenders or trustees could elect to declare all amounts outstanding thereunder to be immediately due and payable and, in the case of credit facility lenders, terminate all commitments to extend further credit. If the lenders or trustees accelerate the repayment of borrowings, we cannot provide assurance that we will have sufficient assets to repay our revolving credit facility and our other indebtedness. Furthermore, acceleration of any obligation under any of our material debt instruments will permit the holders of our other material debt to accelerate their obligations, which could have a material adverse effect on our financial condition. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

***We may continue to increase our debt or raise additional capital in the future, which could affect our financial health and may decrease our profitability.***

We may continue to increase our debt or raise additional capital in the future, subject to restrictions in our revolving credit facility and indenture and any debt agreements covering debt incurred subsequent to the date of this report. If our cash flow from operations is less than we anticipate, or if our cash requirements are more than we expect, we may require more financing. However, debt or equity financing may not be available to us on terms acceptable to us, if at all. If we incur additional debt or raise equity through the issuance of additional capital stock, the terms of the debt or our capital stock issued may give the holders rights, preferences and privileges senior to those of holders of our common stock, particularly in the event of liquidation. The terms of the debt may also impose additional and more stringent restrictions on our operations than we currently have. If we raise funds through the issuance of additional equity, your percentage ownership in us would decline. If we are unable to raise additional capital when needed, it could affect our financial health. Also, regardless of the terms of our debt or equity financing, the amount of our stock that we can issue may be limited because the issuance of our stock may cause the distribution of ADT common shares by Tyco to its shareholders (the "Distribution") to be a taxable event for Tyco under Section 355(e) of the Code, and under the tax sharing agreement entered into in conjunction with the Separation, we could be required to indemnify Tyco for that tax. See "Risk Factors-Risks Relating our Separation from Tyco-We might not be able to engage in desirable strategic transactions and equity issuances because of restrictions relating to U.S. federal income tax requirements for tax-free distributions."

***Material adverse legal judgments, fines, penalties or settlements could adversely affect our financial health and prevent us from fulfilling our obligations under our outstanding indebtedness.***

We estimate that our available cash, our cash flow from operations and amounts available to us under our revolving credit facility will be adequate to fund our operations and service our debt over both the short term and the long term. However, material adverse legal judgments, fines, penalties or settlements arising from litigation and similar contingencies could require additional funding. If such developments require us to obtain additional funding, we cannot provide assurance that we will be able to obtain the additional funding that we need on commercially reasonable terms or at all, which could have a material adverse effect on our financial condition, results of operations and cash flows. Such an outcome could have important consequences to holders of shares of our common stock. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts and other corporate purposes, including dividend payments;

- increase our vulnerability to adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- restrict our ability to introduce new technologies or exploit business opportunities;
- make it more difficult for us to satisfy our payment obligations with respect to our outstanding indebtedness; and
- increase the difficulty and/or cost to us of refinancing our indebtedness.

**Risks Relating to Our Common Stock**

***Provisions in our certificate of incorporation and by-laws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.***

Our certificate of incorporation and by-laws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids more expensive to the acquiror and to encourage prospective acquirors to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include rules regarding how stockholders may present proposals or nominate directors for election at stockholder meetings and the right of our board of directors to issue preferred stock without stockholder approval.

Delaware law also imposes some restrictions on mergers and other business combinations between any holder of 15% or more of our outstanding common stock and us. We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our company and our stockholders. Accordingly, in the event that our board of directors determines that a potential business combination transaction is not in the best interests of our company and our stockholders but certain stockholders believe that such a transaction would be beneficial to our company and our stockholders, such stockholders may elect to sell their shares in our company and the trading price of our common stock could decrease.



**Risks Relating to our Separation from Tyco**

***We share responsibility for certain income tax liabilities of ADT, Tyco and Pentair Ltd., formerly Tyco Flow Control International Ltd. ("Pentair") for tax periods prior to and including September 28, 2012, and such liabilities may include a portion of Tyco's obligations under its tax sharing agreement with Covidien Ltd. ("Covidien") and TE Connectivity Ltd. ("TE Connectivity") for tax liabilities for tax periods prior to and including June 29, 2007.***

In connection with the 2007 distributions of Covidien and TE Connectivity by Tyco (the "2007 Separation"), Tyco entered into a tax sharing agreement (the "2007 Tax Sharing Agreement") that governs the rights and obligations of each party with respect to certain pre-2007 Separation tax liabilities and certain tax liabilities arising in connection with the 2007 Separation. More specifically, Tyco, Covidien and TE Connectivity share 27%, 42% and 31%, respectively, of income tax liabilities that arise from adjustments made by tax authorities to Tyco's, Covidien's and TE Connectivity's U.S. and certain non-U.S. income tax returns and certain taxes attributable to internal transactions undertaken in anticipation of the 2007 Separation. In addition, in the event the 2007 Separation or certain related transactions is determined to be taxable as a result of actions taken after the 2007 Separation by Tyco, Covidien or TE Connectivity, the party responsible for such failure would be responsible for all taxes imposed on Tyco, Covidien or TE Connectivity as a result thereof. If none of the

companies is responsible for such failure, then Tyco, Covidien and TE Connectivity would be responsible for such taxes, in the same manner and in the same proportions as other shared tax liabilities under the 2007 Tax Sharing Agreement. Costs and expenses associated with the management of these shared tax liabilities are generally shared equally among the parties.

In connection with the Separation from Tyco, we entered into a tax sharing agreement (the "2012 Tax Sharing Agreement") with Tyco and Pentair that governs the rights and obligations of ADT, Tyco and Pentair for certain pre-Separation tax liabilities, including Tyco's obligations under the 2007 Tax Sharing Agreement. The 2012 Tax Sharing Agreement provides that ADT, Tyco and Pentair will share (i) certain pre-Separation income tax liabilities that arise from adjustments made by tax authorities to ADT'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 Tax Liabilities"). Tyco will be responsible for the first $500 million of Shared Tax Liabilities. ADT and Pentair will share 58% and 42%, respectively, of the next $225 million of Shared Tax Liabilities. ADT, Tyco and Pentair will share 27.5%, 52.5% and 20.0%, respectively, of Shared Tax Liabilities above $725 million.

With respect to years prior to and including the 2007 Separation, tax authorities have raised issues and proposed tax adjustments that are generally subject to the sharing provisions of the 2007 Tax Sharing Agreement and which may require Tyco to make a payment to a taxing authority, Covidien or TE Connectivity. Although Tyco has advised us that it has resolved a substantial number of these adjustments, a few significant items raised by the IRS remain open with respect to the audit of the 1997 through 2004 tax years. On July 1, 2013, Tyco announced that the IRS issued Notices of Deficiency to Tyco primarily related to the treatment of certain intercompany debt transactions (the "Tyco IRS Notices"). These notices assert that additional taxes of $883 million plus penalties of $154 million are owed based on audits of the 1997 through 2000 tax years of Tyco and its subsidiaries, as they existed at that time. Further, Tyco reported receiving Final Partnership Administrative Adjustments (the "Partnership Notices") for certain U.S. partnerships owned by its former U.S. subsidiaries, for which Tyco estimates an additional tax deficiency of approximately $30 million will be asserted. The additional tax assessments related to the Tyco IRS Notices and the Partnership Notices exclude interest and do not reflect the impact on subsequent periods if the IRS challenge to Tyco's tax filings is proved correct. Tyco has filed petitions with the U.S. Tax Court to contest the IRS assessments. Consistent with its petitions filed with the U.S. Tax Court, Tyco has advised us that it strongly disagrees with the IRS position and believes (i) it has meritorious defenses for the respective tax filings, (ii) the IRS positions with regard to these matters are inconsistent with applicable tax laws and Treasury regulations, and (iii) the previously reported taxes for the years in question are appropriate. If the IRS should successfully assert its position, our share of the collective liability, if any, would be determined pursuant to the 2012 Tax Sharing Agreement. In accordance with the 2012 Tax Sharing Agreement, the amount ultimately assessed under the Tyco IRS Notices and the Partnership Notices would have to be in excess of $1.85 billion before we would be required to pay any of the amounts assessed. We believe that our income tax reserves and the liabilities recorded in the consolidated balance sheet for the 2012 Tax Sharing Agreement continue to be appropriate. No payments with respect to these matters would be required until the dispute is resolved in the U.S. Tax Court, which Tyco has advised us, could take several years. However, the ultimate resolution of these matters is uncertain, and if the IRS were to prevail, it could have a material adverse impact on our financial condition, results of operations and cash flows, potentially including a reduction in our available net operating loss carryforwards.

We are responsible for all of our own taxes that are not shared pursuant to the 2012 Tax Sharing Agreement's sharing formulae, and Tyco and Pentair are responsible for their tax liabilities that are not subject to the 2012 Tax Sharing Agreement's sharing formulae. We also have sole responsibility for any income tax liability arising as a result of our acquisition of Broadview Security in May 2010, including any liability of Broadview Security under the tax sharing agreement between Broadview Security and The Brink's Company dated October 31, 2008 (collectively, the "Broadview Tax Liabilities"). Costs and expenses associated with the management of Shared Tax Liabilities and Broadview Tax Liabilities are generally shared 20% by Pentair, 27.5% by ADT, and 52.5% by Tyco.

All the tax liabilities that are associated with our businesses, including liabilities that arose prior to the Separation, have become our tax liabilities. Although we have agreed to share certain of these tax liabilities with Tyco and Pentair pursuant to the 2012 Tax Sharing Agreement, we remain primarily liable for all of these liabilities. If Tyco and Pentair default on their obligations to us under the 2012 Tax Sharing Agreement, we would be liable for the entire amount of these liabilities. In addition, if another party to the 2012 Tax Sharing Agreement that is responsible for all or a portion of an income tax liability were to default in its payment of such liability to a taxing authority, we could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. Accordingly, under certain circumstances, we may be obligated to pay amounts in excess of our agreed-upon share of our, Tyco's and Pentair's tax liabilities.

We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the United States and other tax jurisdictions based on our estimate of whether, and the extent to which, additional income taxes will be due. These tax liabilities are reflected net of related tax loss carryforwards. We adjust these liabilities in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of tax liabilities. Under the 2012 Tax Sharing Agreement, Tyco has the right to administer, control and settle all U.S. income tax audits for periods prior to and including September 28, 2012. The timing, nature and amount of any settlement agreed to by Tyco may not be in our best interests. All other tax audits will be administered, controlled and settled by the party that would be responsible for paying the tax.

To the extent we are responsible for any liability under the 2012 Tax Sharing Agreement and if our estimate of tax liabilities proves to be less than the amount for which we are ultimately liable, we would incur additional income tax expense, which could have a material adverse impact on our financial condition, results of operations, cash flows or our effective tax rate in future reporting periods.

***If the distribution of ADT or Pentair common shares by Tyco to its shareholders or certain internal transactions undertaken in anticipation of such distributions are determined to be taxable for U.S. federal income tax purposes, we, our stockholders that are subject to U.S. federal income tax and/or Tyco could incur significant U.S. federal income tax liabilities.***

Tyco has received a private letter ruling from the IRS regarding the U.S. federal income tax consequences of the Distribution and the distribution of Pentair common shares by Tyco to its shareholders (the "Pentair Distribution" and, together with the Distribution, the "Distributions") to the effect that, for U.S. federal income tax purposes, the Distribution will qualify as tax-free under Section 355 of the Code and the Pentair Distribution will qualify as tax-free under Sections 355 and 361 of the Code, except for cash received in lieu of a fractional share of our common stock and the Pentair common shares. The private letter ruling also provides that certain internal transactions undertaken in anticipation of the Distributions will qualify for favorable treatment under the Code. In addition to obtaining the private letter ruling, Tyco obtained an opinion from the law firm of McDermott Will & Emery LLP confirming the tax-free status of the Distributions for U.S. federal income tax purposes. The private letter ruling and the opinion rely on certain facts and assumptions and certain representations and undertakings from us, Pentair and Tyco regarding the past and future conduct of our respective businesses and other matters. Notwithstanding the private letter ruling and the opinion, the IRS could determine on audit that the Distribution, the Pentair Distribution or the internal transactions should be treated as taxable transactions if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated, or that the Distribution, the Pentair Distribution or the internal transactions should be taxable for other reasons, including as a result of significant changes in stock or asset ownership after the Distributions. An opinion of counsel represents counsel's best legal judgment, is not binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion. In addition, the opinion was based on current law, and cannot be relied upon if current law changes with retroactive effect. If the Distribution ultimately is determined to be taxable, the Distribution could be treated as a taxable dividend or capital gain to our stockholders as of the date of the Distribution for U.S. federal income tax purposes, and those stockholders could incur significant U.S. federal income tax liabilities. In addition, Tyco would recognize gain in an amount equal to the excess of the fair market value of shares of our common stock and the Pentair common shares distributed to

Tyco shareholders on the distribution date over Tyco's tax basis in such shares, but such gain, if recognized, generally would not be subject to U.S. federal income tax. However, we or Tyco could incur significant U.S. federal income tax liabilities if it ultimately is determined that certain internal transactions undertaken in anticipation of the Distributions are taxable.

In addition, under the terms of the 2012 Tax Sharing Agreement, in the event the Distribution, the Pentair Distribution or the internal transactions were determined to be taxable as a result of actions taken after the Distributions by us, Pentair or Tyco, the party responsible for such failure would be responsible for all taxes imposed on us, Pentair or Tyco as a result thereof. Taxes resulting from the determination that the Distribution, the Pentair Distribution, or any internal transaction that was intended to be tax-free is taxable are referred to herein as "Distribution Taxes." If such failure is not the result of actions taken after the Distributions by us, Pentair or Tyco, then we, Pentair and Tyco generally would be responsible for 27.5%, 20% and 52.5%, respectively, of any taxes imposed on us, Pentair or Tyco as a result of such determination. Such tax amounts could be significant. In the event that any party to the 2012 Tax Sharing Agreement defaults in its obligation to pay Distribution Taxes to another party that arise as a result of no party's fault, each non-defaulting party would be responsible for an equal amount of the defaulting party's obligation to make a payment to another party in respect of such other party's taxes. To the extent we are responsible for any liability under the 2012 Tax Sharing Agreement, there could be a material adverse impact on our financial condition, results of operations, cash flows or our effective tax rate in future reporting periods.

***If the Distribution is determined to be taxable for Swiss withholding tax purposes, we or Tyco could incur significant Swiss withholding tax liabilities.***

Generally, Swiss withholding tax of 35% is due on dividends and similar distributions to our and Tyco's shareholders, regardless of the place of residency of the shareholder. As of January 1, 2011, distributions to shareholders out of qualifying contributed surplus ( *Kapitaleinlage*) accumulated on or after January 1, 1997 are exempt from Swiss withholding tax, if certain conditions are met ( *Kapitaleinlageprinzip*). Tyco obtained a ruling from the Swiss Federal Tax Administration confirming that the Distribution qualifies as payment out of such qualifying contributed surplus and, therefore, no amount was withheld by Tyco when making the Distribution.

This tax ruling relies on certain facts and assumptions and certain representations and undertakings from Tyco regarding the past conduct of its businesses and other matters. Notwithstanding this tax ruling, the Swiss Federal Tax Administration could determine on audit that the Distribution should be treated as a taxable transaction for withholding tax purposes if it determines that any of these facts, assumptions, representations or undertakings is not correct or has been violated. If the Distribution ultimately is determined to be taxable for withholding tax purposes, we and Tyco could incur material Swiss withholding tax liabilities that could significantly detract from or eliminate the benefits of the Separation. In addition, we could become liable to indemnify Tyco for part of any Swiss withholding tax liabilities to the extent provided under the 2012 Tax Sharing Agreement.

***We may be unable to achieve some or all of the benefits that we expect to achieve from our separation from Tyco.***

As an independent, publicly-traded company, we believe that our business benefits from, among other things, allowing us to better focus our financial and operational resources on our specific business, allowing our management to design and implement corporate strategies and policies that are based primarily on the business characteristics and strategic decisions of our business, allowing us to more effectively respond to industry dynamics and allowing the creation of effective incentives for our management and employees that are more closely tied to our business performance. However, we may not be able to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all. For example, it is possible that investors and securities analysts will not place a greater value on our business as an independent company than on our business as a part of Tyco.

***We may be unable to make, on a timely or cost-effective basis, the continued changes necessary to operate as an independent publicly-traded company, and we may experience increased costs after the Separation.***

We may be unable to replace in a timely manner or on comparable terms the services or other benefits that Tyco previously provided to us that are not specified in any transition services agreement. Upon expiration of any transition services agreement, many of the services that are covered in the agreement will have to be provided internally or by unaffiliated third parties and we may be unable to replace those services in a timely manner or on comparable terms. In addition, if Tyco does not continue to perform the transition services and the other services that are called for under any transition services agreement, we may not be able to operate our business as effectively and our profitability may decline.

In addition, for a period of time of up to two years after the Separation, we will continue to share monitoring facilities with Tyco as we work to separate our security monitoring system from that of Tyco. In connection with the Separation, we have entered into monitoring agreements with Tyco pursuant to which we will provide third-party monitoring services to certain of their customers and they will provide third-party monitoring services to certain of our customers for a period of time. We may not be able to effect the separation of our operations and security monitoring system from Tyco as smoothly as anticipated, which may result in disruption to our ongoing business, distraction of management and an increase in our cost of operation.

***Our combined financial information for periods prior to September 28, 2012, is not necessarily representative of the results we would have achieved as an independent, publicly-traded company and may not be a reliable indicator of our future results.***

The combined financial information included in this Annual Report on Form 10-K for periods prior to September 28, 2012 does not necessarily reflect the results of operations, financial condition and cash flows that we would have achieved as an independent, publicly-traded company or those that we will achieve in the future. This is primarily because:

- Prior to the Separation, our business was operated by Tyco as part of its broader corporate organization, rather than as an independent, publicly-traded company. In addition, prior to the Separation, Tyco, or one of its affiliates, performed significant corporate functions for us, including tax and treasury administration and certain governance functions, including internal audit and external reporting. Our combined financial statements for periods prior to September 28, 2012 reflect allocations of corporate expenses from Tyco for these and similar functions.
- For periods prior to September 28, 2012, our working capital requirements and capital for our general corporate purposes, including acquisitions and capital expenditures, were satisfied as part of Tyco's company-wide cash management practices. As an independent, publicly-traded company, we no longer obtain funds from Tyco to finance our working capital or other cash requirements. Rather, we must obtain financing from banks, through public offerings or private placements of debt or equity securities or other arrangements.
- Other significant changes may occur in our cost structure, management, financing and business operations as a result of our operating as a company separate from Tyco.

For additional information about our past financial performance and the basis of presentation of our financial statements, see Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated and Combined Financial Statements.

***As an independent, publicly-traded company, we may not enjoy the same benefits that we did as a segment of Tyco.***

There is a risk that, as a result of our separation from Tyco, we may become more susceptible to market fluctuations and other adverse events than we would have been if we were still a part of the current Tyco organizational structure. As part of Tyco, we enjoyed certain benefits from Tyco's operating diversity,

purchasing power, available capital for investments and opportunities to pursue integrated strategies with Tyco's other businesses. As an independent, publicly-traded company, we do not have similar diversity or integration opportunities and may not have similar purchasing power or access to capital markets.

***The ownership by our executive officers and some of our directors of common shares, options or other equity awards of Tyco or Pentair may create, or may create the appearance of, conflicts of interest.***

Because of their former positions with Tyco, substantially all of our executive officers, including our chief executive officer and some of our non-employee directors, own common shares of Tyco and Pentair, options to purchase common shares of Tyco and Pentair or other equity awards in Tyco and Pentair. The individual holdings of common shares, options to purchase common shares or other equity awards of Tyco and Pentair may be significant for some of these persons compared to their total assets. These equity interests may create, or appear to create, conflicts of interest when these directors and officers are faced with decisions that could benefit or affect the equity holders of Tyco or Pentair in ways that do not benefit or affect us in the same manner.

***We might not be able to engage in desirable strategic transactions and equity issuances because of restrictions relating to U.S. federal income tax requirements for tax-free distributions.***

Our ability to engage in significant equity transactions could be limited or restricted in order to preserve, for U.S. federal income tax purposes, the tax-free nature of the Distribution. Even if the Distribution otherwise qualifies for tax-free treatment under Section 355 of the Code, it may result in corporate-level taxable gain to Tyco and certain of its affiliates under Section 355(e) of the Code if 50% or more, by vote or value, of our shares or Tyco's shares are acquired or issued as part of a plan or series of related transactions that includes the Distribution. Any acquisitions or issuances of our shares or Tyco's shares within two years after the Distribution will generally be presumed to be part of such a plan, although we or Tyco may be able to rebut that presumption. To preserve the tax-free treatment to Tyco of the Distribution, under the 2012 Tax Sharing Agreement, we are prohibited from taking or failing to take any action that prevents the Distribution and related transactions from being tax-free. Further, for the two-year period following the Distribution, without obtaining the consent of Tyco and Pentair, a private letter ruling from the IRS or an unqualified opinion of a nationally recognized law firm, we may be prohibited from:

- approving or allowing any transaction that results in a change in ownership of more than 35% of our common shares when combined with any other changes in ownership of our shares,
- redeeming equity securities,
- selling or otherwise disposing of more than 35% of ADT's assets, or
- engaging in certain internal transactions.

These restrictions may limit our ability to pursue strategic transactions or engage in new business or other transactions that may maximize the value of our business. Moreover, the 2012 Tax Sharing Agreement provides that we will be responsible for any taxes imposed on Tyco or any of its affiliates or on Pentair or any of its affiliates as a result of the failure of the Distribution or the internal transactions to qualify for favorable treatment under the Code if such failure is attributable to certain actions taken after the Distribution by or in respect of us, any of our affiliates or our shareholders.

## Item 1B. Unresolved Staff Comments.

None.

## Item 2. Properties.

We operate through a network of approximately 200 sales and service offices, eight monitoring facilities, four customer and field support locations and two national sales call centers, located throughout the United States and Canada. Additionally, during fiscal year 2013, we began operations at our new regional distribution center,

which is located in Atlanta, GA. These properties total approximately two million square feet, the majority of which is leased. We lease approximately 4,000 vehicles which are used in the installation and service activities of our business.

Our corporate headquarters is located in Boca Raton, FL. We are currently co-located in the same facility as Tyco. In connection with the Separation, we have agreed to share the facility with Tyco until May 2014. However, we are in segregated space within the facility, with each company having its own entrance, security and maintenance systems. We have agreed to lease this space directly from the third-party building owner at market rates for a 12-year period following the Separation.

We also maintain certain transition arrangements with Tyco related to our monitoring, information technology and branch operations, which generally end by September 30, 2014.

The following table shows our significant facilities:

| Location | Approximate Square Footage | Owned or Leased |
|---|---|---|
| Atlanta, GA Regional Distribution Center | 58,000 | Leased |
| Aurora, CO Customer Care Center and Field Support Center | 122,000 | Leased |
| Rochester, NY Customer Monitoring Center | 40,000 | Owned |
| Rochester, NY National Dispatch Center | 25,000 | Leased |
| Jacksonville, FL Customer Monitoring Center and National Sales Center | 72,000 | Owned |
| Jacksonville, FL Field Support Center | 29,000 | Owned |
| Jacksonville, FL Account Service Center | 65,000 | Leased |
| Irving, TX Customer Monitoring Center and Field Support Center | 89,000 | Owned |
| Irving, TX National Sales Center | 80,000 | Leased |
| Knoxville, TN Customer Monitoring Center and National Dispatch Center | 54,000 | Owned |
| Calgary, Alberta Customer Monitoring Center | 26,000 | Leased |
| Montreal, Quebec Customer Monitoring Center | 21,000 | Leased |
| Toronto, Ontario National Dispatch Center | 22,000 | Leased |
| **Corporate Headquarters** | | |
| Boca Raton, FL | 104,000 | Leased |



### Item 3. Legal Proceedings.

We were named as a defendant in two putative class actions that were filed on behalf of purported classes of persons who claim to have received unsolicited "robocalls" in contravention of the U.S. Telephone Consumer Protection Act ("TCPA"). These lawsuits were brought by plaintiffs seeking class action status and monetary damages on behalf of all plaintiffs who allegedly received such unsolicited calls, claiming that millions of calls were made by third party entities on our behalf. We assert that such entities were not retained by us nor authorized to make calls on our behalf. During fiscal year 2012, we entered into an agreement to settle this litigation and increased our legal reserve by $15 million. On June 21, 2013, the District Court approved the settlement and entered a Final Order of Judgment and Dismissal. Final payment was made in the fourth fiscal quarter of 2013.

On October 25, 2013, we were 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 our waste disposal

policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. We are currently unable to predict the outcome of this investigation or reasonably estimate a range of possible loss.

In addition, we are subject to various claims and lawsuits in the ordinary course of our business, including from time to time contractual disputes, product and general liability claims, claims that we have infringed the intellectual property rights of others, claims related to alleged security system failures and consumer class actions. We have recorded accruals for losses that we believe are probable to occur and are reasonably estimable. See Note 7 to the Consolidated and Combined Financial Statements for further information. While the ultimate outcome of these matters cannot be predicted with certainty, we believe that the resolution of any such proceedings will not have a material adverse effect on our financial condition, results of operations or cash flows.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of the close of business on November 13, 2013, there were 20,178 holders of record of our common stock. Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "ADT". The following table sets forth the high and low sales prices of shares of ADT common stock as reported by the NYSE and the dividends declared on ADT common stock for the quarterly periods presented below.

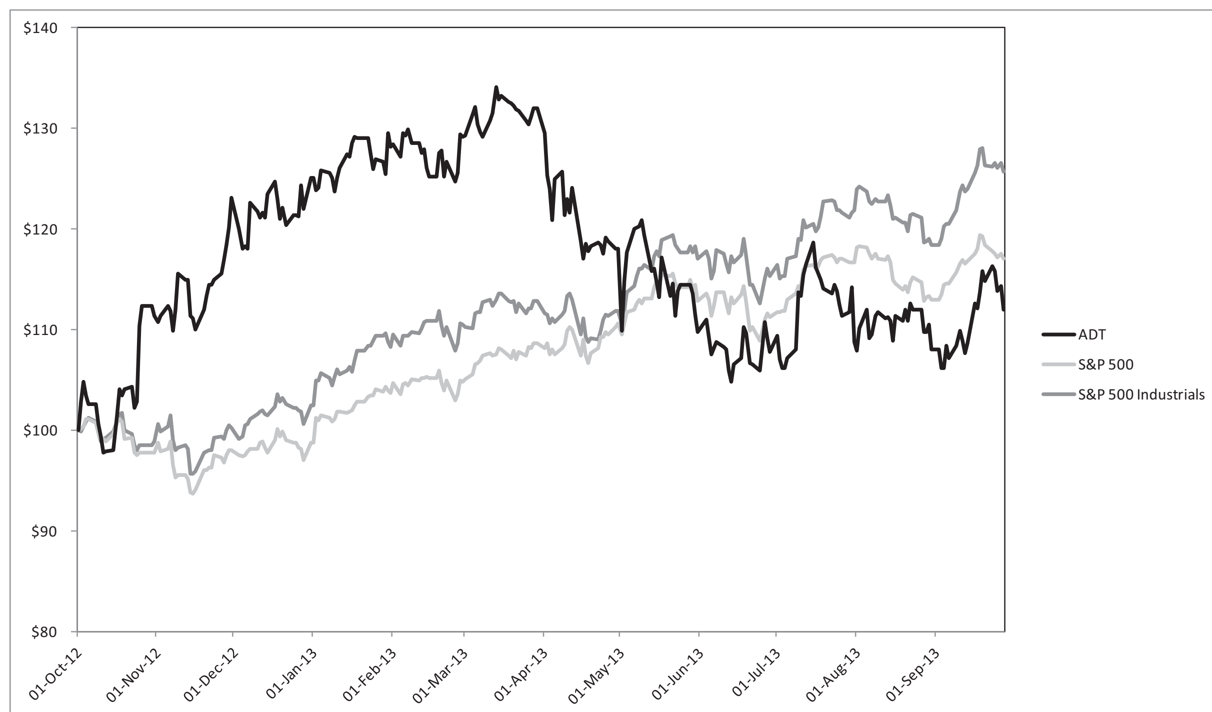
| | Year Ended September 27, 2013 | | |
|---|---|---|---|
| | Market Price Range | | Dividends Declared Per Common Share |
| Quarter | High | Low | |
| First | $47.00 | $35.38 | 0.125 |
| Second | 50.37 | 44.60 | 0.250 |
| Third | 48.86 | 38.09 | — |
| Fourth | 44.56 | 38.91 | 0.250 |

High and low sales prices per share of our common stock for each full quarterly period of fiscal year 2012 are not provided as ADT common stock did not begin "regular way" trading on the NYSE until October 1, 2012.

The timing, declaration and payment of future dividends to holders of our common stock fall within the discretion of our board of directors and will depend on our financial condition and results of operations, the capital requirements of our business, covenants associated with debt obligations, legal requirements, regulatory constraints, industry practice and other factors deemed relevant by our board of directors. On November 18, 2013, our board of directors authorized an increase in our quarterly dividend from $0.125 per common share to $0.20 per common share, beginning with our next dividend declaration.

### Performance Graph

The following graph provides a comparison of the cumulative total shareholder return on the Company's common stock to the returns of Standard & Poor's (S&P) 500 and the S&P 500 Industrial Index from October 1, 2012 (the first day of fiscal year 2013) through September 27, 2013. The graph is not, and is not intended to be, indicative of future performance of our common stock. This graph is not being filed with the SEC as part of this Annual Report on Form 10-K 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).




The above graph assumes the following:

(1) $100 invested at the close of business on October 1, 2012, in ADT common stock, S&P 500 Index, and the S&P 500 Industrial Index.

(2) The cumulative total return assumes reinvestment of dividends.

FORM 10-K

## Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1] | Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs[1] |
|---|---|---|---|---|
| 06/29/13 – 07/26/13 | 2,125,955 | $41.36 | 2,125,955 | $850,063,525 |
| 07/27/13 – 08/30/13 | — | $ — | — | $850,063,525 |
| 08/31/13 – 09/27/13 | 2,850,000 | $41.57 | 2,850,000 | $731,586,413 |
| Total | 4,975,955 | $41.48 | 4,975,955 | $731,586,413 |

(1) On November 26, 2012, the Company's board of directors approved $2 billion of share repurchases over a period of three years.

The transactions described in the table above pertain to the repurchase of common stock as part of the $2 billion, three -year share repurchase program approved by the Company's board of directors on November 26, 2012. The average price paid per share is calculated by dividing the total cash paid for the shares by the total number of shares repurchased. On November 18, 2013, our board of directors authorized a $1 billion increase to the $2 billion, three -year share repurchase program that was previously approved on November 26, 2012.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of September 27, 2013 with respect to ADT's common shares issuable under its equity compensation plans:

| | Equity Compensation Plan | | |
|---|---|---|---|
| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
| Equity compensation plans approved by security holders: | | | |
| 2012 Stock and Incentive Plan[1] | 6,537,126 | $24.58 | 7,287,888 |
| Equity compensation plans not approved by security holders | — | | — |
| Total | 6,537,126 | | 7,287,888 |

(1) The ADT Corporation 2012 Stock and Incentive Plan (the "Plan") provides for the award of stock options, restricted stock units, performance share units and other equity and equity-based awards to officers and non-officer employees as well as members of our board of directors. Amounts shown in column (a) include 5,296,060 shares that may be issued upon the exercise of stock options, 47,136 deferred stock units ("DSU") and dividend equivalents earned on such DSUs, 1,041,778 shares that may be issued upon the vesting of restricted stock units and 152,152 shares that may be issued upon vesting of performance share units. The weighted-average exercise price in column (b) is inclusive of the outstanding DSUs and restricted stock units, both of which can be exercised for no consideration. Excluding the DSUs and restricted stock units, the weighted-average exercise price is equal to $30.34.

## Item 6. Selected Financial Data.

The following table sets forth selected consolidated and combined financial data for fiscal years 2013, 2012, 2011, 2010 and 2009. The consolidated and combined statement of operations data set forth below for fiscal years 2013, 2012 and 2011 and the consolidated balance sheet data as of September 27, 2013 and September 28, 2012 are derived from our audited consolidated and combined financial statements included elsewhere in this Annual Report on Form 10-K. The combined statement of operations data for fiscal years 2010 and 2009 and the combined balance sheet data as of September 30, 2011 and September 24, 2010 are derived from our audited combined financial statements which are not included in this Annual Report on Form 10-K. The combined balance sheet data as of September 29, 2009 is derived from our unaudited combined financial statements not included in this Annual Report on Form 10-K.

ADT has a 52- or 53-week fiscal year that ends on the last Friday in September. Fiscal year 2011 was a 53-week year. Fiscal years 2013, 2012, 2010 and 2009 were 52-week years.

This selected financial data should be read in conjunction with our Consolidated and Combined Financial Statements and related Notes included in Item 8 of this Annual Report on Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7 of this Annual Report on Form 10-K.

| *(in millions, except per share data)* | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Consolidated and Combined Statements of Operations Data: | | | | | |
| Revenue | $3,309 | $3,228 | $3,110 | $2,591 | $2,248 |
| Operating income[1] | 735 | 722 | 693 | 504 | 474 |
| Net income[1][2] | 421 | 394 | 376 | 239 | 243 |
| Net income per share[3]: | | | | | |
| Basic | $ 1.90 | $ 1.70 | $ 1.62 | $ 1.03 | $ 1.05 |
| Diluted | $ 1.88 | $ 1.67 | $ 1.59 | $ 1.01 | $ 1.03 |
| Weighted average number of shares[3]: | | | | | |
| Basic | 222 | 232 | 232 | 232 | 232 |
| Diluted | 224 | 236 | 236 | 236 | 236 |
| Cash dividends declared per ordinary share | $0.625 | $ — | $ — | $ — | $ — |
| Consolidated and Combined Balance Sheet Data (End of Year): | | | | | |
| Total assets | $9,913 | $9,260 | $8,739 | $8,692 | $6,074 |
| Long-term debt[4] | 3,373 | 2,525 | 1,506 | 1,326 | 1,095 |
| Total liabilities[4] | 5,591 | 4,103 | 3,508 | 3,526 | 2,588 |
| Total stockholders' equity | 4,322 | 5,157 | 5,231 | 5,166 | 3,486 |

(1) Operating income and net income include $52 million, $67 million, $69 million and $67 million of corporate expense allocated from Tyco for fiscal years 2012, 2011, 2010 and 2009, respectively.

(2) Net income includes allocated interest expense related to Tyco's external debt of $64 million, $87 million, $102 million and $78 million for fiscal years 2012, 2011, 2010 and 2009, respectively.

(3) The Separation was completed on September 28, 2012, and we issued 231 million shares of common stock. This initial share amount has been used to calculate earnings per share for fiscal years 2012, 2011, 2010 and 2009. See Note 11 to the Consolidated and Combined Financial Statements for additional information on earnings per share.

(4) Long-term debt and total liabilities include $1,482 million, $1,301 million and $1,068 million of allocated debt from Tyco as of September 30, 2011, September 24, 2010 and September 25, 2009, respectively.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Introduction

The following discussion should be read in conjunction with our Consolidated and Combined Financial Statements and the notes thereto. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those provided in Item 1A. Risk Factors and under the heading "Cautionary Statement Regarding Forward-Looking Statements" below.

The Consolidated and Combined Financial Statements include our combined operations, assets and liabilities and have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Unless otherwise indicated, references to 2013, 2012 and 2011 are to our fiscal years ended September 27, 2013, September 28, 2012 and September 30, 2011, respectively.

As part of a plan to separate into three independent companies, on or prior to September 28, 2012, Tyco transferred the equity interests of the entities that held all of the assets and liabilities of its residential and small business security business in the United States and Canada to ADT. Effective on September 28, 2012 (the "Distribution Date"), Tyco distributed all of its shares of ADT to Tyco's stockholders of record as of the close of business on September 17, 2012 (the "Separation"). On the Distribution Date, each of the stockholders of Tyco received one share of ADT common stock for every two shares of common stock of Tyco held on September 17, 2012.

Our Consolidated Balance Sheets as of September 27, 2013 and September 28, 2012 reflect the consolidated financial position of ADT and its subsidiaries as an independent publicly-traded company. Additionally, our Consolidated and Combined Statements of Operations, Comprehensive Income and Cash Flows for fiscal year 2013 reflect ADT's operations and cash flows as a standalone company. Prior to the Separation on September 28, 2012, our financial position, results of operations and cash flows consisted of Tyco's residential and small business security business in the United States, Canada and certain U.S. territories and were derived from Tyco's historical accounting records and presented on a carve-out basis. As such, our Consolidated and Combined Statements of Operations, Comprehensive Income and Cash Flows for fiscal years 2012 and 2011 consist of the combined results of operations and cash flows of the ADT North American Residential Security Business of Tyco.

We conduct business through our operating entities and report financial and operating information in one reportable segment. We have a 52- or 53-week fiscal year that ends on the last Friday in September. Both fiscal year 2013 and fiscal year 2012 are 52 week years. Fiscal year 2011 was a 53-week year. Our next 53-week year will occur in fiscal year 2016.



### Business Overview

ADT is a leading provider of electronic security, interactive home and business automation and related monitoring services. We currently serve approximately 6.5 million customers, making us the largest company of our kind in both the United States and Canada. With a 139-year history, the ADT® brand is one of the most trusted and well-known brands in the security industry today. Our broad and pioneering set of products and services, including our ADT Pulse interactive home and business solutions, and our home health services, meet a range of customer needs for modern lifestyles. Our partner network is the broadest in the industry, and includes dealers, affinity organizations like USAA and AARP and technology providers. ADT delivers an integrated customer experience by maintaining the industry's largest sales, installation and service field force and most robust monitoring network, all backed by the support of approximately 17,000 employees and approximately 200 sales and service offices.

For fiscal year 2013, our revenue was $3.3 billion and our operating income was $735 million. The majority of the monitoring services and a large portion of the maintenance services we provide to our customers are

governed by multi-year contracts with automatic renewal provisions. This provides us with significant recurring revenue, which for fiscal year 2013 was approximately 92% of our revenue. We believe that the recurring nature of the majority of our revenue enables us to continuously invest in growing our business. This includes investments in technologies to further enhance the attractiveness of our solutions to current and potential customers, to continue development and training to enable our direct sales, installation, customer service and field service personnel to more effectively deliver exceptional service to our customers, to expand our dealer and partner network and to make continued enhancements to operations efficiency.

**Factors Affecting Operating Results**

Our subscriber-based business requires significant upfront costs to generate new customers, which in turn provide predictable recurring revenue from monthly monitoring fees. In any period, our business results will be impacted by the following factors: customer additions, costs associated with adding new customers, average revenue per customer, costs related to providing services to customers and customer tenure. We manage our business to optimize these factors. We focus on investing wisely in each of our customer acquisition channels to grow our account base in a cost effective manner and generate positive future cash flows and attractive margins. We also focus on "Creating Customers for Life" by maintaining consistently high levels of customer satisfaction, which increases customer tenure and improves profitability.

Our ability to add new accounts depends on the overall demand for our solutions, which is driven by a number of external factors. Growth in our customer base can be influenced by the overall state of the housing market in the geographies we serve. A significant factor is the rate of household moves, whether involving newly constructed housing stock or existing homes. Household moves may drive a majority of new customer volume in any given period, but as household moves increase, our attrition rate also tends to increase. The overall performance of the economies in geographies in which we operate may also affect our ability to attract new customers and grow our business. Although we have not observed a noticeable impact to our financial results of operations during the most recent economic downturn, that does not preclude any future downturn from having a negative effect on our performance. Another external factor that affects customer additions is the perceived level of crime in the communities we serve.

Our marketing efforts are designed to direct potential customers into one of our customer acquisition channels, where we work with the potential customers to identify the most appropriate set of solutions to meet their needs. We closely monitor and manage our costs associated with on-boarding new customers. We utilize a structured customer acquisition process that is designed to produce customers with attractive characteristics, including strong credit scores and high usage of automated payment methods, which we believe results in long average customer tenure.

The monthly fees that we generate from any individual customer depend primarily on the customer's level of service. We offer a wide range of services at various price points, from basic burglar alarm monitoring to our full suite of ADT Pulse interactive services. Our ability to increase monthly average revenue per customer 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.

We focus on keeping customer service and monitoring costs as low as possible without detracting from the high-quality service levels for which we are known and that our customers have come to expect. We believe that our ability to retain customers for longer periods of time is driven in part by our disciplined customer selection practices and our delivery of a superior customer experience.

## Key Performance Measures

We operate our business with the goal of retaining customers for long periods of time in order to recoup our initial investment in new customers, achieving cash flow break-even in approximately three years. We generate substantial recurring net operating cash flow from our customer base. In evaluating our results, we review the following key performance indicators:

*Customer Growth*. Growth of our customer base is crucial to drive our recurring customer revenue as well as to leverage costs of operations. To grow our customer base, we market our electronic security and home/business automation systems and services through national television advertisements, Internet advertising and also through a direct sales force and an authorized dealer network. The key customer metrics that we use to track customer growth are gross customer additions and ending customers. Gross customer additions are new monitored customers installed or acquired during the period.

*Customer Attrition Rate*. Our economic model is highly dependent on customer retention. Success in retaining customers is driven in part by our discipline in accepting new customers with favorable characteristics and by providing high quality equipment, installation, monitoring and customer service. We evaluate our customer retention based upon the recurring revenue lost resulting from customer attrition, net of dealer charge-backs and re-sales. Dealer charge-backs represent customer cancellations charged back to the dealers because the customer canceled service during the initial period of the contract, generally 12 to 15 months. Re-sales are inactive customer sites that are returned to active service during the period. The attrition rate is a 52-week trailing ratio, the numerator of which is the annualized recurring revenue lost during the period due to attrition and the denominator of which is total annualized recurring revenue based on an average of recurring revenue under contract at the beginning of each month during the period.

During the third quarter of fiscal 2013, we determined that our customer attrition rates in prior periods had been overstated due to inaccurate capture of certain re-sale activity. As a result, historical customer attrition rates have been adjusted. This adjustment had no impact on our financial statements for any prior periods. The following table reflects the revised rates for periods from September 30, 2011 through March 29, 2013:

| | Revised | Previously Reported |
|---|---|---|
| September 30, 2011 | 12.7% | 13.0% |
| December 30, 2011 | 12.7% | 13.0% |
| March 30, 2012 | 12.9% | 13.2% |
| June 29, 2012 | 13.2% | 13.5% |
| September 28, 2012 | 13.5% | 13.8% |
| December 28, 2012 | 13.4% | 13.8% |
| March 29, 2013 | 13.5% | 13.9% |

*Recurring Customer Revenue.* Recurring customer revenue is generated by contractual monthly recurring fees for monitoring and other recurring services provided to our customers. Our other revenue consists of revenue associated with the sale of equipment, amortization of deferred revenue related to upfront installations fees, non-routine repair and maintenance services and customer termination charges.

*Average Revenue per Customer*. Average revenue per customer measures the average amount of recurring revenue per customer per month and is calculated based on the recurring revenue under contract at the end of the period, divided by the total number of customers under contract at the end of the period.

*Cost to Serve Expenses*. Cost to serve expenses represent the cost of providing services to our customers reflected in our Consolidated and Combined Statements of Operations. These expenses include costs associated with service calls for customers who have maintenance contracts, costs of monitoring, call center customer service and guard response, partnership commissions and continuing equity programs, bad debt expense and general and administrative expenses. Recurring customer revenue less cost to serve expenses represents our recurring revenue margin.

*Gross Subscriber Acquisition Cost Expenses*. Gross subscriber acquisition cost expenses represent the cost of acquiring new customers reflected in our Consolidated and Combined Statements of Operations and include advertising, marketing, and both direct and indirect selling costs for all new accounts as well as sales commissions and installation equipment and labor costs.

*Earnings before interest, taxes, depreciation and amortization ("EBITDA")*. EBITDA is a non-GAAP measure reflecting net income adjusted for interest, taxes and certain non-cash items which include depreciation of subscriber system assets and other fixed assets, amortization of deferred costs and deferred revenue associated with customer acquisitions, and amortization of dealer and other intangible assets. We believe EBITDA is useful to provide investors with information about operating profits, adjusted for significant non-cash items, generated from the existing customer base. A reconciliation of EBITDA to net income (the most comparable GAAP measure) is provided under "Results of Operations—Non-GAAP Measures."

*Free Cash Flow ("FCF")*. FCF is a non-GAAP measure that our management employs to measure cash that is free from any significant existing obligation and is available to service debt and make investments. The difference between net cash provided by operating activities (the most comparable GAAP measure) and FCF is the deduction of cash outlays for capital expenditures, subscriber system assets, dealer generated customer accounts and bulk account purchases. A reconciliation of FCF to net cash provided by operating activities is provided under "Results of Operations—Non-GAAP Measures."

**Results of Operations**

| *(in millions, except as otherwise indicated)* | 2013 | 2012 | 2011 |
|---|---|---|---|
| Recurring customer revenue | $ 3,041 | $ 2,903 | $2,765 |
| Other revenue | 268 | 325 | 345 |
| Total revenue | 3,309 | 3,228 | 3,110 |
| Operating income | 735 | 722 | 693 |
| Interest expense, net | (117) | (92) | (89) |
| Other income | 24 | — | — |
| Income tax expense | (221) | (236) | (228) |
| Net income | $ 421 | $ 394 | $ 376 |
| **Summary Cash Flow Data:** | | | |
| Net cash provided by operating activities | $ 1,666 | $ 1,493 | $1,439 |
| Net cash used in investing activities | (1,394) | (1,096) | (909) |
| Net cash used in financing activities | (366) | (231) | (548) |
| **Key Performance Indicators:** | | | |
| Ending number of customers (thousands)[(1)] | 6,521 | 6,422 | 6,351 |
| Gross customer additions (thousands)[(1)] | 1,107 | 1,161 | 1,088 |
| Customer attrition rate (percent)[(2)] | 13.9% | 13.5% | 12.7% |
| Average revenue per customer (dollars) | $ 40.31 | $ 38.87 | $37.24 |
| Cost to serve expenses | $ 1,001 | $ 961 | $ 918 |
| Gross subscriber acquisition cost expenses | $ 448 | $ 523 | $ 543 |
| EBITDA | $ 1,689 | $ 1,584 | $1,506 |
| FCF | $ 460 | $ 406 | $ 537 |

(1) Gross customer additions for fiscal year 2013 exclude approximately 117,000 customer accounts acquired in connection with the acquisition of Devcon Security in August 2013. These accounts are included in the 6.5 million ending number of customers as of September 27, 2013.

(2) The customer attrition rates for fiscal years 2012 and 2011 have been revised. See discussion under "Key Performance Measures" above for further information.

As mentioned above, we manage our business to optimize a number of factors including: customer additions, costs associated with adding new customers, average revenue per customer, costs related to providing services to customers and customer tenure. In order to understand how these key factors impact our Consolidated and Combined Statements of Operations, we consider the following components of our expenses: cost to serve expenses, gross subscriber acquisition cost expenses, and depreciation and amortization. The following tables reflect the location of these costs in our Consolidated and Combined Statements of Operations for fiscal years 2013, 2012 and 2011:

| | 2013 | | |
|---|---|---|---|
| *(in millions)* | **Cost of revenue** | **Selling, general and administrative expenses** | **Total** |
| Cost to serve expenses | $ 391 | $ 610 | $1,001 |
| Gross subscriber acquisition cost expenses | 59 | 389 | 448 |
| Depreciation and amortization | 891 | 174 | 1,065 |
| Other | 37 | — | 37 |
| Total | $1,378 | $1,173 | $2,551 |

| | 2012 | | |
|---|---|---|---|
| *(in millions)* | **Cost of revenue** | **Selling, general and administrative expenses** | **Total** |
| Cost to serve expenses | $ 364 | $ 597 | $ 961 |
| Gross subscriber acquisition cost expenses | 146 | 377 | 523 |
| Depreciation and amortization | 831 | 151 | 982 |
| Other | 33 | — | 33 |
| Total | $1,374 | $1,125 | $2,499 |

| | 2011 | | |
|---|---|---|---|
| *(in millions)* | **Cost of revenue** | **Selling, general and administrative expenses** | **Total** |
| Cost to serve expenses | $ 350 | $ 568 | $ 918 |
| Gross subscriber acquisition cost expenses | 175 | 368 | 543 |
| Depreciation and amortization | 787 | 140 | 927 |
| Other | 29 | — | 29 |
| Total | $1,341 | $1,076 | $2,417 |



***Year Ended September 27, 2013 Compared with Year Ended September 28, 2012***

*Revenue*

Revenue increased by $81 million, or 2.5%, to $3.3 billion for fiscal year 2013 as compared with fiscal year 2012, primarily due to the growth in recurring customer revenue, which increased by $138 million, or 4.8%. This increase was primarily the result of higher average revenue per customer as well as growth in customer accounts, net of attrition. The growth in recurring customer revenue was partially offset by a decrease in other revenue, which went down by $57 million, or 17.5%, to $268 million for fiscal year 2013 as compared with fiscal year 2012. The reduction in other revenue was due to the mix shift toward more ADT-owned systems rather than outright system sales, resulting in higher deferred revenue and lower current period installation revenue.

Average revenue per customer increased by $1.44, or 3.7%, as of September 27, 2013 compared with September 28, 2012 primarily due to price escalations on our existing customer base and the addition of new customers at higher rates, including increased take rates on ADT Pulse.

Gross customer additions were approximately 1.1 million during fiscal year 2013, reflecting customer account growth of 654,000 in the direct channel and 453,000 in the dealer channel. Additionally, we acquired approximately 117,000 customer accounts in conjunction with our acquisition of Devcon Security, which was completed in August 2013. Excluding these accounts, gross customer additions fell by 54,000, or 4.7%, during fiscal year 2013 as compared to fiscal year 2012, as increases in additions from our direct channel were not sufficient to offset lower dealer channel production. Net of attrition, our ending number of customers grew by 99,000, or 1.5%, during fiscal year 2013. Our annualized customer attrition as of September 27, 2013 was 13.9% compared with 13.5% as of September 28, 2012. The increase in customer attrition from September 28, 2012 was due primarily to relocation disconnects as a result of the continued recovery of the housing market. We continue to focus on high quality service and our disciplined customer selection process in order to limit customer attrition.

*Operating Income*

Operating income increased by $13 million, or 1.8%, to $735 million for fiscal year 2013 as compared with fiscal year 2012. Operating margin was 22.2% for fiscal year 2013 compared with 22.4% for fiscal 2012. Operating expenses for fiscal year 2013, which included $23 million of costs related to the Separation, totaled $2.6 billion, up 2.7% or $68 million as compared to fiscal year 2012. The increase in operating expenses includes $83 million in higher depreciation and amortization expense related primarily to our subscriber system assets and dealer generated accounts. Cost to serve expenses totaled $1.0 billion for fiscal year 2013 as compared to $961 million for fiscal year 2012. Cost to serve expenses for fiscal year 2012 include integration costs related to the acquisition of Broadview Security of $14 million and restructuring related expenses of approximately $4 million. After considering these items, cost to serve expenses increased by approximately $58 million for fiscal year 2013 as compared to fiscal year 2012. This increase was primarily a result of higher corporate costs and dis-synergies associated with the separation of our business from the commercial security business of Tyco and increased customer service and maintenance expenses driven by investments to improve customer retention. The increase was partially offset by a reduction in legal-related charges as certain costs incurred in fiscal year 2012 did not recur in fiscal year 2013. The increases in depreciation and amortization and cost to serve expenses were partially offset by a $75 million reduction in gross subscriber acquisition cost expenses, which resulted from the deferral of a higher proportion of upfront installation costs associated with the mix shift toward more ADT-owned systems.

AT&T and certain other telecommunication providers have advised us that they will discontinue their 2G services in the future. In connection with these plans, we have initiated a three-year program associated with the replacement of 2G radios used in many of our security systems, which will result in incremental costs beginning in fiscal year 2014. Additionally, during fiscal year 2014, we expect to incur incremental costs associated with the integration of acquisitions as well as costs to realize efficiencies. We will also continue to incur costs directly associated with the Separation during fiscal year 2014. In total, we anticipate that we will incur between $50 million and $65 million in fiscal year 2014 in conjunction with these activities, of which approximately half is associated with the 2G conversion program.

*Interest Expense, net*

Net interest expense was $117 million for fiscal year 2013 compared with $92 million for fiscal year 2012. Interest expense for fiscal year 2013 is comprised primarily of interest on our long-term debt, which reflects an increase in borrowings related to the issuance of $700 million in notes during January 2013. Interest expense for fiscal year 2012 includes $64 million of allocated interest expense related to Tyco's external debt, approximately $22 million of interest on our unsecured notes and $3 million of financing costs incurred in connection with a bridge facility.

*Other Income*

During fiscal year 2013, we recorded $24 million of other income, which is comprised primarily of $23 million of non-taxable income recorded pursuant to the tax sharing agreement entered into in conjunction with the Separation. See Note 6 to the Consolidated and Combined Financial Statements for more information.

*Income Tax Expense*

Income tax expense was $221 million for fiscal year 2013 compared with $236 million for fiscal year 2012, and the effective tax rate fell to 34.4% from 37.5%. The effective tax rate for fiscal year 2013 reflects the favorable impact of an adjustment to the state tax rate at which we expect to settle our net deferred tax liabilities. This adjustment resulted in a tax benefit of $7 million during the period. The effective tax rate for fiscal year 2013 also reflects the favorable impact resulting from $23 million in non-taxable other income. These favorable items were partially offset by the impact of discrete charges of approximately $7 million due to legislative changes in certain states. The effective tax rate can vary from period to period due to permanent tax adjustments, discrete items such as the settlement of income tax audits and changes in tax laws, as well as recurring factors such as changes in the overall effective state tax rate. See Note 6 to the Consolidated and Combined Financial Statements for more information on income taxes.

***Year Ended September 28, 2012 Compared with Year Ended September 30, 2011***

*Revenue*

Revenue increased by $118 million, or 3.8%, to $3.2 billion for fiscal year 2012 as compared with fiscal year 2011, primarily due to the growth in recurring customer revenue, which increased by $138 million, or 5.0%. This increase was due primarily to higher average revenue per customer as well as growth in customer accounts, net of attrition.

Average revenue per customer increased by $1.63, or 4.4%, as of September 28, 2012 compared with September 30, 2011 primarily due to planned price escalations to certain existing customers and the addition of new customers at higher monthly rates. Increased take rates on new service offerings, including ADT Pulse, contributed to the higher average revenue per customer.

Gross customer additions were approximately 1.2 million during fiscal year 2012, reflecting customer account growth in all channels. Net of attrition, our ending number of customers grew by 71,000, or 1.1%, during fiscal year 2012. Our annualized customer attrition as of September 28, 2012 was 13.5% compared with 12.7% as of September 30, 2011 and 13.2% as of June 29, 2012. The majority of the increase in customer attrition from June 29, 2012 was due to voluntary disconnects, which includes customers canceling service as a result of price escalations implemented in the second and third quarters of fiscal year 2012.



*Operating Income*

Operating income increased by $29 million, or 4.2%, to $722 million for fiscal year 2012 as compared with fiscal year 2011. Operating margin was 22.4% for fiscal year 2012 compared with 22.3% for fiscal year 2011. Operating expenses for fiscal year 2012, which included $7 million of costs related to the Separation, totaled $2.5 billion, up 3.7% as compared to fiscal year 2011. The increase in operating expenses includes $55 million in higher depreciation and amortization expense primarily related to our subscriber system assets and dealer generated accounts. Cost to serve expenses totaled $961 million for fiscal year 2012 as compared to $918 million for fiscal year 2011. Cost to serve expenses for fiscal years 2012 and 2011 include integration costs related to the acquisition of Broadview Security of $14 million and $28 million, respectively. Additionally, cost to serve expenses for fiscal year 2012 include restructuring related expenses of approximately $4 million. After considering these items, cost to serve expenses increased by approximately $53 million for fiscal year 2012 as compared to fiscal year 2011 primarily as a result of account growth and investments to grow our business. The increase in cost to serve expenses also reflects $15 million in charges related to legal matters and $5 million in

dis-synergies associated with the separation of our business from the commercial security business of Tyco. The increases in depreciation and amortization and cost to serve expenses were partially offset by a $20 million reduction in gross subscriber acquisition cost expenses. This reduction was driven by the deferral of a higher proportion of upfront installation costs associated with the mix shift toward more ADT-owned systems.

*Interest Expense, net*

Net interest expense was $92 million for fiscal year 2012 compared with $89 million for fiscal year 2011. Interest expense for fiscal years 2012 and 2011 include allocated interest expense related to Tyco's external debt of $64 million and $87 million, respectively. Also included in net interest expense for fiscal year 2012 was approximately $22 million of interest on our unsecured notes and $3 million of financing costs incurred in connection with a bridge facility.

*Income Tax Expense*

Income tax expense was $236 million for fiscal year 2012 compared with $228 million for fiscal year 2011, while the effective tax rate fell slightly to 37.5%. The effective tax rate can vary from period to period due to permanent tax adjustments, discrete items such as the settlement of income tax audits and changes in tax laws, as well as recurring factors such as changes in the overall effective state tax rate.

**Non-GAAP Measures**

To provide investors with additional information regarding our results as determined by GAAP, we also disclose non-GAAP measures which management believes provide useful information to investors. These measures consist of EBITDA and FCF. These measures are not financial measures calculated in accordance with GAAP and should not be considered as substitutes for net income, operating profit, cash from operating activities or any other operating performance measure calculated in accordance with GAAP, and they may not be comparable to similarly titled measures reported by other companies. We use EBITDA to measure the operational strength and performance of our business. We use FCF as an additional performance measure of our ability to service debt, make other investments and return capital to stockholders through dividends and share repurchases. These measures, or measures that are based on them, may also be used as components in our incentive compensation plans.

We believe EBITDA is useful because it measures our success in acquiring, retaining and servicing our customer base and our ability to generate and grow our recurring revenue while providing a high level of customer service in a cost-effective manner. EBITDA excludes interest expense and the provision for income taxes. Excluding these items eliminates the expenses associated with our capitalization and tax structure. Because EBITDA excludes interest expense, it does not give effect to cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA also excludes depreciation and amortization, which eliminates the impact of non-cash charges related to capital investments. Depreciation and amortization includes depreciation of subscriber system assets and other fixed assets, amortization of deferred costs and deferred revenue associated with subscriber acquisitions and amortization of dealer and other intangible assets.

There are material limitations to using EBITDA. EBITDA may not be comparable to similarly titled measures reported by other companies. Furthermore, EBITDA does not take into account certain significant items, including depreciation and amortization, interest expense and tax expense, which directly affect our net income. These limitations are best addressed by considering the economic effects of the excluded items independently, and by considering EBITDA in conjunction with net income as calculated in accordance with GAAP.

FCF is defined as cash from operations less cash outlays related to capital expenditures, subscriber system assets, dealer generated customer accounts and bulk account purchases. Dealer generated accounts are accounts

that are generated through our network of authorized dealers. Bulk account purchases represent accounts that we acquire from third parties outside of our authorized dealer network, such as other security service providers, on a selective basis. These items are subtracted from cash from operating activities because they represent long-term investments that are required for normal business activities. As a result, FCF is a useful measure of our cash that is free from significant existing obligations and available for other uses.

Furthermore, FCF adjusts for cash items that are ultimately within management's and the board of directors' discretion to direct and therefore may imply that there is less or more cash that is available for our programs than the most comparable GAAP measure. This limitation is best addressed by using FCF in combination with the GAAP cash flow numbers.

The tables below reconcile EBITDA to net income and FCF to cash flows from operating activities.

***EBITDA***

| *(in millions)* | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net income | $ 421 | $ 394 | $ 376 |
| Interest expense, net | 117 | 92 | 89 |
| Income tax expense | 221 | 236 | 228 |
| Depreciation and intangible asset amortization | 942 | 871 | 825 |
| Amortization of deferred subscriber acquisition costs | 123 | 111 | 102 |
| Amortization of deferred subscriber acquisition revenue | (135) | (120) | (114) |
| EBITDA | $1,689 | $1,584 | $1,506 |

EBITDA increased $105 million, or 6.6%, for fiscal year 2013, as compared with the prior year. The increase was primarily due to the impact of higher recurring customer revenue, partially offset by the impact of increased cost to serve expenses as discussed above. Additionally, other income primarily related to the 2012 Tax Sharing Agreement increased EBITDA for fiscal year 2013 by $24 million. See Note 1 to the Condensed, Consolidated and Combined Financial Statements for more information on other income. EBITDA increased $78 million, or 5.2%, for fiscal year 2012, as compared with fiscal year 2011. This increase was primarily due to the impact of higher recurring customer revenue.



***FCF***

| *(in millions)* | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net cash provided by operating activities | $1,666 | $1,493 | $1,439 |
| Dealer generated customer accounts and bulk account purchases | (555) | (648) | (581) |
| Subscriber system assets | (580) | (378) | (290) |
| Capital expenditures | (71) | (61) | (31) |
| FCF | $ 460 | $ 406 | $ 537 |

For fiscal year 2013, FCF increased $54 million compared with fiscal year 2012. This increase was primarily due to an increase of $173 million in net cash provided by operating activities, which primarily resulted from higher EBITDA and improvements in working capital, and a decrease of $93 million in cash paid for dealer generated customer accounts and bulk account purchases. These factors were partially offset by an increase of $202 million in internally generated subscriber systems and an increase of $10 million in capital expenditures. Approximately $80 million of the increase in internally generated subscriber systems resulted from the mix shift toward more ADT-owned systems and is substantially offset by higher cash flows from operating activities related to increases in deferred subscriber acquisition revenue.

For fiscal year 2012, FCF decreased $131 million compared with fiscal year 2011. This decrease was primarily due to higher cash spend on dealer generated customer accounts and bulk account purchases of $67 million and higher investments in internally generated subscriber systems and capital expenditures of $88 million and $30 million, respectively. This decrease was partially offset by an increase of $54 million in net cash provided by operating activities due to higher EBITDA.

**Liquidity and Capital Resources**

*Liquidity and Cash Flow Analysis*

Significant factors driving our liquidity position include cash flows generated from operating activities and investments in internally generated subscriber systems and dealer generated customer accounts. Our cash flows from operations includes cash received from monthly recurring revenue and upfront installation fees received from customers, less cash costs to provide services to our customers, including general and administrative costs and certain costs associated with acquiring new customers. Historically, we have generated and expect to continue to generate positive cash flow from operations. Prior to the Separation, our cash was regularly "swept" by Tyco at its discretion in conjunction with its centralized approach to cash management and financing of operations. Transfers of cash both to and from Tyco's cash management system are reflected as changes in parent company investment in the Consolidated and Combined Statements of Cash Flows for fiscal years 2012 and 2011.

*Liquidity*

At September 27, 2013, we had $138 million in cash and equivalents and another $600 million available under our $750 million revolving credit facility. Our primary future cash needs are centered on operating activities, working capital, capital expenditures, strategic investments and dividends. In addition, we may use cash to repurchase shares of our common stock under our share repurchase program. We believe our cash position, amounts available under our revolving credit facility and cash provided by operating activities will be adequate to cover our operational and business needs in the next twelve months.

At September 27, 2013, we had $150 million outstanding under our revolving credit facility, all of which was borrowed during the fourth quarter of fiscal year 2013. During the quarter ended September 27, 2013, average borrowings under the facility totaled approximately $41 million at an average interest rate of 1.609%. There were no borrowings under the facility during the first three quarters of fiscal year 2013. During October 2013, the $150 million in borrowings under the revolving credit facility were repaid using a portion of the cash proceeds from the debt issuance described below.

On January 14, 2013, we issued $700 million aggregate principal amount of 4.125% unsecured notes due 2023 to certain institutional investors pursuant to certain exemptions from registration under the Securities Act of 1933, as amended (the "January 2013 Debt Offering"). Net cash proceeds from the issuance of this term indebtedness totaled $694 million and were primarily used for the repurchase of outstanding shares of our common stock. Interest is payable on June 15 and December 15 of each year, and the first payment was made on June 15, 2013. We may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed, or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date.

On October 1, 2013, we issued $1.0 billion aggregate principal amount of 6.250% unsecured notes due October 2021 to certain institutional investors pursuant to certain exemptions from registration under the Securities Act of 1933, as amended. Net cash proceeds from the issuance of this term indebtedness totaled $987 million, of which $150 million was used to repay the outstanding borrowings under our revolving credit facility as of September 27, 2013. The remaining net proceeds will be used for repurchases of outstanding shares of our common stock and acquisitions. Interest is payable on April 15 and October 15 of each year, commencing on

April 15, 2014. We may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed, or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date.

*Share Repurchases*

On November 26, 2012, our board of directors approved $2 billion of share repurchases over a period of three years. Pursuant to this approval, we may enter into accelerated share repurchase plans as well as repurchase shares on the open market. During fiscal year 2013, we made open market repurchases of 15.5 million shares of our common stock at an average price of $43.01 per share. The total cost of open market repurchases for fiscal year 2013 was approximately $668 million, of which $635 million was paid during the period. Additionally, between September 28, 2013 and November 13, 2013 we repurchased 7.3 million shares of our common stock for approximately $300 million.

On January 29, 2013, we entered into an accelerated share repurchase agreement under which we repurchased 12.6 million shares of our common stock for $600 million at an average price of $47.60 per share. This accelerated share repurchase program, which was funded with proceeds from the January 2013 Debt Offering, was completed on April 2, 2013.

On November 18, 2013, our board of directors authorized a $1 billion increase to the $2 billion, three-year share repurchase program that was previously approved on November 26, 2012. Additionally, on November 19, 2013, we entered into an accelerated share repurchase agreement under which we will repurchase approximately $400 million of our common stock. This accelerated share repurchase program will be funded with available cash on hand. The actual number of shares repurchased will be determined upon completion of the program, which is expected to occur by March 25, 2014.

*Dividends*

During fiscal year 2013 our board of directors declared five dividends on our common stock of $0.125 per share. The dividend declared on November 26, 2012 was paid on December 18, 2012 to stockholders of record on December 10, 2012. The dividend declared on January 10, 2013 was paid on February 20, 2013 to stockholders of record on January 30, 2013. The dividend declared on March 14, 2013 was paid on May 15, 2013 to stockholders of record on April 24, 2013. The dividend declared on July 19, 2013 was paid on August 21, 2013 to stockholders of record on July 31, 2013. The dividend declared on September 20, 2013 will be paid on November 20, 2013 to stockholders of record on October 30, 2013. We currently anticipate that the four dividends paid during fiscal year 2013 will likely represent a return of capital to our stockholders.



Whether our board of directors exercises its discretion to approve any dividends in the future will depend on many factors, including our financial condition, capital requirements of our business, covenants associated with debt obligations, legal requirements, regulatory constraints, industry practice and other factors that our board of directors deems relevant. Therefore, we can make no assurance that we will pay a dividend in the future. On November 18, 2013, our board of directors authorized an increase in our quarterly dividend from $0.125 per common share to $0.20 per common share, beginning with our next dividend declaration.

*Cash Flows from Operating Activities*

For fiscal years 2013, 2012 and 2011, we reported net cash provided by operating activities of $1.7 billion, $1.5 billion and $1.4 billion, respectively. See discussion of changes in net cash provided by operating activities included in FCF under “Results of Operations—Non-GAAP Measures.”

*Cash Flows from Investing Activities*

| *(in millions)* | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net cash used in investing activities | $(1,394) | $(1,096) | $(909) |

In order to maintain and grow our customer base and to expand our infrastructure, we typically reinvest the cash provided by our operating activities into our business. These investments are intended to enhance the overall customer experience, improve productivity of our field workforce and support greater efficiency of our back office systems and our customer care centers. For fiscal years 2013, 2012 and 2011, our investing activities consisted of subscriber system asset additions and capital expenditures totaling $651 million, $439 million and $321 million, respectively. Additionally, during fiscal years 2013, 2012 and 2011, we paid $555 million, $648 million and $581 million, respectively, for customer contracts for electronic security services. Customer contracts generated under the ADT dealer program and bulk account purchases during 2013, 2012 and 2011 totaled approximately 453,000, 527,000 and 491,000, respectively. During fiscal year 2013, we completed the acquisitions of Absolute Security and Devcon Security, resulting in cash paid, net of cash acquired, of $16 million and $146 million, respectively.

*Cash Flows from Financing Activities*

| *(in millions)* | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net cash used in financing activities | $(366) | $(231) | $(548) |

For fiscal year 2013, the net cash used in financing activities was primarily the result of $1.2 billion in repurchases of our common stock under our approved share repurchase program, which were partially funded with the $694 million in net proceeds from the January 2013 Debt Offering. Also, during the fourth quarter of fiscal year 2013, we borrowed $150 million on our revolving credit facility. During fiscal year 2013, we paid $112 million in dividends on our common stock and $6 million for share repurchases related to shares purchased from employees to cover tax withholdings. We also received $85 million in proceeds from the exercise of stock options and $61 million in funds from Tyco and Pentair, which related to the allocation of funds between the companies as outlined in the Separation and Distribution Agreement between Tyco and ADT. For fiscal year 2012, the net cash used in financing activities was primarily the result of changes in parent company investment of $1.1 billion and changes in balances due to (from) Tyco and affiliates of $63 million, which were substantially offset by the net proceeds received on our issuance of $2.5 billion in long-term debt and the removal of $1.5 billion in allocated debt from Tyco. For fiscal year 2011, the net cash used in financing activities was primarily the result of changes in parent company investment of $574 million, partially offset by changes in balances due to (from) Tyco and affiliates of $32 million.

**Commitments and Contractual Obligations**

The following table provides a summary of our contractual obligations and commitments for debt, minimum lease payment obligations under non-cancelable leases and other obligations as of September 27, 2013.

| *(in millions)* | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Long-term debt[(1)(4)] | $ 1 | $ 1 | $ 1 | $750 | $— | $2,450 | $3,203 |
| Revolving credit facility[(2)] | — | — | — | — | — | 150 | 150 |
| Interest payments[(3)(4)] | 120 | 120 | 120 | 119 | 100 | 1,161 | 1,740 |
| Operating leases | 58 | 46 | 34 | 26 | 21 | 56 | 241 |
| Capital leases | 5 | 5 | 5 | 6 | 7 | 20 | 48 |
| Purchase obligations[(5)] | 23 | 9 | — | — | — | — | 32 |
| Minimum required pension plan contributions[(6)] | 2 | — | — | — | — | — | 2 |
| Total contractual cash obligations[(7)] | $209 | $181 | $160 | $901 | $128 | $3,837 | $5,416 |



FORM 10-K

(1) Long-term debt obligations consist primarily of our senior unsecured notes and exclude debt discount and interest.

(2) On October 1, 2013, we issued $1.0 billion in unsecured notes due October 15, 2021, $150 million of which was used to repay the amounts borrowed and outstanding as of September 27, 2013 under our revolving credit facility. Although advances on our revolving credit facility mature in periods within one year, the outstanding borrowings as of September 27, 2013 were effectively refinanced on a long-term basis prior to the issuance of our financial statements. Therefore, they are reflected in the above table as a commitment due in fiscal year 2021, the year in which the newly issued debt matures.

(3) Interest payments consist primarily of interest on our fixed-rate debt.

(4) Principal and interest payments in the table above do not reflect contractual obligations and commitments for the unsecured notes we issued on October 1, 2013. The debt principal of $1.0 billion is due October 15, 2021. Interest payments total approximately $31 million every six months commencing on April 15, 2014 and ending on October 15, 2021.

(5) Purchase obligations consist of commitments for purchases of goods and services.

(6) We have net unfunded pension and postretirement benefit obligations of $16 million and $6 million, respectively, to certain employees and former employees as of September 27, 2013. We are obligated to make contributions to our pension plans and postretirement benefit plans; however, we are unable to determine the amount of plan contributions due to the inherent uncertainties of obligations of this type, including timing, interest rate changes, investment performance, and amounts of benefit payments. The minimum required contributions to our pension plans are expected to be approximately $2 million in fiscal year 2014. These plans and our estimates of future contributions and benefit payments are more fully described in Note 8 to the Consolidated and Combined Financial Statements.

(7) Total contractual cash obligations in the table above exclude income taxes as we are unable to make a reasonably reliable estimate of the timing for the remaining payments in future years. See Note 6 to the Consolidated and Combined Financial Statements for further information.

As of September 27, 2013, we had $16 million in standby letters of credit related to our insurance programs.

**Off-Balance Sheet Arrangements**

As of September 27, 2013, we had no off-balance sheet arrangements.

**Critical Accounting Policies and Estimates**

The preparation of the Consolidated and Combined Financial Statements in conformity with U.S. GAAP requires management to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. The following accounting policies are based on, among other things, judgments and assumptions made by management that include inherent risks and uncertainties. Management’s estimates are based on the relevant information available at the end of each period.

*Revenue Recognition*

Major components of our revenue include contractual monitoring and maintenance service revenue, non-refundable installation fees related to subscriber system assets, sales of equipment and other services. We recognize revenue from contractual monitoring and maintenance services as those services are rendered over the contract term. Customer billings for services not yet rendered are deferred and recognized as revenue as the services are rendered. The balance of deferred revenue is included in current liabilities or long-term liabilities, as appropriate. Revenue associated with the sale of equipment and related installation is recognized once delivery, installation and customer acceptance is completed.

For transactions in which we retain ownership of the security system, referred to as subscriber system assets, non-refundable fees (referred to as deferred subscriber acquisition revenue) received in connection with the

initiation of a monitoring contract, along with associated direct and incremental selling costs (referred to as deferred subscriber acquisition costs), are deferred and amortized over the estimated life of the customer relationship. In certain limited circumstances, ownership of the system is contractually transferred to the customer, in which case each deliverable provided under the arrangement is considered a separate unit of accounting. For contracts that have multiple elements, including equipment, installation, monitoring services and maintenance agreements, consideration is allocated to the units of accounting based on their relative selling price, subject to the requirement that revenue recognized is limited to the amounts already received from the customer that are not contingent upon the delivery of monitoring and maintenance services in the future.

Early termination of the contract by the customer results in a termination charge in accordance with the customer contract, which is recognized when collectability is reasonably assured. Provisions for certain rebates, refunds and discounts to customers are accounted for as reductions in revenue in the same period the related revenue is recorded based on sales terms, historical experience and trend analysis. Refunds occur in limited circumstances and only after all attempts to resolve customer concerns have been exhausted.

*Depreciation and Amortization Methods for Security Monitoring-Related Assets*

We classify assets related to the generation of new customers in two asset categories for purposes of depreciation and amortization methods: internally generated subscriber systems (referred to as subscriber system assets) and customer accounts generated through the ADT dealer program (referred to as dealer intangibles). Subscriber system assets include installed property and equipment for which ADT retains ownership and deferred costs directly related to the customer acquisition and system installation. We account for subscriber system assets and any deferred costs and revenue resulting from the customer acquisition over the expected life of the customer relationship. We account for subscriber system assets and related deferred costs and revenue using pools, with separate pools for the components of subscriber system assets and any related deferred costs and revenue based on the month and year of acquisition. We depreciate our pooled subscriber system assets and related deferred costs and revenue using an accelerated method over 15 years. We amortize intangible assets arising from the ADT dealer program in pools determined by the same month and year of contract commencement on an accelerated basis over the expected life of the customer relationship of 15 years.

*Loss Contingencies*

We record accruals for various contingencies including legal proceedings and other claims that arise in the normal course of business. The 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. We record an accrual when a loss is deemed probable to occur and is reasonably estimable. Additionally, we record insurance recovery receivables from third-party insurers when recovery has been determined to be probable.

*Acquisitions*

We account for acquired businesses using the purchase method of accounting. Under the purchase method, our Consolidated and Combined Financial Statements reflect the operations of an acquired business starting from the completion of the acquisition. In addition, the assets acquired and liabilities assumed must be recorded at the date of acquisition at their respective 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 intangible assets and in assigning their respective useful lives. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant items. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management, but are inherently uncertain.

*Goodwill*

We assess goodwill for impairment annually and more frequently if events or changes in business circumstances indicate that it is more likely than not that the carrying value of a reporting unit exceeds its fair value. In performing these assessments, management relies on various factors, including operating results, business plans, economic projections, anticipated future cash flows and other market data.

We recorded no goodwill impairments in conjunction with our annual goodwill impairment assessment performed on the first day of the fourth quarter of fiscal year 2013. While historical performance and current expectations have resulted in fair values of goodwill in excess of carrying values, if our assumptions are not realized, it is possible that in the future an impairment charge may need to be recorded. However, it is not possible at this time to determine whether an impairment charge would result or if such a charge would be material. We will continue to monitor the recoverability of our goodwill.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill impairment test will prove to be accurate predictions of the future. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of the business may include such items as follows: a prolonged downturn in the business environment (i.e. sales volumes and prices); an economic recovery that significantly differs from our assumptions in timing or degree; volatility in equity and debt markets resulting in higher discount rates; and unexpected regulatory changes.

*Long-Lived Assets*

We review asset groups held and used by us, including property and equipment and amortizable intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the asset group may not be fully recoverable. If an impairment is determined to exist, we calculate any related impairment loss based on fair value.

Impairments on long-lived assets to be disposed of are determined based upon the fair value less cost to sell of the applicable assets. The calculation of the fair value of long-lived assets is based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk.



*Income Taxes*

For purposes of our Consolidated and Combined Financial Statements for periods prior to the Separation on September 28, 2012, income tax expense, deferred tax balances and tax carryforwards were recorded as if ADT filed tax returns on a standalone basis separate from Tyco ("Separate Return Method"). The Separate Return Method applies the accounting guidance for income taxes to the standalone financial statements as if we were a separate taxpayer and a standalone enterprise for the periods prior to the Separation. The deferred tax balances reflected in our Consolidated Balance Sheets as of September 27, 2013 and September 28, 2012 have been recorded on a consolidated return basis. The calculation of income taxes for the Company requires a considerable amount of judgment and use of both estimates and allocations. Prior to the Separation on September 28, 2012, we primarily operated within a Tyco U.S. consolidated group and within a standalone Canadian entity. In certain instances, tax losses or credits generated by Tyco's other businesses continue to be available to us in periods after the Separation.

In determining taxable income for our Consolidated and Combined 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 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 our underlying businesses.

We do not have any significant valuation allowances against our net deferred tax assets.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management records 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 addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations in the United States and Canada. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. These tax liabilities are reflected net of related tax loss carryforwards. We adjust these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary.

**Accounting Pronouncements**

See Note 1 to the Consolidated and Combined Financial Statements for information about recent accounting pronouncements.

**Cautionary Statement Regarding Forward-Looking Statements**

This 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 business strategies, market potential, future financial performance, the effects of the separation of ADT from Tyco and other matters, are forward-looking. Without limiting the generality of the preceding sentence, any time we use the words "anticipate," "estimate," "expect," "project," "intend," "plan," "believe" and similar expressions, we intend to clearly express that the information deals with possible future events and is forward-looking in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking.

Forward-looking information involves risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such statements. 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 towards future performance of the Company is based on various factors and important assumptions about future events that may or may not actually occur. As a result, our operations and financial results in the future could differ materially and substantially from those we have discussed in the forward-looking statements included in this report. We assume no obligation (and specifically disclaim any such obligation) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our operations include activities in the United States 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*

We have a revolving credit facility that bears interest at a floating rate. As a result, we are exposed to fluctuations in interest rates to the extent of our borrowings under the revolving credit facility. Our long-term debt currently consists of fixed-rate instruments. To help manage borrowing costs, we may from time to time enter into interest rate swap transactions with financial institutions acting as principal counterparties. These interest rate swap transactions have the effect of converting part of fixed-rate debt to variable rates. As of September 27, 2013, our exposure to fluctuations in interest rates was not material.

*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.

We are periodically exposed to the foreign currency rate fluctuations that affect transactions not denominated in the functional currency of our U.S. and Canadian operations. 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 since such investments are long-term in nature. As of September 27, 2013, our exposure to fluctuations in currency rates was not material.

## Item 8. Financial Statements and Supplementary Data.

The following consolidated and combined financial statements and schedule specified by this Item, together with the report thereon of Deloitte & Touche LLP, are presented following Item 15 of this report:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of September 27, 2013 and September 28, 2012
- Consolidated and Combined Statements of Operations for the years ended September 27, 2013, September 28, 2012 and September 30, 2011
- Consolidated and Combined Statements of Comprehensive Income for the years ended September 27, 2013, September 28, 2012 and September 30, 2011
- Consolidated and Combined Statements of Stockholders' Equity for the years ended September 27, 2013, September 28, 2012 and September 30, 2011
- Consolidated and Combined Statements of Cash Flows for the years ended September 27, 2013, September 28, 2012 and September 30, 2011
- Notes to Consolidated and Combined Financial Statements
- Financial Statement Schedule:

  Schedule II—Valuation and Qualifying Accounts

All other financial statements and schedules have been omitted since the information required to be submitted has been included in the Consolidated and Combined Financial Statements and related Notes or because they are either not applicable or not required under the rules of Regulation S-X.

Information on quarterly results of operations is set forth in Note 13 to the Consolidated and Combined Financial Statements.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

## Item 9A. Controls and Procedures.

*Disclosure Controls and Procedures*

We maintain disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's applicable rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be in this report is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the possible controls and procedures. Each reporting period, we carry out an evaluation, with the participation of our principal executive officer and principal financial officer, or persons performing similar functions, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

Based on management's evaluation, our principal executive officer and principal financial officer, or persons performing similar functions, have concluded that, as of September 27, 2013, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, or persons performing similar functions, to allow timely decisions regarding required disclosure.

*Changes in Internal Controls*

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended September 27, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*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). Our 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 published financial statements.

Because of 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 risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of September 27, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. In accordance with the SEC's published guidance, management excluded an assessment of the internal control over financial reporting of Devcon Security Holdings, Inc. ("Devcon Security"), which was acquired on August 2, 2013. Devcon Security's total assets represent approximately 1.6% of our total assets as of September 27, 2013 and its total revenues represent approximately 0.3% of our total revenues for fiscal year 2013. Based on our assessment, management has concluded that the Company's internal control over financial reporting was effective as of September 27, 2013.

Our internal control over financial reporting as of September 27, 2013, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report provided in the Index to Consolidated and Combined Financial Statements, which is presented following Item 15 of this report.

**Item 9B. Other Information.**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

Information concerning our executive officers is set forth in Item 1 of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant."

Information concerning our directors may be found under the proposal regarding the election of directors in our definitive proxy statement (the "2014 Proxy Statement") for our 2014 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days after the end of our fiscal year covered by this report. Such information is incorporated herein by reference.

Information regarding our audit committee and our audit committee financial expert is contained in the 2014 Proxy Statement under the caption "Corporate Governance of the Company—Board Committees" and is incorporated herein by reference.

Information regarding compliance with Section 16(a) of the Exchange Act is set forth in the 2014 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

Information regarding material changes to the procedures by which stockholders may recommend nominees to our board of directors may be found under the caption "Corporate Governance of the Company—Director Nomination Process" in our 2014 Proxy Statement and is incorporated herein by reference.

ADT's Code of Conduct, which applies to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as well as all other employees and directors of ADT, meets the requirements of a "code of ethics" as defined by Item 406 of Regulation S-K. Our Code of Conduct also meets the requirements of a code of business conduct and ethics under the listing standards of the New York Stock Exchange, Inc. Our Code of Conduct is posted on the "Investor Relations" section of our website at www.adt.com under the heading "Corporate Governance." We will also provide a copy of our Code of Conduct to stockholders upon request. We disclose any amendments to our Code of Conduct, as well as any waivers for executive officers or directors, on our website.

### Item 11. Executive Compensation.

Information concerning executive compensation and certain related matters may be found under the captions "Compensation of Executive Officers," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation and Other Information" and "Compensation of Non-Employee Directors" in our 2014 Proxy Statement. Such information is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Certain information concerning compensation plans under which the Company's equity securities are authorized for issuance is set forth in Item 5 of this Annual Report on Form 10-K under the caption "Securities Authorized for Issuance Under Equity Compensation Plans." The information in our 2014 Proxy Statement set forth under "Security Ownership of Certain Beneficial Owners and Management" is incorporated herein by reference.

## Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information in our 2014 Proxy Statement set forth under the captions “Corporate Governance of the Company—Board Committees,” “Corporate Governance of the Company—Director Independence,” “Guidelines for Related Party Transactions” and “Certain Relationships and Related Party Transactions” is incorporated herein by reference.

## Item 14. Principal Accountant Fees and Services.

The information in our 2014 Proxy Statement set forth under the proposal related to the ratification of the appointment of the Company’s independent auditors is incorporated herein by reference.

## PART IV

**Item 15. Exhibits and Financial Statement Schedules.**

(a) The following documents are filed as part of this report:

1. The financial statements listed in the “Index to Consolidated and Combined Financial Statements”
2. The financial statement schedules listed in the “Index to Consolidated and Combined Financial Statements”
3. The exhibits listed in the “Index to Exhibits”

(b) See Item 15(a)(3)

(c) See Item 15(a)(2)

## 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 on this 20 th day of November 2013.

THE ADT CORPORATION

By: /s/ Michael Geltzeiler

Michael Geltzeiler
*Senior Vice President and Chief Financial Officer (Principal Financial 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 in the capacities indicated on November 20, 2013.

| Name | Capacity |
|---|---|
| /s/ Naren Gursahaney<br>Naren Gursahaney | Chief Executive Officer and Director (Principal Executive Officer) |
| /s/ Michael Geltzeiler<br>Michael Geltzeiler | Senior Vice President and Chief Financial Officer (Principal Financial Officer) |
| /s/ Michele Kirse<br>Michele Kirse | Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer) |
| *<br>Thomas Colligan | Director |
| *<br>Timothy Donahue | Director |
| *<br>Robert Dutkowsky | Director |
| *<br>Bruce Gordon | Director |
| *<br>Bridgette Heller | Director |
| *<br>Kathleen Hyle | Director |
| *<br>Keith Meister | Director |
| *<br>Dinesh Paliwal | Director |
| * /s/ Michael Geltzeiler<br>Michael Geltzeiler<br>Attorney-in-fact | |

## THE ADT CORPORATION
## INDEX TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS


| | Page |
|---|---|
| Reports of Independent Registered Public Accounting Firm | 62 |
| Consolidated Balance Sheets | 64 |
| Consolidated and Combined Statements of Operations | 65 |
| Consolidated and Combined Statements of Comprehensive Income | 66 |
| Consolidated and Combined Statements of Stockholders' Equity | 67 |
| Consolidated and Combined Statements of Cash Flows | 68 |
| Notes to Consolidated and Combined Financial Statements | 69 |
| Schedule II – Valuation and Qualifying Accounts | 101 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of The ADT Corporation
Boca Raton, Florida

We have audited the accompanying consolidated balance sheets of The ADT Corporation and subsidiaries (previously the North American Residential Security Business of Tyco International Ltd.) (the "Company") as of September 27, 2013 and September 28, 2012, and the related consolidated and combined statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three fiscal years in the period ended September 27, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of The ADT Corporation and subsidiaries as of September 27, 2013 and September 28, 2012, and the results of their operations and their cash flows for each of the three fiscal years in the period ended September 27, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated and combined financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 27, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 20, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

As discussed in Note 1 to the consolidated and combined financial statements, prior to the separation of the Company from Tyco International Ltd. ("Tyco"), the Company was comprised of the assets and liabilities used in managing and operating the North American Residential Security Business of Tyco. For periods prior to the separation of the Company from Tyco, the consolidated and combined financial statements also include allocations from Tyco. These allocations may not be reflective of the actual level of assets, liabilities, or costs which would have been incurred had the Company operated as a separate entity apart from Tyco.

/s/ DELOITTE & TOUCHE LLP
Certified Public Accountants

Boca Raton, Florida
November 20, 2013

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of The ADT Corporation
Boca Raton, Florida

We have audited the internal control over financial reporting of The ADT Corporation and subsidiaries (the "Company") as of September 27, 2013, based on criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in *Management's Report on Internal Control over Financial Reporting*, management excluded from its assessment the internal control over financial reporting at Devcon Security Holdings, Inc., ("Devcon Security") which was acquired on August 2, 2013 and whose financial statements constitute approximately 1.6% of total assets and 0.3% of total revenues of the consolidated financial statement amounts as of and for the year ended September 27, 2013. Accordingly, our audit did not include the internal control over financial reporting at Devcon Security. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting.* Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 27, 2013, based on the criteria established in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated and combined financial statements and financial statement schedule as of and for the fiscal year ended September 27, 2013 of the Company and our report dated November 20, 2013 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
Certified Public Accountants

Boca Raton, Florida
November 20, 2013

**THE ADT CORPORATION**
**CONSOLIDATED BALANCE SHEETS**
**As of September 27, 2013 and September 28, 2012**
**(in millions, except share and per share data)**

| | 2013 | 2012 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 138 | $ 234 |
| Accounts receivable trade, less allowance for doubtful accounts of $27 and $25, respectively | 86 | 78 |
| Inventories | 66 | 42 |
| Prepaid expenses and other current assets | 85 | 46 |
| Deferred income taxes | 205 | 40 |
| Total current assets | 580 | 440 |
| Property and equipment, net | 235 | 217 |
| Subscriber system assets, net | 2,002 | 1,744 |
| Goodwill | 3,476 | 3,400 |
| Intangible assets, net | 2,922 | 2,861 |
| Deferred subscriber acquisition costs, net | 520 | 464 |
| Other assets | 178 | 134 |
| **Total Assets** | $9,913 | $9,260 |
| **Liabilities and Stockholders' Equity** | | |
| Current Liabilities: | | |
| Current maturities of long-term debt | $ 3 | $ 2 |
| Accounts payable | 203 | 144 |
| Accrued and other current liabilities | 264 | 181 |
| Income taxes payable | 43 | — |
| Deferred revenue | 245 | 245 |
| Total current liabilities | 758 | 572 |
| Long-term debt | 3,373 | 2,525 |
| Deferred subscriber acquisition revenue | 769 | 675 |
| Deferred tax liabilities | 551 | 157 |
| Other liabilities | 140 | 174 |
| **Total Liabilities** | 5,591 | 4,103 |
| Commitments and contingencies (See Note 7) | | |
| Stockholders' Equity: | | |
| Common stock – authorized 1,000,000,000 shares of $0.01 par value; issued and outstanding shares – 208,980,690 as of September 27, 2013 and 231,094,332 as of September 28, 2012 | 2 | 2 |
| Additional paid-in capital | 3,957 | 5,062 |
| Retained earnings | 283 | — |
| Accumulated other comprehensive income | 80 | 93 |
| **Total Stockholders' Equity** | 4,322 | 5,157 |
| **Total Liabilities and Stockholders' Equity** | $9,913 | $9,260 |

See Notes to Consolidated and Combined Financial Statements

## THE ADT CORPORATION
## CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
### Fiscal Years Ended September 27, 2013, September 28, 2012 and September 30, 2011
### (in millions, except per share data)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Revenue | $3,309 | $3,228 | $3,110 |
| Cost of revenue | 1,378 | 1,374 | 1,341 |
| Selling, general and administrative expenses | 1,173 | 1,125 | 1,076 |
| Separation costs (See Note 1) | 23 | 7 | — |
| **Operating income** | 735 | 722 | 693 |
| Interest income | 1 | 1 | 1 |
| Interest expense | (118) | (93) | (90) |
| Other income | 24 | — | — |
| **Income before income taxes** | 642 | 630 | 604 |
| Income tax expense | (221) | (236) | (228) |
| **Net income** | $ 421 | $ 394 | $ 376 |
| **Net income per share:** | | | |
| Basic | $ 1.90 | $ 1.70 | $ 1.62 |
| Diluted | $ 1.88 | $ 1.67 | $ 1.59 |
| **Weighted-average number of shares:** | | | |
| Basic | 222 | 232 | 232 |
| Diluted | 224 | 236 | 236 |

See Notes to Consolidated and Combined Financial Statements

FORM 10-K

**THE ADT CORPORATION**
**CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME**
**Fiscal Years Ended September 27, 2013, September 28, 2012 and September 30, 2011**
**(in millions)**

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Net income | $421 | $394 | $376 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation | (19) | 17 | 3 |
| Retirement plans, net of tax effect of $(4), $2 and $2, respectively | 6 | (3) | (3) |
| **Total other comprehensive (loss) income, net of tax** | (13) | 14 | — |
| **Comprehensive income** | $408 | $408 | $376 |

See Notes to Consolidated and Combined Financial Statements

FORM 10-K

**THE ADT CORPORATION**
**CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY**
**Fiscal Years Ended September 27, 2013, September 28, 2012 and September 30, 2011**
**(in millions)**

| | Number of Common Shares | Common Stock | Additional Paid-In Capital | Parent Company Investment | Accumulated Other Comprehensive Income | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| **Balance as of September 24, 2010** | — | $— | $ — | $ 5,087 | $ 79 | $ 5,166 |
| Comprehensive income: | | | | | | |
| Net income | | | | 376 | | 376 |
| Change in parent company investment | | | | (311) | | (311) |
| **Balance as of September 30, 2011** | — | — | — | 5,152 | 79 | 5,231 |
| Comprehensive income: | | | | | | |
| Other comprehensive income | | | | | 14 | 14 |
| Net income | | | | 394 | | 394 |
| Conversion of parent company investment | 231 | 2 | 5,062 | (5,546) | | (482) |
| **Balance as of September 28, 2012** | 231 | $ 2 | $ 5,062 | $ — | $ 93 | $ 5,157 |

| | Number of Common Shares | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| **Balance as of September 28, 2012** | 231 | $ 2 | $ 5,062 | $ — | $ 93 | $ 5,157 |
| Comprehensive income (loss): | | | | | | |
| Other comprehensive loss | | | | | (13) | (13) |
| Net income | | | | 421 | | 421 |
| Dividends declared ($0.625 per share) | | | | (138) | | (138) |
| Common stock repurchases | (27) | | (1,274) | | | (1,274) |
| Exercise of stock options and vesting of restricted stock units | 5 | | 85 | | | 85 |
| Stock-based compensation expense | | | 19 | | | 19 |
| Separation-related adjustments to additional paid-in capital | | | 65 | | | 65 |
| **Balance as of September 27, 2013** | 209 | $ 2 | $ 3,957 | $ 283 | $ 80 | $ 4,322 |

See Notes to Consolidated and Combined Financial Statements

## THE ADT CORPORATION
## CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
## Fiscal Years Ended September 27, 2013, September 28, 2012 and September 30, 2011
## (in millions)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Net income | $ 421 | $ 394 | $ 376 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and intangible asset amortization | 942 | 871 | 825 |
| Amortization of deferred subscriber acquisition costs | 123 | 111 | 102 |
| Amortization of deferred subscriber acquisition revenue | (135) | (120) | (114) |
| Stock-based compensation expense | 19 | 7 | 9 |
| Deferred income taxes | 207 | 22 | (53) |
| Provision for losses on accounts receivable and inventory | 51 | 53 | 46 |
| Other non-cash items | 7 | 12 | 3 |
| Changes in operating assets and liabilities, net of the effects of acquisitions: | | | |
| Accounts receivable, net | (55) | (33) | (45) |
| Inventories | (25) | (30) | (10) |
| Accounts payable | 58 | (9) | 35 |
| Accrued and other liabilities | 35 | 19 | (47) |
| Income taxes, net | 16 | 184 | 266 |
| Deferred subscriber acquisition costs | (181) | (147) | (131) |
| Deferred subscriber acquisition revenue | 232 | 161 | 115 |
| Other | (49) | (2) | 62 |
| Net cash provided by operating activities | 1,666 | 1,493 | 1,439 |
| **Cash Flows from Investing Activities:** | | | |
| Dealer generated customer accounts and bulk account purchases | (555) | (648) | (581) |
| Subscriber system assets | (580) | (378) | (290) |
| Capital expenditures | (71) | (61) | (31) |
| Acquisition of businesses, net of cash acquired | (162) | — | — |
| Other | (26) | (9) | (7) |
| Net cash used in investing activities | (1,394) | (1,096) | (909) |
| **Cash Flows from Financing Activities:** | | | |
| Proceeds from exercise of stock options | 85 | — | — |
| Repurchases of common stock under approved program | (1,235) | — | — |
| Repurchases of common stock for employee related program | (6) | — | — |
| Dividends paid | (112) | — | — |
| Proceeds received for allocation of funds related to the Separation | 61 | — | — |
| Proceeds from long-term borrowings | 850 | 2,489 | — |
| Repayment of long-term debt | (3) | (1) | (1) |
| Debt issuance costs | (6) | (26) | — |
| Allocated debt activity | — | (1,482) | (5) |
| Change in parent company investment | — | (1,148) | (574) |
| Change in due to (from) Tyco and affiliates | — | (63) | 32 |
| Net cash used in financing activities | (366) | (231) | (548) |
| Effect of currency translation on cash | (2) | 3 | (1) |
| **Net (decrease) increase in cash and cash equivalents** | (96) | 169 | (19) |
| **Cash and cash equivalents at beginning of year** | 234 | 65 | 84 |
| **Cash and cash equivalents at end of year** | $ 138 | $ 234 | $ 65 |
| **Supplementary Cash Flow Information:** | | | |
| Interest paid | $ 107 | $ 83 | $ 84 |
| Income taxes paid, net of refunds | (2) | 30 | 16 |

See Notes to Consolidated and Combined Financial Statements

## THE ADT CORPORATION
## NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

### 1. Basis of Presentation and Summary of Significant Accounting Policies

*Nature of Business*—The ADT Corporation ("ADT" or the "Company"), a company incorporated in the state of Delaware, is a leading provider of electronic security, interactive home and business automation and related monitoring services in the United States and Canada.

*Separation from Tyco International Ltd.*—On September 19, 2011, Tyco International Ltd. ("Tyco" or "Parent") announced that its board of directors had approved a plan to separate Tyco into three separate, publicly traded companies, identifying the ADT North American Residential Security Business of Tyco as one of those three companies. In conjunction with this plan, prior to September 28, 2012, Tyco transferred the equity interests of the entities that held all of the assets and liabilities of its residential and small business security business in the United States and Canada to ADT. Effective on September 28, 2012 (the "Distribution Date"), Tyco distributed all of its shares of ADT to Tyco's stockholders of record as of the close of business on September 17, 2012 (the "Separation"). On the Distribution Date, each of the stockholders of Tyco received one share of ADT common stock for every two shares of common stock of Tyco held on September 17, 2012.

The Separation was completed pursuant to the Separation and Distribution Agreement, dated as of September 26, 2012, between Tyco and ADT (the "2012 Separation and Distribution Agreement"). This agreement provided for the allocation to ADT of certain of Tyco's assets, liabilities and obligations attributable to periods prior to the Separation, which is reflected in the Company's Consolidated Balance Sheet as of September 28, 2012. This agreement also provides for certain non-compete and non-solicitation restrictions that prohibit the Company from competing with Tyco in the commercial security market in the United States and Canada for a period of time after the Separation.

*Basis of Presentation*—The Consolidated and Combined Financial Statements have been prepared in United States dollars ("USD") and in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Unless otherwise indicated, references to 2013, 2012 and 2011 are to the Company's fiscal years ended September 27, 2013, September 28, 2012 and September 30, 2011, respectively.

The Consolidated and Combined Financial Statements reflect the Company's financial position, results of operations and cash flows in conformity with GAAP. The Consolidated Balance Sheets as of September 27, 2013 and September 28, 2012 reflect the consolidated financial position of ADT and its subsidiaries as an independent publicly-traded company. Additionally, the Company's Consolidated and Combined Statements of Operations, Comprehensive Income and Cash Flows for the year ended September 27, 2013 reflect ADT's operations and cash flows as a standalone company. Prior to the Separation on September 28, 2012, the Company's financial position, results of operations and cash flows consisted of Tyco's residential and small business security business in the United States, Canada and certain U.S. territories and were derived from Tyco's historical accounting records and presented on a carve-out basis. As such, the Company's Consolidated and Combined Statements of Operations, Comprehensive Income and Cash Flows for fiscal years 2012 and 2011 consist of the combined results of operations and cash flows of the ADT North American Residential Security Business of Tyco.

For periods prior to the Separation, the Company's financial statements included allocations of certain working capital, property and equipment, and operating expense balances. In addition, debt and related interest expense as well as certain general corporate overhead expenses were allocated by Tyco to the Company for the financial statements presented on a carve-out basis. The allocation of corporate overhead expenses from Tyco was based on the relative proportion of either the Company's headcount or revenue to Tyco's consolidated headcount or revenue. Such allocations are believed to be reasonable; however, they may not be indicative of the actual results of the Company had the Company been operating as an independent, publicly traded company for the periods presented or the amounts that will be incurred by the Company in the future. Corporate overhead expenses primarily related to centralized corporate functions, including finance, treasury, tax, legal, information technology, internal audit, human resources and risk management functions. During fiscal years 2012 and 2011,

the Company was allocated $52 million and $67 million, respectively, of general corporate expenses incurred by Tyco which are included within selling, general and administrative expenses in the Consolidated and Combined Statements of Operations. The allocation of interest expense from Tyco was based on an assessment of the Company's share of Tyco's external debt using historical data. During fiscal years 2012 and 2011, the Company was allocated $64 million and $87 million, respectively, of interest expense incurred by Tyco. See Note 5 for information on interest expense.

The Company has a 52- or 53-week fiscal year that ends on the last Friday in September. Both fiscal year 2013 and fiscal year 2012 were 52 -week years. Fiscal year 2011 was a 53 -week year.

The Company conducts business in one operating segment, which is identified by the Company based on how resources are allocated and operating decisions are made. Management evaluates performance and allocates resources based on the Company as a whole.

The Company conducts business through its operating entities. All intercompany transactions have been eliminated. The results of companies acquired during the year are included in the Consolidated and Combined Financial Statements from the effective date of acquisition.

*Use of Estimates*—The preparation of the Consolidated and Combined Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Significant estimates in these Consolidated and Combined Financial Statements include, but are not limited to, estimates of future cash flows and valuation related assumptions associated with asset impairment testing, useful lives and methods for depreciation and amortization, loss contingencies, income taxes and tax valuation allowances and purchase price allocation. Actual results could differ materially from these estimates.

*Revenue Recognition*—Major components of revenue for the Company include contractual monitoring and maintenance service revenue, non-refundable installation fees related to subscriber system assets, sales of equipment and other services. Revenue from contractual monitoring and maintenance services is recognized as those services are rendered over the contract term. Customer billings for services not yet rendered are deferred and recognized as revenue as the services are rendered. The balance of deferred revenue is included in current liabilities or long-term liabilities, as appropriate. Revenue associated with the sale of equipment and related installation is recognized once delivery, installation and customer acceptance is completed.

For transactions in which the Company retains ownership of the security system, referred to as subscriber system assets, non-refundable fees (referred to as deferred subscriber acquisition revenue) received in connection with the initiation of a monitoring contract, along with associated direct and incremental selling costs (referred to as deferred subscriber acquisition costs), are deferred and amortized over the estimated life of the customer relationship. In certain limited circumstances, ownership of the system is contractually transferred to the customer, in which case each deliverable provided under the arrangement is considered a separate unit of accounting. For contracts that have multiple elements, including equipment, installation, monitoring services and maintenance agreements, consideration is allocated to the units of accounting based on their relative selling price, subject to the requirement that revenue recognized is limited to the amounts already received from the customer that are not contingent upon the delivery of monitoring and maintenance services in the future.

Early termination of the contract by the customer results in a termination charge in accordance with the customer contract, which is recognized when collectability is reasonably assured. The amounts of contract termination charges recognized in revenue during fiscal years 2013, 2012 and 2011 were not material.

Provisions for certain rebates, refunds and discounts to customers are accounted for as reductions in revenue in the same period the related revenue is recorded based on sales terms, historical experience and trend analysis. Refunds occur in limited circumstances and only after all attempts to resolve customer concerns have been exhausted. Amounts that the Company has refunded during fiscal years 2013, 2012 and 2011 were not material.

The Company records estimated product warranty costs at the time of sale. The carrying amounts of the Company's warranty accrual as of September 27, 2013 and September 28, 2012 were not material.

*Advertising*—Advertising costs which amounted to $163 million, $155 million and $152 million for fiscal years 2013, 2012 and 2011, respectively, are expensed when incurred and are included in selling, general and administrative expenses.

*Acquisition Costs*—Acquisition costs are expensed when incurred and are included in selling, general and administrative expenses. See Note 2.

*Separation Costs*—During fiscal year 2013, the Company incurred charges directly related to the Separation of $23 million. These costs are reflected in separation costs in the Consolidated and Combined Statement of Operations. During fiscal year 2012, the Company incurred approximately $10 million in separation related charges, of which $7 million is included in separation costs and $3 million is included in interest expense on the Consolidated and Combined Statement of Operations.

*Other Income*—During fiscal year 2013, the Company recorded $24 million of other income, which is comprised primarily of $23 million of non-taxable income recorded pursuant to the tax sharing agreement entered into in conjunction with the Separation. See Note 6 for further information.

*Translation of Foreign Currency*—The Company's Consolidated and Combined Financial Statements are reported in U.S. dollars. A portion of the Company's business is transacted in Canadian dollars. The Company's Canadian entity maintains its records in Canadian dollars. The assets and liabilities are translated into U.S. dollars using rates of exchange at the balance sheet date and translation adjustments are recorded in accumulated other comprehensive income. Revenue and expenses are translated at average rates of exchange in effect during the year.

*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.

*Allowance for Doubtful Accounts*—The allowance for doubtful accounts receivable reflects the best estimate of probable losses inherent in the Company's receivable portfolio determined on the basis of historical experience and other currently available evidence.

*Inventories*—Inventories are recorded at the lower of cost (primarily first-in, first-out) or market value. Inventories consisted of the following ($ in millions):

| | September 27, 2013 | September 28, 2012 |
|---|---|---|
| Work in progress | $ 3 | $ 6 |
| Finished goods | 63 | 36 |
| Inventories | $66 | $42 |

*Property and Equipment, Net*—Property and equipment, net is recorded at cost less accumulated depreciation. Depreciation expense for fiscal years 2013, 2012 and 2011 was $48 million, $38 million and $35 million, respectively. Maintenance and repair expenditures are charged to expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

| | |
|---|---|
| Buildings and related improvements | Up to 40 years |
| Leasehold improvements | Lesser of remaining term of the lease or economic useful life |
| Other machinery, equipment and furniture and fixtures | 1 to 14 years |

*Subscriber System Assets and Related Deferred Costs and Deferred Revenue*—The Company considers security system assets related to its electronic security business in two asset categories: internally generated subscriber systems (referred to as subscriber system assets) and customer accounts generated through the ADT dealer program (referred to as dealer intangibles, as further described in the Dealer and Other Amortizable Intangible Assets, Net section below). Assets associated with internally generated subscriber systems include installed property and equipment for which the Company retains ownership and deferred costs directly related to the customer acquisition and system installation. Subscriber system assets represent capitalized equipment and installation costs incurred to prepare the asset for its intended use. The Company pays property taxes on the subscriber system assets and upon customer termination, may retrieve such assets. These assets embody a probable future economic benefit as they generate future monitoring revenue for the Company. Subscriber system assets, net are recorded at cost less accumulated depreciation. Accumulated depreciation of subscriber system assets was $2.2 billion and $2.1 billion as of September 27, 2013 and September 28, 2012, respectively. Depreciation expense relating to subscriber system assets for fiscal years 2013, 2012 and 2011 was $325 million, $287 million and $272 million, respectively.

Deferred subscriber acquisition costs, net associated with subscriber system assets represent direct and incremental selling expenses (i.e. commissions) related to acquiring the customer. Commissions related to up-front consideration paid by customers in connection with the establishment of the monitoring arrangement are determined based on a percentage of the up-front fees and do not exceed deferred revenue. Amortization expense relating to deferred subscriber acquisition costs for fiscal years 2013, 2012 and 2011 was $123 million, $111 million and $102 million, respectively.

Subscriber system assets and any deferred costs and revenue resulting from the customer acquisition are accounted for over the expected life of the customer relationship. The Company accounts for subscriber system assets and related deferred costs and deferred revenue using pools, with separate pools for the components of subscriber system assets and any related deferred costs and deferred revenue based on the same month and year of acquisition. The Company depreciates its pooled subscriber system assets and related deferred costs and deferred revenue using an accelerated method over 15 years. In order to align the depreciation of these assets to the pattern in which their economic benefits are consumed, the accelerated method utilizes an average declining balance rate of 245% and converts to a straight-line methodology when the resulting depreciation charge is greater than that from the accelerated method, resulting in an average depreciation of 59% of the pool within the first five years, 24% within the second five years and 17% within the final five years.

*Dealer and Other Amortizable Intangible Assets, Net*—Intangible assets primarily include contracts and related customer relationships. Certain contracts and related customer relationships are generated from an external network of independent dealers who operate under the ADT dealer program. These contracts and related customer relationships are recorded at their contractually determined purchase price. During the initial period of the customer contract, generally twelve to fifteen months, any cancellation of monitoring service, including those that result from customer payment delinquencies, results in a chargeback by the Company to the dealer for the full amount of the contract purchase price. The Company records the amount charged back to the dealer as a reduction of the intangible assets.

Intangible assets arising from the ADT dealer program described above are amortized in pools determined by the same month and year of contract commencement on an accelerated basis over the period and pattern of economic benefit that is expected to be obtained from the customer relationship. The estimated useful life of dealer intangibles is 15 years. The accelerated method for amortizing these intangible assets utilizes an average declining balance rate of 300% and converts to a straight-line methodology when the resulting amortization charge is greater than that from the accelerated method, resulting in an average amortization of 67% of the pool within the first five years, 22% within the second five years and 11% within the final five years.

Other amortizable intangible assets are amortized on a straight-line basis over 4 to 40 years. The Company evaluates the amortization methods and remaining useful lives of intangible assets on a periodic basis to determine whether events and circumstances warrant a revision to the amortization method or remaining useful lives.

*Long-Lived Asset Impairments*—The Company reviews long-lived assets, including property and equipment and amortizable intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the asset may not be fully recoverable. The Company performs undiscounted operating cash flow analyses to determine if impairment exists. For purposes of recognition and measurement of an impairment for assets held for use, the Company groups assets and liabilities at the lowest level for which cash flows are separately identified. If an impairment is determined to exist, any related impairment loss is calculated based on fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

*Goodwill*—Goodwill is assessed for impairment annually and more frequently if events or changes in business circumstances indicate that it is more likely than not that the carrying value of a reporting unit exceeds its fair value. In performing these assessments, management relies on various factors, including operating results, business plans, economic projections, anticipated future cash flows and other market data. There are inherent uncertainties related to these factors which require judgment in applying them to the testing of goodwill for impairment. The Company performs its annual impairment tests for goodwill the first day of the Company's fourth fiscal quarter of each year. See Note 4.

In testing goodwill for impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the estimated fair value of the reporting unit is less than its carrying amount. If the Company elects to perform a qualitative assessment and determines that an impairment is more likely than not, a two-step, quantitative impairment test is then required, otherwise no further analysis is required. The Company also may elect not to perform the qualitative assessment and, instead, proceed directly to the quantitative impairment test.

Under the qualitative goodwill assessment, events and circumstances that would affect the estimated fair value of a reporting unit are identified and evaluated. Factors such as the inputs to and results of the most recent two-step quantitative impairment test, current and long-term forecasted financial results, changes in strategic outlook or organizational structure, industry and market changes, and macroeconomic indicators are also considered in the assessment.

As discussed above, the two-step, quantitative goodwill impairment test is performed either at the Company's election or when the results of the qualitative goodwill assessment indicate that it is more likely than not that the estimated fair value of the reporting unit is less than its carrying amount. Under the two-step, quantitative goodwill impairment test, the Company first compares the fair value of its reporting unit with its carrying amount. The estimated fair value of the reporting unit used in the goodwill impairment test is determined utilizing a discounted cash flow analysis based on the Company's forecasts discounted using market participants' weighted average cost of capital and market indicators of terminal year cash flows. If the carrying amount of the Company's reporting unit exceeds its fair value, goodwill is considered potentially impaired and step two of the goodwill impairment test is performed to measure the amount of impairment loss. In the second step of the goodwill impairment test, the Company compares the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess of the carrying amount of goodwill over its implied fair value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of its reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the fair value of its reporting unit over the amounts assigned to its assets and liabilities represents the implied fair value of goodwill.

*Accrued Expenses and Other Current Liabilities*—Included in accrued and other current liabilities in the Company's Consolidated Balance Sheets are amounts for payroll-related accruals of $48 million and $38 million

as of September 27, 2013 and September 28, 2012, respectively. Also included in accrued and other current liabilities are customer advances, which totaled $38 million and $39 million as of September 27, 2013 and September 28, 2012, respectively.

*Parent Company Investment*—Prior to the Separation on September 28, 2012, Tyco's historical investment in the Company, the Company's accumulated net earnings after taxes, and the net effect of transactions with and allocations from Tyco is shown as Parent company investment in the Consolidated and Combined Financial Statements. See discussion under *"Basis of Presentation"* for additional information on the allocation of expenses to the Company by Tyco for periods prior to the Separation.

*Income Taxes*—For purposes of the Company's Consolidated and Combined Financial Statements for periods prior to the Separation on September 28, 2012, income tax expense, deferred tax balances and tax carryforwards have been recorded as if ADT filed tax returns on a standalone basis separate from Tyco ("Separate Return Method"). The Separate Return Method applies the accounting guidance for income taxes to the standalone financial statements as if the Company was a separate taxpayer and a standalone enterprise for the periods prior to the Separation. The deferred tax balances reflected in the Company's Consolidated Balance Sheets as of September 27, 2013 and September 28, 2012 have been recorded on a consolidated return basis. The calculation of income taxes for the Company requires a considerable amount of judgment and use of both estimates and allocations. Prior to the Separation on September 28, 2012, the Company primarily operated within a Tyco U.S. consolidated group and within a standalone Canadian entity. In certain instances, tax losses or credits generated by Tyco's other businesses continue to be available to the Company in periods after the Separation.

In determining taxable income for the Company's Consolidated and Combined Financial Statements, 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.

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.

The Company does not have any significant valuation allowances against its net deferred tax assets.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Management records the effect of a tax rate or law change on the Company's deferred tax assets and liabilities in the period of enactment. Future tax rate or law changes could have a material effect on the Company's results of operations, financial condition or cash flows.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in the United States and Canada. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. These tax liabilities are reflected net of related tax loss carryforwards. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities would result in tax benefits being recognized in the period when the Company determines the liabilities are no longer necessary.

*Concentration of Credit Risks*—Financial instruments which potentially subject the Company to concentrations of credit risks are principally accounts receivables. The Company's concentration of credit risk with respect to accounts receivable is limited due to the significant size of its customer base.

*Insurable Liabilities*—For fiscal years 2011 and 2012, the Company was insured for worker's compensation, property, product, general and auto liabilities through a captive insurance company, wholly owned by Tyco. The captive's policies covering these risks were deductible reimbursement policies. Tyco maintained insurance for losses in excess of the captive insurance company policies' limits through third party insurance companies. The captive insurance company retained the risk of loss associated with claims incurred prior to the Separation, and therefore, Tyco retained the liability associated with those claims. Accordingly, the Company records receivables from Tyco to offset ADT's liabilities related to these insurance claims. The assets and liabilities associated with claims incurred under these insurance policies reflected in the Company's Consolidated Balance Sheets as of September 27, 2013 and September 28, 2012 are as follows ($ in millions):

| | September 27, 2013 | September 28, 2012 |
|---|---|---|
| Prepaid expenses and other current assets | $11 | $11 |
| Other assets | 27 | 36 |
| Total assets | $38 | $47 |
| Accrued and other current liabilities | $11 | $11 |
| Other liabilities | 27 | 36 |
| Total liabilities | $38 | $47 |

Following the Separation on September 28, 2012, the Company maintains its own standalone insurance policies to manage certain of its insurable liabilities. As of September 27, 2013, the Company's Consolidated Balance Sheet includes liabilities related to the Company's standalone insurance policies of approximately $31 million, of which $21 million is reflected in accrued and other current liabilities and $10 million is reflected in other liabilities.

*Financial Instruments*—The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and debt. Included in cash and cash equivalents as of September 27, 2013 and September 28, 2012 is approximately $124 million and $187 million, respectively, of available-for sale securities, representing cash invested in money market mutual funds. These investments are classified as "Level 1" for purposes of fair value measurement, which is performed each reporting period. Any unrealized holding gains or losses are excluded from earnings and reported in other comprehensive income until realized. Due to their short-term nature, the fair value of cash and cash equivalents, including the money market mutual funds, accounts receivable and accounts payable approximated book value as of September 27, 2013 and September 28, 2012.

The fair value of the Company's unsecured notes as of September 28, 2012 was determined using prices for ADT's securities obtained from multiple external pricing services, which is considered a Level 2 input. During the quarter ended June 28, 2013, the Company completed exchange offers for both the $2.5 billion notes issued in July 2012 and the $700 million notes issued in January 2013. See Note 5 for further information on the Company's exchange offers. The completion of these exchange offers enables the Company to use broker-quoted market prices to determine the fair value of its debt. Therefore the fair value of the Company's unsecured notes as of September 27, 2013 was determined using these quoted market prices, which is considered a Level 2 input. The carrying value and fair value of the Company's debt that is subject to fair value disclosures as of September 27, 2013 and September 28, 2012 is as follows ($ in millions):

| | September 27, 2013 | | September 28, 2012 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| 2.250% notes due July 2017 | $ 750 | $ 716 | $ 749 | $ 766 |
| 3.500% notes due July 2022 | 998 | 849 | 998 | 1,038 |
| 4.125% notes due June 2023 | 700 | 618 | — | — |
| 4.875% notes due July 2042 | 742 | 559 | 742 | 798 |
| Total | $3,190 | $2,742 | $2,489 | $2,602 |

The carrying amount of debt outstanding under the Company's revolving credit facility approximates fair value as interest rates on these borrowings approximate current market rates, which is considered a Level 2 input.

*Guarantees*—In the normal course of business, the Company is liable for contract completion and product performance. In the opinion of management, such obligations will not significantly affect the Company's financial position, results of operations or cash flows. As of September 27, 2013, the Company had $16 million in standby letters of credit related to its insurance programs. The Company had no letters of credit as of September 28, 2012.

*Recent Accounting Pronouncements*—In June 2011, the Financial Accounting Standards Board ("FASB") issued authoritative guidance for the presentation of comprehensive income. The guidance amended the reporting of Other Comprehensive Income ("OCI") by eliminating the option to present OCI as part of the statement of stockholders' equity. The amendment does not impact the accounting for OCI, but does impact its presentation in the Company's Consolidated and Combined Financial Statements. The guidance requires that items of net income and OCI be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements which include total net income and its components, consecutively followed by total OCI and its components to arrive at total comprehensive income. In December 2011, the FASB issued authoritative guidance to defer the effective date for those aspects of the guidance relating to the presentation of reclassification adjustments out of accumulated other comprehensive income by component. The guidance became effective for the Company in the first quarter of fiscal year 2013 and has been retrospectively applied for the fiscal years ended September 28, 2012 and September 30, 2011. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

In September 2011, the FASB issued authoritative guidance which amends the process of testing goodwill for impairment. The guidance permits an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (defined as having a likelihood of more than fifty percent) that the fair value of a reporting unit is less than its carrying amount. If an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, performing the traditional two-step goodwill impairment test is unnecessary. If an entity concludes otherwise, it would be required to perform the first step of the two-step goodwill impairment test. If the carrying amount of the reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test. However, an entity has the option to bypass the qualitative assessment in any period and proceed directly to step one of the impairment test. The guidance became effective for the Company in the first quarter of fiscal year 2013. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

In July 2012, the FASB issued authoritative guidance which amends the process of testing indefinite-lived intangible assets for impairment. This guidance permits an entity to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (defined as having a likelihood of more than fifty percent) that the indefinite-lived intangible asset is impaired. If an entity determines it is not more likely than not that the indefinite-lived intangible asset is impaired, the entity will have an option not to calculate the fair value of an indefinite-lived asset annually. The guidance became effective for the Company in the first quarter of fiscal year 2013. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2013, the FASB issued authoritative guidance which expands the disclosure requirements for amounts reclassified out of accumulated other comprehensive income ("AOCI"). The guidance requires an entity to provide information about the amounts reclassified out of AOCI by component and present, either on the face of the income statement or in the notes to financial statements, significant amounts reclassified out of AOCI by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. This guidance does not change the current requirements for reporting net income or OCI in financial statements. The guidance is effective for the Company in the first quarter of fiscal year 2014. The adoption of this guidance is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In July 2013, the FASB issued authoritative guidance which amends the guidance related to the presentation of unrecognized tax benefits and allows for the reduction of a deferred tax asset for a net operating loss carryforward whenever the net operating loss carryforward or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. This guidance is effective for annual and interim periods for fiscal years beginning after December 15, 2013, and early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

## 2. Acquisitions

*Dealer Generated Customer Accounts and Bulk Account Purchases*

During fiscal years 2013, 2012 and 2011, the Company paid $555 million, $648 million and $581 million, respectively, for customer contracts for electronic security services. Customer contracts generated under the ADT dealer program and bulk account purchases during fiscal years 2013, 2012 and 2011 totaled approximately 453,000, 527,000 and 491,000, respectively.

*Acquisitions*

On October 1, 2012, the Company completed the acquisition of Absolute Security, which had been an ADT authorized dealer, with $16 million of cash paid during fiscal year 2013. As part of this acquisition, the Company recognized $20 million of goodwill. On August 2, 2013, the Company acquired all of the issued and outstanding capital stock of Devcon Security Holdings, Inc. ("Devcon Security") for cash consideration of $146 million, net of cash acquired. Devcon Security provides alarm monitoring services and related equipment to residential homes, businesses and homeowners associations in the United States. As part of this acquisition, the Company recognized intangible assets of $84 million in customer relationships and $60 million of goodwill as well as insignificant amounts of net working capital and tangible assets. The amounts of revenues and earnings for Devcon Security included in the Company's results of operation for the two months ended September 27, 2013 were immaterial. The purchase price allocation for the Devcon Security acquisition is preliminary and remains subject to post-closing adjustments.

These acquisitions were not material to the Company's financial statements. There were no acquisitions made by the Company during fiscal years 2012 and 2011.

*Acquisition and Integration Related Costs*

During fiscal year 2013, the Company incurred $2 million of costs directly related to the acquisition of Devcon Security, which are included within selling, general and administrative expenses in the Consolidated and Combined Statement of Operations. Additionally, during fiscal years 2012 and 2011, the Company incurred $14 million and $28 million, respectively, of costs related to the integration of Broadview Security, which was acquired in fiscal year 2010. A summary of the integration related costs and the line item presentation of these amounts in the Company's Consolidated and Combined Statements of Operations is as follows ($ in millions):

| | 2012 | 2011 |
|---|---|---|
| Cost of revenue | $— | $ 2 |
| Selling, general and administrative expenses | 14 | 26 |
| Total integration related costs | $ 14 | $28 |

## 3. Property and Equipment

Property and equipment consisted of the following ($ in millions):

| | September 27, 2013 | September 28, 2012 |
|---|---|---|
| Land | $ 9 | $ 9 |
| Buildings and leasehold improvements | 80 | 76 |
| Machinery and equipment | 389 | 369 |
| Property under capital leases[1] | 41 | 43 |
| Construction in progress | 29 | 34 |
| Accumulated depreciation[2] | (313) | (314) |
| Property and equipment, net | $ 235 | $ 217 |

(1) Property under capital leases consists primarily of buildings.

(2) Accumulated amortization of capital lease assets was $25 million as of both September 27, 2013 and September 28, 2012.

## 4. Goodwill and Other Intangible Assets

*Goodwill*

On the first day of the fiscal fourth quarter of 2013, the Company performed a qualitative impairment assessment for goodwill and concluded that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount and therefore goodwill was not impaired. Additionally, there were no goodwill impairments as a result of performing the Company's annual impairment tests for fiscal years 2012 and 2011.

The changes in the carrying amount of goodwill for the years ended September 27, 2013 and September 28, 2012 are as follows ($ in millions):

| | |
|---|---|
| Balance as of September 28, 2012 | $3,400 |
| Acquisitions | 80 |
| Currency translation | (4) |
| Balance as of September 27, 2013 | $3,476 |
| | |
| Balance as of September 30, 2011 | $3,395 |
| Currency translation | 5 |
| Balance as of September 28, 2012 | $3,400 |

FORM 10-K

*Other Intangible Assets*

The following table sets forth the gross carrying amounts and accumulated amortization of the Company's other intangible assets as of September 27, 2013 and September 28, 2012 ($ in millions):

| | September 27, 2013 | | September 28, 2012 | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Amortizable: | | | | |
| Contracts and related customer relationships | $7,697 | $4,780 | $7,247 | $4,392 |
| Other | 13 | 8 | 12 | 6 |
| Total | $7,710 | $4,788 | $7,259 | $4,398 |

Changes in the net carrying amount of contracts and related customer relationships for the years ended September 27, 2013 and September 28, 2012 are as follows ($ in millions):

| | |
|---|---|
| Balance as of September 28, 2012 | $2,855 |
| Acquisition of customer relationships (Devcon Security) | 84 |
| Customer contract additions, net of dealer charge-backs | 552 |
| Amortization | (566) |
| Currency translation | (8) |
| Balance as of September 27, 2013 | $2,917 |
| | |
| Balance as of September 30, 2011 | $2,749 |
| Customer contract additions, net of dealer charge-backs | 642 |
| Amortization | (544) |
| Currency translation | 8 |
| Balance as of September 28, 2012 | $2,855 |

Other than goodwill, the Company does not have any other indefinite-lived intangible assets as of September 27, 2013 and September 28, 2012. Intangible asset amortization expense for fiscal years 2013, 2012 and 2011 was $569 million, $546 million and $518 million, respectively. The weighted-average amortization period for contracts and related customer relationships acquired during fiscal year 2013 was 15 years.

The estimated aggregate amortization expense for intangible assets is expected to be approximately $537 million for fiscal year 2014, $454 million for fiscal year 2015, $384 million for fiscal year 2016, $321 million for fiscal year 2017, $268 million for fiscal year 2018 and $958 million for fiscal year 2019 and thereafter.

## 5. Debt

Debt as of September 27, 2013 and September 28, 2012 is as follows ($ in millions):

| | September 27, 2013 | September 28, 2012 |
|---|---|---|
| **Current maturities of long-term debt:** | | |
| Capital lease obligations | $ 2 | $ 2 |
| Other | 1 | — |
| Current maturities of long-term debt | 3 | 2 |
| **Long-term debt:** | | |
| 2.250% notes due July 2017 | 750 | 749 |
| 3.500% notes due July 2022 | 998 | 998 |
| 4.125% notes due June 2023 | 700 | — |
| 4.875% notes due July 2042 | 742 | 742 |
| Capital lease obligations | 31 | 36 |
| Revolving credit facility | 150 | — |
| Other | 2 | — |
| Total long-term debt | $3,373 | $2,525 |
| Total debt | $3,376 | $2,527 |

On June 22, 2012, the Company entered into an unsecured senior revolving credit facility with a maturity date of June 22, 2017 and an aggregate commitment of $750 million, which is available to be used for working capital, capital expenditures and other corporate purposes. The interest rate for borrowings under the revolving credit facility is based on the London Interbank Offered Rate ("LIBOR") or an alternative base rate, plus a spread, based upon the Company's credit rating. During the quarter ended September 27, 2013, the Company had average borrowings under the facility of $41 million at an average interest rate of 1.609%. There were no borrowings under the facility during fiscal year 2012 or the first three quarters of fiscal year 2013. On October 1, 2013, the Company issued $1.0 billion in unsecured notes due October 15, 2021 (the "October 2013 Debt Offering"), $150 million of which was used to repay the amounts borrowed and outstanding under the revolving credit facility as of September 27, 2013. Pursuant to applicable accounting guidance, the outstanding borrowings under the facility were effectively refinanced on a long-term basis prior to the issuance of the Company's financial statements for fiscal year 2013. As a result of this refinancing, these borrowings are classified as long-term debt on the Company's Consolidated Balance Sheet as of September 27, 2013.

On July 5, 2012, the Company issued $2.5 billion aggregate principal amount of unsecured notes, of which $750 million aggregate principal amount of 2.250% notes will mature on July 15, 2017, $1.0 billion aggregate principal amount of 3.500% notes will mature on July 15, 2022, and $750 million aggregate principal amount of 4.875% notes will mature on July 15, 2042. Cash proceeds from the issuance of this term indebtedness, net of debt issuance costs, totaled approximately $2.47 billion and were used primarily to repay intercompany debt and to make other cash payments to Tyco in conjunction with the Separation. Interest is payable on January 15 and July 15 of each year. The Company may redeem each series of the notes, in whole or in part, at any time at a redemption price equal to the principal amount of the notes to be redeemed, plus a make-whole premium.

On January 14, 2013, the Company issued $700 million aggregate principal amount of 4.125% unsecured notes due June 2023 to certain institutional investors pursuant to certain exemptions from registration under the Securities Act of 1933, as amended (the "January 2013 Debt Offering"). Net cash proceeds from the issuance of this term indebtedness totaled $694 million and were primarily used for the repurchase of outstanding shares of ADT's common stock. Interest is payable on June 15 and December 15 of each year, commencing on June 15, 2013. The Company may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed, or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date.

As part of the Company's issuances of long-term notes in July 2012 and January 2013, the Company entered into exchange and registration rights agreements with the initial purchasers of the notes. Under each of these agreements, the Company is obligated to file a registration statement for an offer to exchange the notes for a new issue of substantially identical notes registered under the Securities Act of 1933, as amended, or provide a shelf registration statement to cover resales of such notes if the exchange offer is not complete within 365 days after closing of the respective notes issuance. On April 1, 2013, the Company commenced an offer to exchange the $2.5 billion notes issued in July 2012, and on April 18, 2013, the Company commenced an offer to exchange the $700 million notes issued in January 2013. These exchange offers were completed during the third quarter of fiscal year 2013.

On September 12, 2012 the Company established a $750 million commercial paper program, supported by its revolving credit facility of the same amount. The Company discontinued this commercial paper program on July 31, 2013.

The Company's revolving credit facility contains customary covenants, including a limit on the ratio of debt to earnings before interest, taxes, depreciation, and amortization ("EBITDA"), a minimum required ratio of EBITDA to interest expense and limits on incurrence of liens and subsidiary debt. In addition, the indenture governing the Company's senior unsecured notes contains customary covenants including limits on liens and sale/leaseback transactions. Furthermore, acceleration of any obligation under any of the Company's material debt instruments will permit the holders of its other material debt to accelerate their obligations. As of September 27, 2013, the Company was in compliance with all financial covenants on its debt instruments.

Aggregate annual maturities of long-term debt and capital lease obligations are as follows ($ in millions):

| | |
|---|---|
| Fiscal 2014 | $ 6 |
| Fiscal 2015 | 6 |
| Fiscal 2016 | 6 |
| Fiscal 2017 | 756 |
| Fiscal 2018 | 7 |
| Thereafter | 2,620 |
| Total | 3,401 |
| Less amount representing discount on notes | 10 |
| Less amount representing interest on capital leases | 15 |
| Total | 3,376 |
| Less current maturities of long-term debt | 3 |
| Total long-term debt | $3,373 |

Prior to the issuance of its indenture in July 2012, the Company's working capital requirements and capital for general corporate purposes, including acquisitions and capital expenditures, were satisfied as part of Tyco's company-wide cash management practices. Accordingly, Tyco's consolidated debt and related interest expense, exclusive of amounts incurred directly by the Company, were allocated to the Company for periods prior to July 5, 2012.

Interest expense totaled $118 million, $93 million and $90 million for the years ended September 27, 2013, September 28, 2012 and September 30, 2011, respectively. Interest expense for fiscal year 2011 and the first nine months of fiscal year 2012 includes allocated interest expense of $87 million and $64 million, respectively. Interest expense for these periods was allocated in the same proportions as debt and included the impact of Tyco's interest rate swap agreements designated as fair value hedges. Interest expense for fiscal year 2013 and the remaining amount of interest expense for fiscal year 2012 primarily represents interest incurred on the Company's unsecured notes.

See Note 1 for information on the fair value of the Company's debt.

## 6. Income Taxes

Significant components of income before income taxes for fiscal years 2013, 2012 and 2011 are as follows ($ in millions):

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| United States | $610 | $581 | $543 |
| Non-U.S. | 32 | 49 | 61 |
| | $642 | $630 | $604 |

Significant components of the income tax provision for fiscal years 2013, 2012 and 2011 are as follows ($ in millions):

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Current: | | | |
| United States: | | | |
| Federal | $ 7 | $170 | $228 |
| State | 1 | 36 | 33 |
| Non-U.S. | 6 | 8 | 20 |
| Current income tax provision | $ 14 | $214 | $281 |
| Deferred: | | | |
| United States: | | | |
| Federal | $172 | $ 21 | $ (50) |
| State | 33 | (6) | — |
| Non-U.S. | 2 | 7 | (3) |
| Deferred income tax provision | 207 | 22 | (53) |
| | $221 | $236 | $228 |

The decrease in the current income tax provision in fiscal year 2013 is primarily due to the net operating loss ("NOL") carryforward generated during the year. See discussion below for additional information on the Company's NOL carryforwards.

The reconciliation between the actual effective tax rate on continuing operations and the statutory U.S. federal income tax rate for fiscal years 2013, 2012 and 2011 is as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Federal statutory tax rate | 35.0% | 35.0% | 35.0% |
| Increases (reductions) in taxes due to: | | | |
| U.S. state income tax provision, net | 3.5% | 3.4% | 3.5% |
| Non-U.S. net earnings | (0.5)% | (0.6)% | (0.7)% |
| Trademark amortization | (3.6)% | — % | — % |
| Nondeductible charges | (1.0)% | — % | 0.2% |
| Other | 1.0% | (0.3)% | (0.3)% |
| Provision for income taxes | 34.4% | 37.5% | 37.7% |

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

The components of the Company's net deferred income tax liability as of September 27, 2013 and September 28, 2012 are as follows ($ in millions):

| | September 27, 2013 | September 28, 2012 |
|---|---|---|
| Deferred tax assets: | | |
| Accrued liabilities and reserves | $ 37 | $ 32 |
| Tax loss and credit carryforwards | 1,114 | 512 |
| Postretirement benefits | 15 | 22 |
| Deferred revenue | 161 | 147 |
| Other | 10 | 11 |
| | $ 1,337 | $ 724 |
| Deferred tax liabilities: | | |
| Property and equipment | (16) | (9) |
| Subscriber system assets | (600) | (530) |
| Intangible assets | (1,052) | (299) |
| Other | (12) | (1) |
| | $(1,680) | $(839) |
| Net deferred tax liability before valuation allowance | (343) | (115) |
| Valuation allowance | (2) | (2) |
| Net deferred tax liability | $ (345) | $(117) |

At the beginning of fiscal year 2013, the Company changed its method of accounting for intangible assets related to dealer generated customer accounts (excluding bulk account purchases) for U.S. tax purposes. This change permitted an immediate deduction of the existing tax basis of the dealer generated customer contracts pursuant to Internal Revenue Code (the "Code") Section 162, resulting in an increase in the deferred tax liability of approximately $730 million. The increase in the deferred tax liability was substantially offset by an increase of approximately $600 million in the current year NOL carryforwards, the majority of which related to this change in accounting method.

The valuation allowance for deferred tax assets of $2 million as of September 27, 2013 and September 28, 2012, relates to the uncertainty of the utilization of certain state and non-U.S. 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 deferred tax assets, including credit and net operating loss carryforwards, on the Company's Consolidated Balance Sheet.

As of September 27, 2013, the Company had approximately $2.8 billion of U.S. Federal NOL carryforwards, $1.7 billion of state NOL carryforwards and no foreign NOL carryforwards. The U.S. Federal NOL carryforwards will expire between 2016 and 2033, and the state NOL carryforwards will expire between 2014 and 2033. Although future utilization will depend on the Company's actual profitability and the result of income tax audits, the Company anticipates that its U.S. Federal NOL carryforwards, will be fully utilized prior to expiration. Of the $2.8 billion U.S. Federal NOL carryforwards, $1.1 billion was generated by a prior consolidated group. As of September 28, 2012, this amount was subject to Separate Return Limitation Year ("SRLY") rules which placed limits on the amount of SRLY loss that could offset consolidated taxable income in the future. However, during fiscal year 2013, the Company determined that the SRLY limitation was no longer applicable as an "ownership change" is deemed to have occurred upon Separation from Tyco on September 28, 2012 pursuant to Code Section 382. Therefore, the tax attributes as of the end of September 2012 are only subject to the limitations provided by Code Sections 382 and 383. The Company does not, however, expect that this limitation will impact its ability to utilize the tax attributes carried forward from pre-Separation periods.

*Unrecognized Tax Benefits*

As of September 27, 2013 and September 28, 2012, the Company had unrecognized tax benefits of $87 million and $88 million, respectively, of which $69 million and $70 million, if recognized, would affect the effective tax rate. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. The Company had accrued interest and penalties related to the unrecognized tax benefits of $16 million and $10 million as of September 27, 2013 and September 28, 2012, respectively. As of September 27, 2013, the current portion of the unrecognized tax benefits and the related accrued interest, which totaled $28 million and $8 million, respectively, are reflected in income taxes payable on the Company's Consolidated Balance Sheet. The amount of income tax expense for interest and penalties related to unrecognized tax benefits recognized for fiscal years 2013, 2012 and 2011 was immaterial.

A rollforward of unrecognized tax benefits for the years ended September 27, 2013, September 28, 2012 and September 30, 2011 is as follows ($ in millions):

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Balance as of beginning of year | $ 88 | $ 3 | $ 5 |
| Additions based on tax positions contributed in conjunction with the Separation | — | 85 | — |
| Reductions related to lapse of statute of limitations | (1) | — | — |
| Reductions based on tax positions related to prior years | — | — | (1) |
| Reductions related to settlements | — | — | (1) |
| Balance as of end of year | $ 87 | $ 88 | $ 3 |

For periods prior to the Separation on September 28, 2012, the unrecognized tax benefits reflected in the Company's Consolidated and Combined Financial Statements have been determined using the Separate Return Method. The increase in the balance of the Company's unrecognized tax benefits for the year ended September 28, 2012 reflects the impact of tax carryforwards and credits that resulted from the Separation. Based on the current status of its income tax audits, the Company believes that it is reasonably possible that up to $40 million in unrecognized tax benefits may be resolved in the next twelve months. The resolution of certain components of the Company's uncertain tax positions will be offset by an adjustment to the receivable from Tyco, which was recorded pursuant to the tax sharing agreement entered into in conjunction with the Separation. See discussion under *"Tax Sharing Agreement and Other Income Tax Matters"* for additional information on this tax sharing agreement.

Many of the Company's uncertain tax positions relate to tax years that remain subject to audit by the taxing authorities in the U.S. federal, state and local or foreign jurisdictions. Open tax years in significant jurisdictions are as follows:

| Jurisdiction | Years Open To Audit |
|---|---|
| Canada | 2005 – 2013 |
| United States | 1997 – 2013 |

*Undistributed Earnings of Subsidiaries*

The Company's primary non-U.S. operations are located in Canada. The Company has not provided for income taxes on the undistributed earnings or for unrecognized deferred tax liabilities for temporary differences related to its investment in the Company's Canadian entity since the earnings are expected to be permanently reinvested and the investment is permanent in duration. The determination of the amount of unrecognized deferred tax liabilities is not practicable because of the complexities associated with the calculation including the manner in which the Canadian entity was treated for purposes of the Separation as well as the complexities of the

applicable foreign and domestic tax laws. If in the future earnings are repatriated to the United States, or if the Company determines earnings will be remitted in the foreseeable future, an additional tax provision may be required.

*Tax Sharing Agreement and Other Income Tax Matters*

In connection with the Separation from Tyco, the Company entered into a tax sharing agreement (the "2012 Tax Sharing Agreement") with Tyco and Pentair Ltd., formerly Tyco Flow Control International, Ltd. ("Pentair") that governs the rights and obligations of ADT, Tyco and Pentair for certain pre-Separation tax liabilities, including Tyco's obligations under the tax sharing agreement among Tyco, Covidien Ltd. ("Covidien"), and TE Connectivity Ltd. ("TE Connectivity") entered into in 2007 (the "2007 Tax Sharing Agreement"). The 2012 Tax Sharing Agreement provides that ADT, Tyco and Pentair will share (i) certain pre-Separation income tax liabilities that arise from adjustments made by tax authorities to ADT'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 Tax Liabilities"). Tyco will be responsible for the first $500 million of Shared Tax Liabilities. ADT and Pentair will share 58% and 42%, respectively, of the next $225 million of Shared Tax Liabilities. ADT, Tyco and Pentair will share 27.5%, 52.5% and 20.0%, respectively, of Shared Tax Liabilities above $725 million.

In addition, under the terms of the 2012 Tax Sharing Agreement, in the event the distribution of ADT's common shares to the Tyco shareholders (the "Distribution"), the distribution of Pentair common shares to the Tyco shareholders (the "Pentair Distribution" and, together with the Distribution, the "Distributions"), or certain internal transactions undertaken in connection therewith were determined to be taxable as a result of actions taken by ADT, Pentair or Tyco after the Distributions, the party responsible for such failure would be responsible for all taxes imposed on ADT, Pentair or Tyco as a result thereof. Taxes resulting from the determination that the Distribution, the Pentair Distribution, or any internal transaction that were intended to be tax-free is taxable are referred to herein as "Distribution Taxes." If such failure is not the result of actions taken after the Distributions by ADT, Pentair or Tyco, then ADT, Pentair and Tyco would be responsible for any Distribution Taxes imposed on ADT, Pentair or Tyco as a result of such determination in the same manner and in the same proportions as the Shared Tax Liabilities. ADT has sole responsibility of any income tax liability arising as a result of Tyco's acquisition of Broadview Security in May 2010, including any liability of Broadview Security under the tax sharing agreement between Broadview Security and The Brink's Company dated October 31, 2008 (collectively, "Broadview Tax Liabilities"). Costs and expenses associated with the management of Shared Tax Liabilities, Distribution Taxes, and Broadview Tax Liabilities will generally be shared 20.0% by Pentair, 27.5% by ADT, and 52.5% by Tyco. ADT is responsible for all of its own taxes that are not shared pursuant to the 2012 Tax Sharing Agreement's sharing formulae. In addition, Tyco and Pentair are responsible for their tax liabilities that are not subject to the 2012 Tax Sharing Agreement's sharing formulae.

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, ADT could be legally liable under applicable tax law for such liabilities and required to make additional tax payments. Accordingly, under certain circumstances, ADT may be obligated to pay amounts in excess of its agreed-upon share of its, Tyco's and Pentair's tax liabilities.

The Company recorded a receivable from Tyco for certain tax liabilities incurred by ADT but indemnified by Tyco under the 2012 Tax Sharing Agreement. This receivable, which is reflected in other assets on the Consolidated Balance Sheet, totaled $41 million and $44 million as of September 27, 2013 and September 28, 2012, respectively. The actual amount that the Company may be entitled to receive could vary depending upon the outcome of certain unresolved tax matters, which may not be resolved for several years.

In conjunction with the Separation, substantially all of Tyco's outstanding equity awards were converted into like-kind awards of ADT, Tyco and Pentair. Pursuant to the terms of the 2012 Separation and Distribution Agreement, each of the three companies is responsible for issuing its own shares upon employee exercises of stock option awards or vesting of restricted stock units. However, the 2012 Tax Sharing Agreement provides that any allowable compensation tax deduction for such awards is to be claimed by the employee's current employer. The 2012 Tax Sharing Agreement requires the employer claiming a tax deduction for shares issued by the other companies to pay a percentage of the allowable tax deduction to the company issuing the equity. As a result, during the year ended September 27, 2013, the Company recorded a net receivable of $23 million due from Tyco and Pentair, the offset of which is reflected as other income in the Company's Consolidated and Combined Statement of Operations.

## 7. Commitments and Contingencies

*Lease Obligations*

The Company has facility, vehicle and equipment leases that expire at various dates through 2024. Rental expense under these leases was $50 million, $44 million and $38 million for fiscal years 2013, 2012 and 2011, respectively. In fiscal year 2013, rental expense is offset by sublease income of $13 million related to certain of the Company's operating leases. Sublease income was immaterial in fiscal years 2012 and 2011. In addition to operating leases, the Company has commitments under capital leases for certain facilities. See Note 5 for further information on capital lease obligations.

The following table provides a schedule of minimum lease payments for non-cancelable operating leases as of September 27, 2013 ($ in millions):

| | |
|---|---|
| Fiscal 2014 | $ 58 |
| Fiscal 2015 | 46 |
| Fiscal 2016 | 34 |
| Fiscal 2017 | 26 |
| Fiscal 2018 | 21 |
| Thereafter | 56 |
| | 241 |
| Less sublease income | 25 |
| Total | $216 |

*Purchase Obligations*

As of September 27, 2013, the Company had obligations related to commitments to purchase certain goods and services of $23 million for fiscal year 2014 and $9 million for fiscal year 2015.

*Legal Proceedings*

The Company is subject to various claims and lawsuits in the ordinary course of business, including from time to time, contractual disputes, product and general liability claims, claims that the Company has infringed the intellectual property rights of others, and claims related to alleged security system failures. The Company has recorded accruals for losses that it believes are probable to occur and are reasonably estimable. While the ultimate outcome of these matters cannot be predicted with certainty, the Company believes that the resolution of any such proceedings (other than matters specifically identified below), will not have a material effect on its financial condition, results of operations or cash flows.

*Broadview Security Contingency*

On May 14, 2010, the Company acquired Broadview Security, a business formerly owned by The Brink's Company. Under the Coal Industry Retiree Health Benefit Act of 1992, as amended (the "Coal Act"), The Brink's Company and its majority-owned subsidiaries at 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 Associate ("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. At the time of its spin-off from The Brink's Company, Broadview Security entered into an agreement in 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 Company's acquisition of Broadview Security. The Company has evaluated its potential liability under the Coal Act as a contingency in light of all known facts, including the funding of the VEBA, and indemnification provided by The Brink's Company. The Company has concluded that no accrual is necessary due to the existence of the indemnification and its belief that The Brink's Company and VEBA will be able to satisfy all future obligations under the Coal Act.

*Telephone Consumer Protection Act*

The Company was named as a defendant in two putative class actions that were filed on behalf of purported classes of persons who claim to have received unsolicited "robocalls" in contravention of the U.S. Telephone Consumer Protection Act ("TCPA"). These lawsuits were brought by plaintiffs seeking class action status and monetary damages on behalf of all plaintiffs who allegedly received such unsolicited calls, claiming that millions of calls were made by third party entities on the Company's behalf. The Company asserts that such entities were not retained by, nor authorized to make calls on behalf of, the Company. During fiscal year 2012, the Company entered into an agreement to settle this litigation and increased its legal reserve by $15 million. On June 21, 2013, the District Court approved the settlement and entered a Final Order of Judgment and Dismissal. Final payment was made in the fourth fiscal quarter of 2013.

*Environmental Matter*

On October 25, 2013, the Company was notified by subpoena that the Office of the Attorney General of California, in conjunction with the Alameda County District Attorney, is investigating whether certain of the Company's waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. The Company is currently unable to predict the outcome of this investigation or reasonably estimate a range of possible loss.

*Income Tax Matters*

As discussed above in Note 6, the 2012 Tax Sharing Agreement governs the rights and obligations of ADT, Tyco and Pentair for certain pre-Separation tax liabilities. The Company is responsible for all of its own taxes that are not shared pursuant to the 2012 Tax Sharing Agreement's sharing formulae. Tyco and Pentair are responsible for their tax liabilities that are not subject to the 2012 Tax Sharing Agreement's sharing formulae.

With respect to years prior to and including the 2007 separation of Covidien and TE Connectivity by Tyco, tax authorities have raised issues and proposed tax adjustments that are generally subject to the sharing provisions of the 2007 Tax Sharing Agreement and which may require Tyco to make a payment to a taxing authority, Covidien or TE Connectivity. Although Tyco has advised ADT that it has resolved a substantial number of these adjustments, a few significant items raised by the IRS remain open with respect to the audit of the 1997 through 2004 tax years. On July 1, 2013, Tyco announced that the IRS issued Notices of Deficiency to Tyco primarily related to the treatment of certain intercompany debt transactions (the "Tyco IRS Notices"). These notices assert that additional taxes of $883 million plus penalties of $154 million are owed based on audits of the 1997 through 2000 tax years of Tyco and its subsidiaries, as they existed at that time. Further, Tyco reported receiving Final Partnership Administrative Adjustments (the "Partnership Notices") for certain U.S. partnerships owned by its former U.S. subsidiaries, for which Tyco estimates an additional tax deficiency of approximately $30 million will be asserted. The additional tax assessments related to the Tyco IRS

Notices and the Partnership Notices exclude interest and do not reflect the impact on subsequent periods if the IRS challenge to Tyco's tax filings is proved correct. Tyco has filed petitions with the U.S. Tax Court to contest the IRS assessments. Consistent with its petitions filed with the U.S. Tax Court, Tyco has advised the Company that it strongly disagrees with the IRS position and believes (i) it has meritorious defenses for the respective tax filings, (ii) the IRS positions with regard to these matters are inconsistent with applicable tax laws and Treasury regulations, and (iii) the previously reported taxes for the years in question are appropriate. If the IRS should successfully assert its position, the Company's share of the collective liability, if any, would be determined pursuant to the 2012 Tax Sharing Agreement. In accordance with the 2012 Tax Sharing Agreement, the amount ultimately assessed under the Tyco IRS Notices and the Partnership Notices would have to be in excess of $1.85 billion before the Company would be required to pay any of the amounts assessed. The Company believes that its income tax reserves and the liabilities recorded in the consolidated balance sheet for the 2012 Tax Sharing Agreement continue to be appropriate. No payments with respect to these matters would be required until the dispute is resolved in the U.S. Tax Court, which Tyco has advised the Company, could take several years. However, the ultimate resolution of these matters is uncertain, and if the IRS were to prevail, it could have a material adverse impact on the Company's financial condition, results of operations and cash flows, potentially including a reduction in the Company's available net operating loss carryforwards. Further, to the extent ADT is responsible for any liability under the 2012 Tax Sharing Agreement, there could be a material impact on its financial position, results of operations, cash flows or its effective tax rate in future reporting periods.

Other liabilities in the Company's Consolidated Balance Sheets as of both September 27, 2013 and September 28, 2012 include $19 million for the fair value of ADT's obligations under certain tax related agreements entered into in conjunction with the Separation. The maximum amount of potential future payments is not determinable as they relate to unknown conditions and future events that cannot be predicted.

## 8. Retirement Plans

The Company measures its retirement plans as of its fiscal year end.

*Defined Benefit Pension Plan*—The Company sponsors one noncontributory defined benefit retirement plan covering certain of its U.S. employees. Net periodic pension benefit cost is based on periodic actuarial valuations which use the projected unit credit method of calculation and is charged to the Consolidated and Combined Statements of Operations on a systematic basis over the expected average remaining service lives of current participants. Contribution amounts are determined based on U.S. regulations and the advice of professionally qualified actuaries. The benefits under the defined benefit plan are based on various factors, such as years of service and compensation.

Prior to the Separation, the plan was a commingled plan and included plan participants of other Tyco subsidiaries. Therefore, for periods prior to September 28, 2012, the Company recorded its portion of the commingled plan expense and the related obligations, which had been actuarially determined based on the Company's specific benefit formula by participant and allocated plan assets. The contribution amounts for periods prior to the Separation were determined in total for the commingled plan and allocated to the Company based on headcount. In conjunction with the Separation, the plan was legally separated, and assets were reallocated based on the ERISA prescribed calculation.

The net periodic benefit cost for the defined benefit pension plan for fiscal years 2013, 2012 and 2011 is as follows ($ in millions):

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Service cost | $ — | $— | $ 1 |
| Interest cost | 3 | 3 | 3 |
| Expected return on plan assets | (4) | (4) | (4) |
| Amortization of net actuarial loss | 1 | 1 | 1 |
| Net periodic benefit cost | $ — | $— | $ 1 |
| ***Weighted-average assumptions used to determine net periodic pension cost during the year:*** | | | |
| Discount rate | 3.7% | 4.5% | 5.0% |
| Expected return on plan assets | 7.8% | 8.0% | 8.0% |
| Rate of compensation increase | N/A | N/A | 4.0% |

During fiscal year 2011, the Company froze its active U.S. pension plan. As a result, the Company amortizes its actuarial gains and losses over the average remaining life expectancy of the pension plan participants.

The estimated net actuarial loss for the pension benefit plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is expected to be $1 million.

The change in benefit obligations, plan assets and the amounts recognized on the Consolidated Balance Sheets for the defined benefit plan as of September 27, 2013 and September 28, 2012 are as follows ($ in millions):

| | September 27, 2013 | September 28, 2012 |
|---|---|---|
| *Change in benefit obligations:* | | |
| Benefit obligations as of beginning of year | $ 81 | $ 72 |
| Service cost | — | — |
| Interest cost | 3 | 3 |
| Actuarial (gain) loss | (9) | 9 |
| Benefits and administrative expenses paid | (3) | (3) |
| Benefit obligations as of end of year | $ 72 | $ 81 |
| *Change in plan assets:* | | |
| Fair value of plan assets as of beginning of year | $ 52 | $ 48 |
| Actual return on plan assets | 5 | 5 |
| Employer contributions | 2 | 2 |
| Benefits and administrative expenses paid | (3) | (3) |
| Fair value of plan assets as of end of year | $ 56 | $ 52 |
| Funded status | $ (16) | $ (29) |

Amounts recognized in the Consolidated Balance Sheets for the defined benefit plan as of September 27, 2013 and September 28, 2012 are as follows ($ in millions):

| | September 27, 2013 | September 28, 2012 |
|---|---|---|
| *Amounts reflected in other liabilities:* | | |
| Non-current liabilities | $(16) | $(29) |
| *Amounts recognized in accumulated other comprehensive income (before income taxes) consist of:* | | |
| Net actuarial loss | $(29) | $(39) |
| ***Weighted-average assumptions used to determine pension benefit obligations at year end:*** | | |
| Discount rate | 4.6% | 3.7% |
| Rate of compensation increase | N/A | N/A |

The accumulated and aggregate benefit obligation and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were $72 million and $56 million, respectively, as of September 27, 2013 and $81 million and $52 million, respectively, as of September 28, 2012.

In determining the expected return on plan assets, the Company considers the relative weighting of plan assets by asset class, historical performance of asset classes over long-term periods, asset class performance expectations as well as current and future economic conditions.

The Company's investment strategy for its pension plan is to manage the plan on a going-concern basis. Current investment policy is to maintain an adequate level of diversification while maximizing the return on assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants as well as providing adequate liquidity to meet immediate and future benefit payment requirements. In addition, U.S. regulations and financial considerations are factors in determining the appropriate investment strategy. The policy targets a 60% allocation to equity securities and a 40% allocation to debt securities.

The pension plan has the following weighted-average asset allocations:

| | 2013 | 2012 |
|---|---|---|
| **Asset Category:** | | |
| Equity securities | 63% | 60% |
| Debt securities | 36% | 38% |
| Cash and cash equivalents | 1% | 2% |
| Total | 100% | 100% |



ADT's common shares are not a direct investment of the Company's pension fund, but may be held through investment funds. The aggregate amount of the securities would not be considered material relative to the total fund assets.

The Company evaluates its defined benefit plan's asset portfolio for the existence of significant concentrations of risk. Types of investment concentration risks that are evaluated include, but are not limited to, concentrations in a single entity, industry, foreign country and individual fund manager. As of September 27, 2013, there were no significant concentrations of risk in the Company's defined benefit plan assets.

The Company's plan assets are accounted for at fair value. Authoritative guidance for fair value measurements establishes a three level hierarchy that ranks the quality and reliability of information used in

developing fair value estimates. The hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. In cases where two or more levels of inputs are used to determine fair value, the level is determined based on the lowest level input that is considered significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are summarized as follows:

- Level 1—inputs are based upon quoted prices (unadjusted) in active markets for identical assets or liabilities which are accessible as of the measurement date.
- Level 2—inputs are based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model derived valuations for the asset or liability that are derived principally from or corroborated by market data for which the primary inputs are observable, including forward interest rates, yield curves, credit risk and exchange rates.
- Level 3—inputs for the valuations are unobservable and are based on management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model based techniques such as option pricing models and discounted cash flow models.

The Company's asset allocations by level within the fair value hierarchy as of September 27, 2013 and September 28, 2012 are presented in the tables below for the Company's defined benefit plan.

| | September 27, 2013 | | |
|---|---|---|---|
| **($ in millions)** | **Level 1** | **Level 2** | **Total** |
| Equity securities: | | | |
| U.S. equity securities | $— | $23 | $23 |
| Non-U.S. equity securities | — | 12 | 12 |
| Fixed income securities: | | | |
| Government and government agency securities | — | 7 | 7 |
| Corporate debt securities | — | 13 | 13 |
| Cash and cash equivalents | — | 1 | 1 |
| Total | $— | $56 | $56 |

| | September 28, 2012 | | |
|---|---|---|---|
| **($ in millions)** | **Level 1** | **Level 2** | **Total** |
| Equity securities: | | | |
| U.S. equity securities | $— | $21 | $21 |
| Non-U.S. equity securities | — | 10 | 10 |
| Fixed income securities: | | | |
| Government and government agency securities | — | 10 | 10 |
| Corporate debt securities | — | 10 | 10 |
| Cash and cash equivalents | — | 1 | 1 |
| Total | $— | $52 | $52 |

Equity securities consist primarily of publicly traded U.S. and non-U.S. equities. Publicly traded securities are valued at the last trade or closing price reported in the active market in which the individual securities are traded. Certain equity securities are held within commingled funds which are valued at the unitized net asset value ("NAV") or percentage of the net asset value as determined by the custodian of the fund. These values are based on the fair value of the underlying net assets owned by the fund.

Fixed income securities consist primarily of government and agency securities, corporate debt securities, and mortgage and other asset-backed securities. When available, fixed income securities are valued at the closing

price reported in the active market in which the individual security is traded. Government and agency securities and corporate debt securities are valued using the most recent bid prices or occasionally the mean of the latest bid and ask prices when markets are less liquid. When quotes are not available, fair value is determined utilizing a discounted cash flow approach, which incorporates other observable inputs such as cash flows, underlying security structure and market information including interest rates and bid evaluations of comparable securities. Certain fixed income securities are held within commingled funds which are valued utilizing NAV determined by the custodian of the fund. These values are based on the fair value of the underlying net assets owned by the fund.

Cash and cash equivalents consist primarily of short-term commercial paper, bonds and other cash or cash-like instruments including settlement proceeds due from brokers, stated at cost, which approximates fair value.

The following tables set forth a summary of pension plan assets valued using NAV or its equivalent as of September 27, 2013 and September 28, 2012 ($ in millions):

| | September 27, 2013 | | |
|---|---|---|---|
| **Investment** | **Fair Value** | **Redemption Frequency** | **Redemption Notice Period** |
| U.S. equity securities | $23 | Daily | 1 day, 5 days |
| Non-U.S. equity securities | 12 | Daily | 2 days |
| Government and government agency securities | 7 | Daily | 2 days |
| Corporate debt securities | 13 | Daily | 2 days |
| | $55 | | |

| | September 28, 2012 | | |
|---|---|---|---|
| **Investment** | **Fair Value** | **Redemption Frequency** | **Redemption Notice Period** |
| U.S. equity securities | $21 | Daily | 1 day, 5 days |
| Non-U.S. equity securities | 10 | Daily | 3 days |
| Government and government agency securities | 10 | Daily | 2 days |
| Corporate debt securities | 10 | Daily | 2 days |
| | $51 | | |

The strategy of the Company's investment managers with regard to the investments valued using NAV or its equivalent is to either match or exceed relevant benchmarks associated with the respective asset category. None of the investments valued using NAV or its equivalent contain any redemption restrictions or unfunded commitments.

The Company's funding policy is to make contributions in accordance with U.S. laws as well as to make discretionary voluntary contributions from time-to-time. During fiscal year 2013, the Company contributed $2 million to its pension plan, which represented the Company's minimum required contributions to its pension plan for that period. The Company anticipates that it will contribute at least the minimum required to its pension plan in fiscal year 2014 of $2 million.

Benefit payments, including those amounts to be paid and reflecting future expected service as appropriate, are expected to be paid as follows ($ in millions):

| | |
|---|---|
| Fiscal 2014 | $ 3 |
| Fiscal 2015 | 3 |
| Fiscal 2016 | 4 |
| Fiscal 2017 | 4 |
| Fiscal 2018 | 4 |
| Fiscal 2019 – Fiscal 2023 | 21 |

The Company also participates in multi-employer defined benefit plans on behalf of certain employees. Pension expense related to multi-employer plans was not material for fiscal years 2013, 2012 and 2011.

*Defined Contribution Retirement Plans*—Prior to the Separation, the Company maintained through Tyco several defined contribution retirement plans, including 401(k) matching programs, as well as qualified and nonqualified profit sharing and share bonus retirement plans. Following the Separation, the Company maintains its own standalone 401(k) matching programs. Expense for the defined contribution plans is computed as a percentage of participants' compensation and was $20 million, $22 million and $17 million for fiscal years 2013, 2012 and 2011, respectively.

*Deferred Compensation Plan*—Prior to the Separation, the Company maintained through Tyco, a nonqualified 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) plans and the account balance fluctuates with the investment returns on those funds. Following the Separation, the Company maintains its own standalone SSRP for eligible employees. Deferred compensation liabilities were $16 million and $12 million as of September 27, 2013 and September 28, 2012, respectively. Deferred compensation expense was not material for fiscal years 2013, 2012 and 2011.

*Postretirement Benefit Plans*—The Company generally does not provide postretirement benefits other than pensions for its employees. However, certain acquired operations provide these benefits to employees who were eligible at the date of acquisition, and a small number of U.S. and Canadian operations provide ongoing eligibility for such benefits.

Net periodic postretirement benefit cost was not material for fiscal years 2013, 2012 and 2011. The Company's Consolidated Balance Sheets include postretirement benefit obligations of $6 million and $5 million as of September 27, 2013 and September 28, 2012, respectively. In addition, the Company recorded a net actuarial loss of $1 million within accumulated other comprehensive income included in the Consolidated Balance Sheet as of September 27, 2013. No actuarial gain or loss was recorded within accumulated other comprehensive income in the Consolidated Balance Sheet as of September 28, 2012.

The Company does not expect to make any material contributions to its postretirement benefit plans in fiscal year 2014. Benefit payments, including those amounts to be paid and reflecting future expected service are not expected to be material for fiscal year 2014 and thereafter.

## 9. Share Plans

*Incentive Equity Awards Converted from Tyco Awards*

Prior to the Separation, all employee incentive equity awards were granted by Tyco. On September 28, 2012, substantially all of Tyco's outstanding awards were converted into like-kind awards of ADT, Tyco and Pentair. The conversion of existing Tyco equity awards into ADT equity awards was considered a modification

of an award ("2012 Award Modification") in accordance with the authoritative guidance for share-based payments and affected all holders of Tyco incentive equity awards. As a result, the Company compared the fair value of the awards immediately prior to the Separation to the fair value immediately after the Separation to measure incremental compensation cost. The conversion resulted in an increase in the fair value of the awards and, accordingly, the Company recorded non-cash compensation expense, the amount of which was immaterial. The following table provides details on the ADT incentive equity awards issued in conjunction with the 2012 Award Modification:

| | Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Stock options | 7,837,941 | $ 7.78 |
| Restricted stock units | 3,169,241 | 20.86 |

*Stock Compensation Plans*

Prior to the Separation, the Company adopted the ADT Corporation 2012 Stock Incentive Plan (the "Plan"). The Plan provides for the award of stock options, stock appreciation rights, annual performance bonuses, long-term performance awards, restricted units, restricted stock, deferred stock units, promissory stock and other stock-based awards (collectively, "Awards"). In addition to the incentive equity awards converted from Tyco awards, the Plan provides for a maximum of 8 million common shares to be issued as Awards, subject to adjustment as provided under the terms of the Plan.

Total stock-based compensation cost recognized during fiscal years 2013, 2012 and 2011 was $19 million, $7 million and $9 million, respectively, all of which is included in selling, general and administrative expenses in the Consolidated and Combined Statements of Operations. The tax benefit associated with the Company's stock-based compensation arrangements during fiscal years 2013, 2012 and 2011 was $7 million, $3 million and $3 million, respectively.

*Stock Options*—Options are granted to purchase common shares at prices that are equal to the fair market value of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant under the Plan. Options granted under the Plan generally vest in equal annual installments over a period of four years and generally expire 10 years after the date of grant. The grant-date fair value of each option grant is estimated using the Black-Scholes option pricing model and amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. The compensation expense recognized is net of estimated forfeitures. Forfeitures are estimated based on expected termination behavior, as well as an analysis of actual option forfeitures.

Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. When measuring the fair value immediately before and after the 2012 Award Modification, the Company gave specific consideration to the assumptions used in the Black-Scholes option pricing model. Fair value immediately before the modification was measured based on the assumptions of Tyco whereas the fair value of ADT options immediately after the modification, and from there on, was representative of ADT as a standalone company. The weighted-average assumptions used in the Black-Scholes option pricing model for fiscal years 2013 and 2012 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Risk-free interest rate | 0.81 – 1.62% | 1.01 – 1.21% |
| Expected life of options (years) | 5.75 – 6.00 | 5.50 – 6.50 |
| Expected annual dividend yield | 1.09% | 1.42% |
| Expected stock price volatility | 33% | 33% |

The weighted-average grant-date fair value of options granted during fiscal year 2013 was $13.06, and the intrinsic value of options exercised during fiscal year 2013 was $59 million.

The following table summarizes the stock option activity for fiscal year 2013:

| | Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value ($ in millions) |
|---|---|---|---|---|
| Outstanding as of September 28, 2012 | 7,837,941 | $26.97 | | |
| Granted | 1,045,399 | 45.41 | | |
| Exercised | 3,205,566 | 26.72 | | |
| Canceled | 381,714 | 32.70 | | |
| Outstanding as of September 27, 2013 | 5,296,060 | 30.34 | 5.83 | $62 |
| Options vested and expected to vest as of September 27, 2013 | 5,035,301 | 30.12 | 5.71 | 60 |
| Exercisable as of September 27, 2013 | 3,123,350 | 27.44 | 4.22 | 43 |

As of September 27, 2013, there was approximately $14 million of total unrecognized compensation expense related to non-vested stock options granted under the Company's share option plan. This expense, net of forfeitures, is expected to be recognized over a weighted-average period of approximately 3 years.

*Restricted Stock Units*—Restricted stock units are granted subject to certain restrictions. Conditions of vesting are determined at the time of grant under the Plan. Restrictions on the award generally lapse upon normal retirement, if more than twelve months from the grant date, and death or disability of the employee. Recipients of restricted stock units have no voting rights and receive dividend equivalent units. Dividend equivalent units are subject to forfeiture if the underlying awards do not vest. The total number of restricted stock units issued during fiscal year 2013 includes an immaterial number of deferred stock units.

The fair market value of restricted stock units, both time vesting and those subject to specific performance criteria, are expensed over the period of vesting. Restricted stock units that vest based upon passage of time generally vest over a period of four years. Restricted stock units that vest dependent upon attainment of various levels of performance ("performance share awards") generally vest in their entirety three years from the grant date. The fair value of all restricted stock units is determined based on the closing market price of the underlying stock on the grant date. The number of performance share awards included in the total restricted stock units granted during fiscal year 2013 is immaterial. No performance share awards vested during fiscal year 2013.

The following table summarizes the restricted stock unit activity, including performance share awards, for fiscal year 2013:

| | Shares | Weighted-Average Grant-Date Fair Value |
|---|---|---|
| Non-vested as of September 28, 2012 | 3,169,241 | $20.86 |
| Granted | 498,904 | 45.91 |
| Vested | 2,175,231 | 20.17 |
| Canceled | 251,848 | 27.86 |
| Non-vested as of September 27, 2013 | 1,241,066 | 33.75 |

As of September 27, 2013, there was $23 million of total unrecognized compensation cost related to non-vested restricted stock units. This expense, net of forfeitures is expected to be recognized over a weighted-average period of approximately 2 years.

## 10. Equity

*Common Stock*

*Shares Authorized and Outstanding*—As of September 27, 2013, the Company had 1,000,000,000 shares of $0.01 par value common stock authorized, of which 208,980,690 shares were outstanding.

*Dividends*—Holders of shares of the Company's common stock are entitled to receive dividends when, as and if declared by its board of directors out of funds legally available for that purpose. Future dividends are dependent on the Company's financial condition and results of operations, the capital requirements of its business, covenants associated with debt obligations, legal requirements, regulatory constraints, industry practice and other factors deemed relevant by its board of directors.

During fiscal year 2013, the Company's board of directors declared five dividends on ADT's common stock of $0.125 per share. The dividend declared on November 26, 2012 was paid on December 18, 2012 to stockholders of record on December 10, 2012. The dividend declared on January 10, 2013 was paid on February 20, 2013 to stockholders of record on January 30, 2013. The dividend declared on March 14, 2013 was paid on May 15, 2013 to stockholders of record on April 24, 2013. The dividend declared on July 19, 2013 was paid on August 21, 2013 to stockholders of record on July 31, 2013. The dividend declared on September 20, 2013 will be paid on November 20, 2013 to stockholders of record on October 30, 2013.

*Voting Rights*—The holders of the Company's common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the shareholders.

*Other Rights*—Subject to any preferential liquidation rights of holders of preferred stock that may be outstanding, upon the Company's liquidation, dissolution or winding-up, the holders of ADT common stock are entitled to share ratably in the Company's assets legally available for distribution to its shareholders.

*Fully Paid*—The issued and outstanding shares of the Company's common stock are fully paid and non-assessable. Any additional shares of common stock that the Company may issue in the future will also be fully paid and non-assessable.

The holders of the Company's common stock do not have preemptive rights or preferential rights to subscribe for shares of its capital stock.

*Preferred Stock*

The Company's certificate of incorporation authorizes its board of directors to designate and issue from time to time one or more series of preferred stock without shareholder approval. The board of directors may fix and determine the preferences, limitations and relative rights of each series of preferred stock. As of September 27, 2013, there were 50,000,000 shares of $0.01 par value preferred stock authorized of which none were outstanding. The Company does not currently plan to issue any shares of preferred stock.

*Share Repurchase Program*

On November 26, 2012, the Company's board of directors approved $2 billion of share repurchases over a period of three years. Pursuant to this approval, the Company may enter into accelerated share repurchase plans as well as repurchase shares on the open market. During fiscal year 2013, the Company made open market repurchases of 15.5 million shares of ADT common stock at an average price of $43.01 per share. The total cost of open market repurchases for fiscal year 2013 was approximately $668 million, of which $635 million was paid during the period.

On January 29, 2013, the Company entered into an accelerated share repurchase agreement under which it repurchased 12.6 million shares of ADT's common stock for $600 million at an average price of $47.60 per share. This accelerated share repurchase program, which was funded with proceeds from the January 2013 Debt Offering, was completed on April 2, 2013.

All of the Company's repurchases were treated as effective retirements of the purchased shares and therefore reduced reported shares issued and outstanding by the number of shares repurchased. In addition, the Company recorded the excess of the purchase price over the par value of the common stock as a reduction to additional paid-in capital.

*Accumulated Other Comprehensive Income*

The components of accumulated other comprehensive income reflected on the Consolidated Balance Sheets are as follows ($ in millions):

| | Currency Translation Adjustments | Deferred Pension Losses[1] | Accumulated Other Comprehensive Income |
|---|---|---|---|
| **Balance as of September 24, 2010** | $ 97 | $(18) | $79 |
| Pre-tax current period change | 3 | (5) | (2) |
| Income tax benefit | — | 2 | 2 |
| **Balance as of September 30, 2011** | 100 | (21) | 79 |
| Pre-tax current period change | 17 | (5) | 12 |
| Income tax benefit | — | 2 | 2 |
| **Balance as of September 28, 2012** | 117 | (24) | 93 |
| Pre-tax current period change | (19) | 10 | (9) |
| Income tax benefit | — | (4) | (4) |
| **Balance as of September 27, 2013** | $ 98 | $(18) | $80 |

(1) The balances of deferred pension losses as of September 27, 2013, September 28, 2012 and September 30, 2011 are reflected net of tax benefit of $11 million, $15 million and $13 million, respectively.

*Other*

During fiscal year 2013, the Company made adjustments to additional paid-in capital, which primarily resulted from the receipt of $61 million in cash from Tyco and Pentair related to the allocation of funds in accordance with the 2012 Separation and Distribution Agreement.

## 11. Earnings Per Share

Following the Separation on September 28, 2012, the Company had 231,094,332 common shares outstanding. This amount was used as the starting point for calculating weighted-average shares outstanding for fiscal years 2012 and 2011. Additionally, diluted weighted-average shares outstanding for fiscal year 2012 was determined assuming that the Separation occurred on the first day of fiscal year 2012. The computation of basic and diluted earnings per share for fiscal years 2013, 2012 and 2011 is as follows:

| (in millions, except per share amounts) | 2013 | 2012 | 2011 |
|---|---|---|---|
| **Basic Earnings Per Share** | | | |
| Numerator: | | | |
| Net income | $ 421 | $ 394 | $ 376 |
| Denominator: | | | |
| Weighted-average shares outstanding | 222 | 231 | 231 |
| Effect of vested deferred stock units | — | 1 | 1 |
| Basic weighted-average shares outstanding | 222 | 232 | 232 |
| Basic earnings per share | $1.90 | $1.70 | $1.62 |
| **Diluted Earnings Per Share** | | | |
| Numerator: | | | |
| Net income | $ 421 | $ 394 | $ 376 |
| Denominator: | | | |
| Basic weighted-average shares outstanding | 222 | 232 | 232 |
| Effect of dilutive securities: | | | |
| Stock options | 1 | 2 | 2 |
| Restricted stock | 1 | 2 | 2 |
| Diluted weighted-average shares outstanding | 224 | 236 | 236 |
| Diluted earnings per share | $1.88 | $1.67 | $1.59 |

The computation of diluted earnings per share excludes the effect of the potential exercise of options to purchase approximately 0.8 million shares of stock for fiscal years 2013, 2012 and 2011, as the effect would have been anti-dilutive.

## 12. Geographic Data

Revenues are attributed to individual countries based upon the operating entity that records the transaction. Revenue by geographic area for fiscal years 2013, 2012 and 2011 are as follows ($ in millions):

| Revenue | 2013 | 2012 | 2011 |
|---|---|---|---|
| United States | $3,123 | $3,034 | $2,905 |
| Canada | 186 | 194 | 205 |
| Total | $3,309 | $3,228 | $3,110 |

Long-lived assets by geographic area as of September 27, 2013 and September 28, 2012 are as follows ($ in millions):

| Long-lived assets[(1)] | September 27, 2013 | September 28, 2012 |
|---|---|---|
| United States | $4,785 | $4,390 |
| Canada | 347 | 358 |
| Total | $5,132 | $4,748 |

[1] Long-lived assets are comprised primarily of subscriber system assets, net; property and equipment, net; deferred subscriber acquisition costs, net; and dealer intangibles, net and exclude goodwill, other intangible assets and other assets.

## 13. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for fiscal years 2013 and 2012 is as follows ($ in millions, except per share data):

| | 2013 | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Revenue | $ 809 | $ 821 | $ 833 | $ 846 |
| Gross profit | 473 | 480 | 490 | 488 |
| Net income | 105 | 107 | 113 | 96 |
| Net income per share: | | | | |
| Basic | $0.45 | $0.47 | $0.52 | $0.45 |
| Diluted | $0.44 | $0.47 | $0.52 | $0.45 |

| | 2012 | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Revenue | $ 795 | $ 807 | $ 814 | $ 812 |
| Gross profit | 450 | 458 | 470 | 476 |
| Net income | 93 | 105 | 102 | 94 |
| Net income per share[1]: | | | | |
| Basic | $0.40 | $0.45 | $0.44 | $0.41 |
| Diluted | $0.39 | $0.44 | $0.43 | $0.40 |

[1] The Separation was completed on September 28, 2012, and the Company issued 231 million shares of common stock. This initial share amount has been used to calculate earnings per share for all periods presented for fiscal year 2012. See Note 11 for additional information on earnings per share.

## 14. Subsequent Events

*Share Repurchase Program*

Between September 28, 2013 and November 13, 2013, the Company repurchased 7.3 million shares of its common stock for approximately $300 million.

On November 18, 2013, the Company's board of directors authorized a $1 billion increase to the $2 billion, three-year share repurchase program that was previously approved on November 26, 2012. Additionally, on November 19, 2013, the Company entered into an accelerated share repurchase agreement under which it will repurchase approximately $400 million of ADT's common stock. This accelerated share repurchase program will be funded with available cash on hand. The actual number of shares repurchased will be determined upon completion of the program, which is expected to occur by March 25, 2014.

*Debt*

On October 1, 2013, the Company issued $1.0 billion aggregate principal amount of 6.250% unsecured notes due October 2021 to certain institutional investors pursuant to certain exemptions from registration under the Securities Act of 1933, as amended. Net cash proceeds from the issuance of this term indebtedness totaled $987 million, of which $150 million was used to repay the outstanding borrowings under the Company's

revolving credit facility as of September 27, 2013. The remaining net proceeds will be used for repurchases of outstanding shares of ADT's common stock and acquisitions. Interest is payable on April 15 and October 15 of each year, commencing on April 15, 2014. The Company may redeem the notes, in whole or in part, at any time prior to the maturity date at a redemption price equal to the greater of the principal amount of the notes to be redeemed, or a make-whole premium, plus in each case, accrued and unpaid interest to, but excluding, the redemption date. As part of the notes issuance, the Company entered into an exchange and registration rights agreement with the initial purchasers of the notes and is obligated to file a registration statement for an offer to exchange the notes for a new issue of substantially identical notes registered under the Securities Act of 1933, as amended, or provide a shelf registration statement to cover resales of such notes if the exchange offer is not complete within 365 days after closing.

## THE ADT CORPORATION
## SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
## ($ in millions)

| Description | Balance at Beginning of Year | Additions Charged to Income | Other | Deductions | Balance at End of Year |
|---|---|---|---|---|---|
| Allowance for Doubtful Accounts: | | | | | |
| Year Ended September 30, 2011 . . . . . . . . . . . . . . | $23 | $44 | $1 | $(45) | $23 |
| Year Ended September 28, 2012 . . . . . . . . . . . . . . | 23 | 50 | — | (48) | 25 |
| Year Ended September 27, 2013 . . . . . . . . . . . . . . | 25 | 49 | — | (47) | 27 |

FORM 10-K

## INDEX TO EXHIBITS

| Exhibit Number | Exhibits | |
|---|---|---|
| 2.1 | Separation and Distribution Agreement, dated September 26, 2012 among Tyco International Ltd., Tyco International Finance S.A., The ADT Corporation and ADT LLC | (6) |
| 2.2 | Separation and Distribution Agreement with respect to Tyco Flow Control Distribution, dated as of March 27, 2012, among Tyco International Ltd., Tyco Flow Control International Ltd. and The ADT Corporation | (1) |
| 2.3 | Amendment No. 1 to the Separation and Distribution Agreement, dated as of July 25, 2012, among Tyco International Ltd., Tyco Flow Control International Ltd. and The ADT Corporation | (3) |
| 3.1 | Amended and Restated Certificate of Incorporation of The ADT Corporation | (4) |
| 3.2 | Certificate of Amendment of the Amended and Restated Certificate of Incorporation of The ADT Corporation | (5) |
| 3.3 | Amended and Restated Bylaws of The ADT Corporation, dated December 6, 2012 | (7) |
| 4.1 | Indenture, dated as of July 5, 2012, between The ADT Corporation and Wells Fargo Bank, National Association | (2) |
| 4.2 | First Supplemental Indenture, dated as of July 5, 2012, among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association | (2) |
| 4.3 | Second Supplemental Indenture, dated as of July 5, 2012, among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association | (2) |
| 4.4 | Third Supplemental Indenture, dated as of July 5, 2012, among The ADT Corporation, Tyco International Ltd. and Wells Fargo Bank, National Association | (2) |
| 4.5 | Fourth Supplemental Indenture, dated as of January 14, 2013, between The ADT Corporation and Wells Fargo Bank, National Association | (9) |
| 4.6 | Fifth Supplemental Indenture, dated as of October 1, 2013, between The ADT Corporation and Wells Fargo Bank, National Association | (10) |
| 4.7 | Exchange and Registration Rights Agreement, dated as of October 1, 2013, among The ADT Corporation and the purchasers identified therein | (10) |
| 10.1 | Form of Transition Services Agreement between Tyco International Ltd. and The ADT Corporation | (2) |
| 10.2 | Form of Transition Services Agreement between Tyco Integrated Security Canada, Inc. and ADT Security Services Canada, Inc. | (2) |
| 10.3 | Tax Sharing Agreement, dated September 28, 2012 by and among Pentair Ltd., Tyco International Ltd., Tyco International Finance S.A., and The ADT Corporation | (6) |
| 10.4 | Non-Income Tax Sharing Agreement dated September 28, 2012 by and among Tyco International Ltd., Tyco International Finance S.A., and The ADT Corporation | (6) |
| 10.5 | 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 | (6) |
| 10.6 | Patent Agreement, dated as of September 26, 2012, by and between Tyco International Ltd. and The ADT Corporation | (6) |

| | | |
|---|---|---|
| 10.7 | Form of Monitoring Agreement between Tyco Integrated Security, Inc. and ADT LLC | (2) |
| 10.8 | Form of Monitoring Agreement between ADT Security Services Canada, Inc. and Tyco Integrated Security Canada, Inc. | (2) |
| 10.9 | Form of Guard Service Agreement between ADT Security Services Canada, Inc. and Intercon Security Limited | (2) |
| 10.10 | Form of Guard Service Agreement between ADT Holdings Inc. and Tyco Integrated Security LLC | (2) |
| 10.11 | Form of Master Supply Agreement between Tyco International Ltd. and The ADT Corporation | (2) |
| 10.12 | Form of Sublease Agreement | (2) |
| 10.13 | Five Year Senior Unsecured Revolving Credit Agreement, dated as of June 22, 2012, among The ADT Corporation, Tyco International Ltd., the lender parties thereto and Citigroup Global Markets Inc. and J.P. Morgan Securities LLC, as bookrunners and lead arrangers | (2) |
| 10.14* | The ADT Corporation 2012 Stock and Incentive Plan | (5) |
| 10.15* | The ADT Corporation Severance Plan for U.S. Officers and Executives | (6) |
| 10.16* | The ADT Corporation Change in Control Severance Plan | (6) |
| 10.17* | ADT LLC Supplemental Savings and Retirement Plan | (6) |
| 10.18 | Agreement, dated December 17, 2012, by and among The ADT Corporation, Keith A. Meister, Corvex Management LP and Soros Fund Management LLC | (8) |
| 10.19* | Form of ADT Indemnification Agreement between The ADT Corporation and Directors and Officers | |
| 21 | List of subsidiaries of The ADT Corporation | |
| 23 | Consent of Deloitte & Touche LLP | |
| 24 | Powers of Attorney | |
| 31.1 | Certification of CEO required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a) | |
| 31.2 | Certification of CFO required by Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a) | |
| 32 | Certification by the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | |
| 101 | Financial statements from the annual report on Form 10-K of The ADT Corporation for the year ended September 27, 2013 formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated and Combined Statements of Operations, (iii) the Consolidated and Combined Statements of Comprehensive Income (iv) the Consolidated and Combined Statements of Stockholders' Equity, (v) the Consolidated and Combined Statements of Cash Flows, and (vi) the Notes to Consolidated and Combined Financial Statements | |

* Management contract or compensatory plan or arrangement.

(1) Incorporated by reference from the respective exhibit to The ADT Corporation's Registration Statement on Form 10 filed on April 10, 2010 (File No. 001-35502)

(2) Incorporated by reference from the respective exhibit to Amendment No. 2 to The ADT Corporation's Registration Statement on Form 10 filed on July 9, 2012 (File No. 001-35502)

(3) Incorporated by reference from the respective exhibit to Amendment No. 3 to The ADT Corporation's Registration Statement on Form 10 filed on July 27, 2012 (File No. 001-35502)
(4) Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on September 20, 2012
(5) Incorporated by reference from the respective exhibit to The ADT Corporation's Form S-8 Registration Statement, as filed on September 27, 2012 (File No.333-184144)
(6) Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on October 1, 2012
(7) Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on December 6, 2012
(8) Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on December 18, 2012
(9) Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on January 14, 2013
(10) Incorporated by reference from the respective exhibit to The ADT Corporation's Current Report on Form 8-K filed on October 1, 2013

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

## BOARD OF DIRECTORS

**Bruce Gordon**[3]
Chairman and Director

**Thomas Colligan**[1,3]
Director

**Richard J. Daly**[2]
Director

**Timothy Donahue**[2]
Director

**Robert Dutkowsky**[2]
Director

**Naren Gursahaney**
Director
President and Chief Executive Officer

**Bridgette Heller**[1]
Director

**Kathleen Hyle**[1]
Director

**Dinesh Paliwal**[2,3]
Director

## EXECUTIVE MANAGEMENT TEAM

**Naren Gursahaney**
President and Chief Executive Officer
Director

**David Bleisch**
Senior Vice President
Chief Legal Officer and Corporate Secretary

**Don Boerema**
Senior Vice President
Chief Corporate Development Officer

**Mark Edoff**
Senior Vice President
Business Operations Optimization

**Alan Ferber**
President
Residential Business

**Michael Geltzeiler**
Senior Vice President
Chief Financial Officer

**Shawn Lucht**
Senior Vice President
Chief Customer Officer

**Kathleen McLean**
Senior Vice President
Chief Information Officer

**Luis Orbegoso**
President
Small Business

**Arthur Orduña**
Senior Vice President
Chief Innovation Officer

**Tony Wells**
Senior Vice President
Chief Marketing Officer

## CORPORATE DATA

**Corporate Headquarters**
The ADT Corporation
1501 Yamato Road
Boca Raton, FL 33431
(561) 988-3600

**Independent Auditors**
Deloitte & Touche LLP
1800 N. Military Trail
Suite 200
Boca Raton, FL 33431

**Transfer Agent and Shareholder Services**
Registered stockholders (shares held in your own name) with questions such as change of address, registered share accounts or dividend payments should contact ADT's transfer agent at:

Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, MN 55164-0854

(855) 598-5494
(651) 450-4064

www.shareowneronline.com

Other stockholder inquiries may be directed to ADT Shareholder Services at the company's corporate headquarters.

**Stock Exchange**
The company's common stock is traded on the New York Stock Exchange under the ticker symbol "ADT".

**ADT on the Internet**
The ADT Corporation 2013 Annual Report is available online at www.adt.com. ADT's website also contains the latest company news and information.

**Trademarks**
All trademarks herein are trademarks of The ADT Corporation.

**Form 10-K and SEC Certifications**
A copy of our Form 10-K, for the year ended September 27, 2013, filed with the U.S. Securities and Exchange Commission on November 20, 2013, includes Exhibits of the Chief Executive Officer and Chief Financial Officer Certifications as required by Section 302 of the Sarbanes-Oxley Act of 2002. Additional copies of the Form 10-K may be obtained by stockholders without charge upon written request to The ADT Corporation, 1501 Yamato Road, Boca Raton, FL 33431. The Form 10-K is also available on the company's website at www.adt.com.

Please Recycle

**Board Committee Membership**
1 Audit Committee
2 Compensation Committee
3 Nominating and Governance Committee

Design: Matter, Inc., www.matter-inc.com; Principal Photography: Lisa Berg, Mark Haworth, Vadim Daniel, Greg Glass & Steve Wright; Printing: DCC New Jersey

**THE ADT CORPORATION**
1501 Yamato Road
Boca Raton, Florida 33431

www.ADT.com