APX Group Holdings, Inc.

Financial and Operating Highlights

Fourth Quarter and Full Year 2013

Forward-Looking Statements

This presentation contains "forward looking statements", including but not limited to, statements related to the performance of our business, our financial results, our liquidity and capital resources, our plans, strategies and prospects, both business and financial and other non-historical statements. These statements are based on the beliefs and assumptions of our management. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Generally, statements that are not historical facts, including statements concerning our possible or assumed future actions, business strategies, events or results of operations, are forward-looking statements. These statements may be preceded by, followed by or include the words "believes," "estimates," "expects," "projects," "forecasts," "may," "will," "should," "seeks," "plans," "scheduled," "anticipates" or "intends" or similar expressions.

Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements which speak only as of this date hereof. You should understand that the following important factors, in addition to those discussed in "Risk Factors" in the Company's prospectus dated February 4, 2014, filed with the Securities Exchange Commission in accordance with Rule 424(b) of the Securities Act, as such factors may be updated from time to time in our periodic filings with the SEC, which are available on the SEC's website at www.sec.gov, could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements:

- risks of the security and home automation industry, including risks of and publicity surrounding the sales, subscriber origination and retention process;
- the highly competitive nature of the security and home automation industry and product introductions and promotional activity by our competitors;
- litigation, complaints or adverse publicity;
- the impact of changes in consumer spending patterns, consumer preferences, local, regional, and national economic conditions, crime, weather, demographic trends and employee availability;
- adverse publicity and product liability claims;
- increases and/or decreases in utility and other energy costs, increased costs related to utility or governmental requirements; and
- cost increases or shortages in security and home automation technology products or components.

In addition, the origination and retention of new subscribers will depend on various factors, including, but not limited to, market availability, subscriber interest, the availability of suitable components, the negotiation of acceptable contract terms with subscribers, local permitting, licensing and regulatory compliance, and our ability to manage anticipated expansion and to hire, train and retain personnel, the financial viability of subscribers and general economic conditions. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

These and other factors that could cause actual results to differ from those implied by the forward-looking statements in this press release are more fully described in the "Risk Factors" section of our prospectus dated February 4, 2014. The risks described in "Risk Factors" are not exhaustive. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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Non-GAAP Financial Measures

This presentation includes Adjusted EBITDA and Steady-State Free Cash Flow ("SSFCF"), which are supplemental measures that are not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). Adjusted EBITDA and SSFCF are not measurements of our financial performance under GAAP and should not be considered as an alternative to net income or any other measure derived in accordance with GAAP or as alternatives to cash flows from operating activities as a measure of our liquidity. We believe that Adjusted EBITDA provides useful information about flexibility under our covenants to investors, lenders, financial analysts and rating agencies since these groups have historically used EBITDA-related measures in our industry, along with other measures, to estimate the value of a company, to make informed investment decisions, and to evaluate a company's ability to meet its debt service requirements. Adjusted EBITDA eliminates the effect of non-cash depreciation of tangible assets and amortization of intangible assets, much of which results from acquisitions accounted for under the purchase method of accounting. Adjusted EBITDA also eliminates the effects of interest rates and changes in capitalization which management believes may not necessarily be indicative of a company's underlying operating performance. Adjusted EBITDA is also used by us to measure covenant compliance under the indenture governing our senior secured notes, the indenture governing our senior unsecured notes and the credit agreement governing our revolving credit facility.

We believe that SSFCF is a useful measure of pre-levered cash that is generated by the business after the cost of replacing recurring revenue lost to attrition, but before the cost of new subscribers driving recurring revenue growth. The use of SSFCF is subject to certain limitations. For example, SSFCF adjusts for cash items that are ultimately within management's discretion to direct and therefore the measure may imply that there is less or more cash that is available for the Company's operations than the most comparable GAAP measure.

We caution investors that amounts presented in accordance with our definition of Adjusted EBITDA and SSFCF may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate Adjusted EBITDA and SSFCF in the same manner.

See Annex A of this presentation for a reconciliation of Adjusted EBITDA and SSFCF to net loss before non-controlling interest for the Company, and to income (loss) from operations for Vivint. Adjusted EBITDA should be considered in addition to and not as a substitute for, or superior to, financial measures presented in accordance with GAAP.

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Participants

• Todd Pedersen	CEO
• Alex Dunn	President
• Mark Davies	CFO
• Dale R. Gerard	VP, Finance & Treasurer

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APX Group Fourth Quarter and Full Year 2013 Highlights

Fourth Quarter

- New Subscriber Growth +33% VPY
- Revenue Up +9% VPY
- Adjusted EBITDA +25% VPY*
- Completed Exchange Offer for Initial Notes Offering
- Issued $250 million of Senior Unsecured Notes

Full Year 2013

- 795,000+ Subscribers
- Total Subscriber Growth +21%
- 219,000+ Net New Subscribers
- Revenue Up 10% VPY
- Adjusted EBITDA Up +19% VPY
- RMR Exceeded $42 million
- Executive Management Team
- New Innovation and R&D Facility
- Sold 2-GIG Technologies
- Launched Initiatives to Enhance Information Technology Systems

*Adjusted EBITDA is a non-GAAP measure. Please see Annex A of this presentation for a reconciliation of Adjusted EBITDA to net loss before non-controlling interests.

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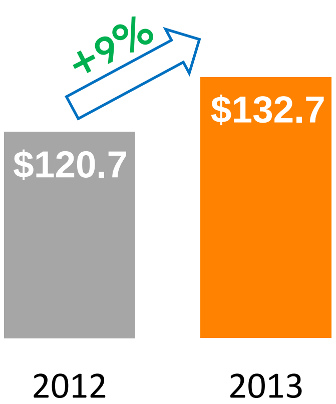
Key Operating Results – APX Group

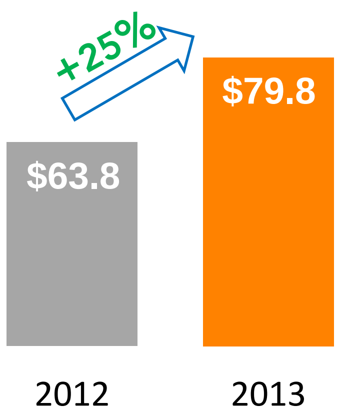
FOURTH QUARTER

($ in Millions)

Revenue



Adjusted EBITDA

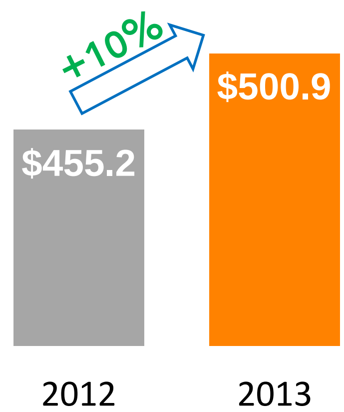


- ~24% YOY increase in Recurring Revenues

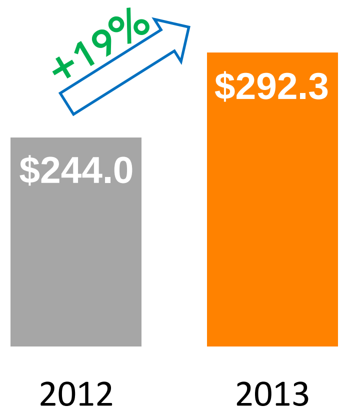
FULL YEAR

($ in Millions)

Revenue



Adjusted EBITDA



- ~23% YOY increase in Recurring Revenues

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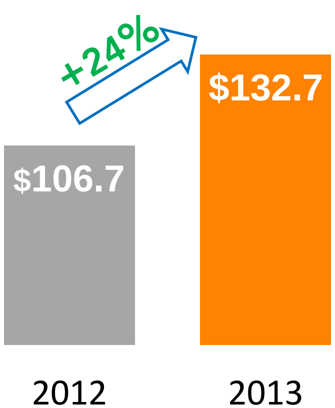
Key Operating Results – Vivint

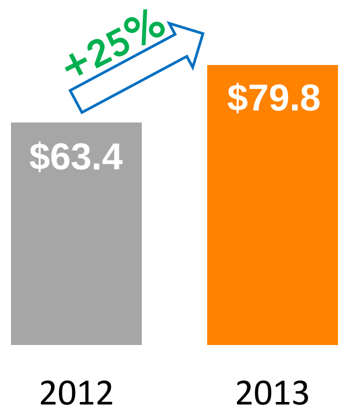
FOURTH QUARTER

($ in Millions)

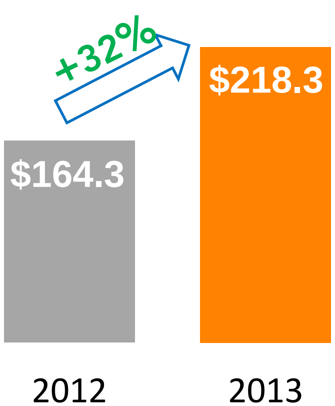
Revenue



Adjusted EBITDA



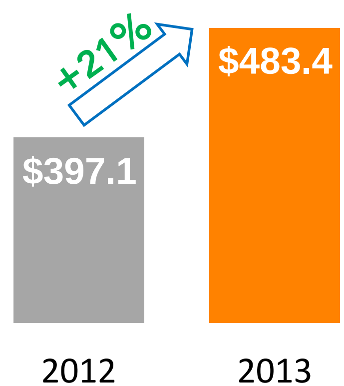
SSFCF*



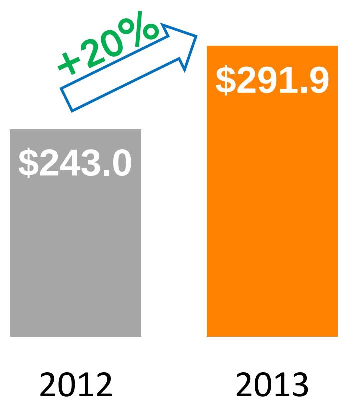
FULL YEAR

($ in Millions)

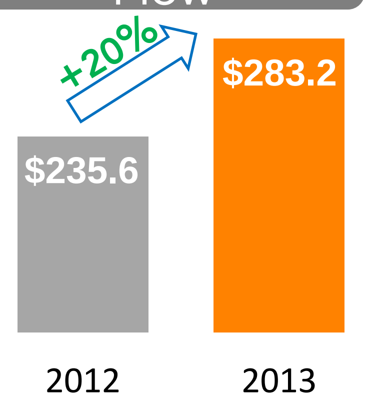
Revenue



Adjusted EBITDA



Operating Cash Flow



*SSFCF is a non-GAAP measure. Please see Annex A of this presentation for a reconciliation of SSFCF to income (loss) from operations for Vivint.

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Operating Cash Flow – Vivint

($ in Millions)

	2012	2013
Adjusted EBITDA	$ 243.0	$ 291.9
Less: Capex	7.4	8.7
Operating Cash Flow	**$ 235.6**	**$ 283.2**
% Conversion	*97.0%*	*97.0%*

- Robust operating cash flows are reinvested in high ROI new subscribers
- Contractually committed recurring revenues
- Direct-to-home sales model with highly variable cost structure
- Minimal maintenance capital expenditures
- Not expected to be a taxpayer in the near term

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Year-End Subscriber Data[1]

For the Years Ended December 31, 2011, 2012 and 2013

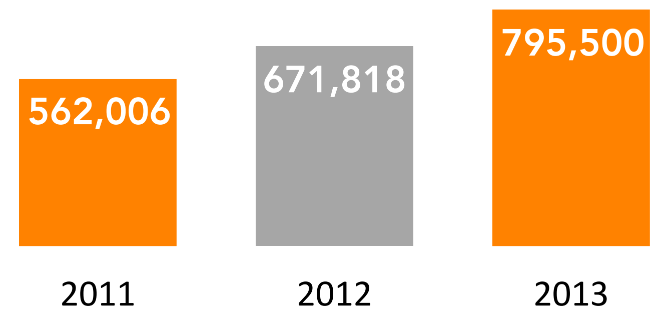
Total RMR[2]

($ in Millions)

2011 – 2013 CAGR 24.8%

Total Subscribers[2]

2011 – 2013 CAGR 19.0%



Avg. RMR[2] per Subscriber

2011 – 2013 CAGR 4.9%

(1) Vivint data and metrics only for all periods presented

(2) RMR is stated as of the end of each period

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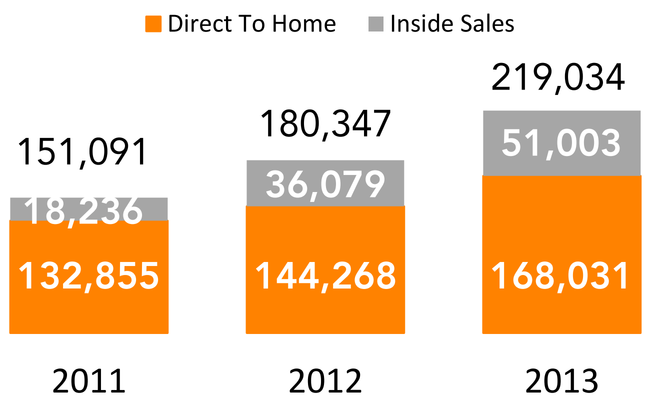
New Subscriber Data[1]

For the Years Ended December 31, 2011, 2012 and 2013

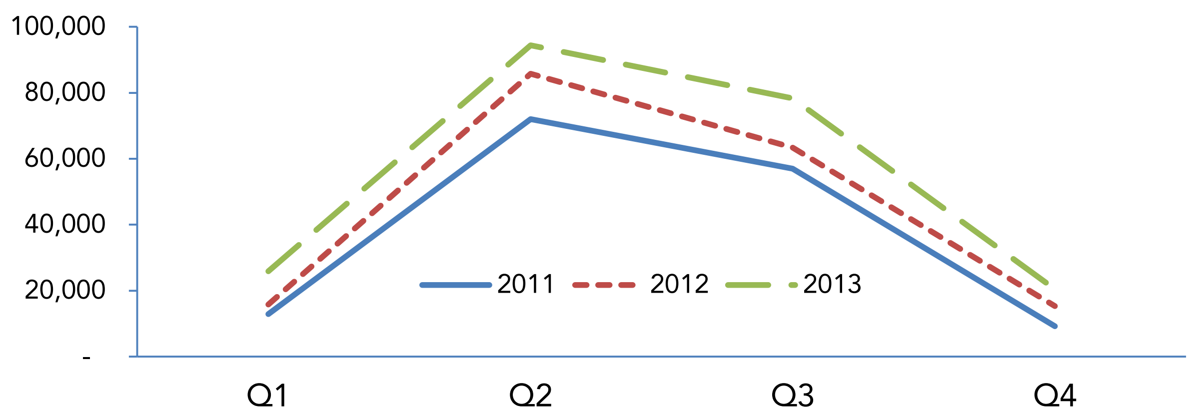
Total New Subscribers by Year



Avg. RMR[2] per New Subscriber

2010 – 2012 CAGR 1.9%

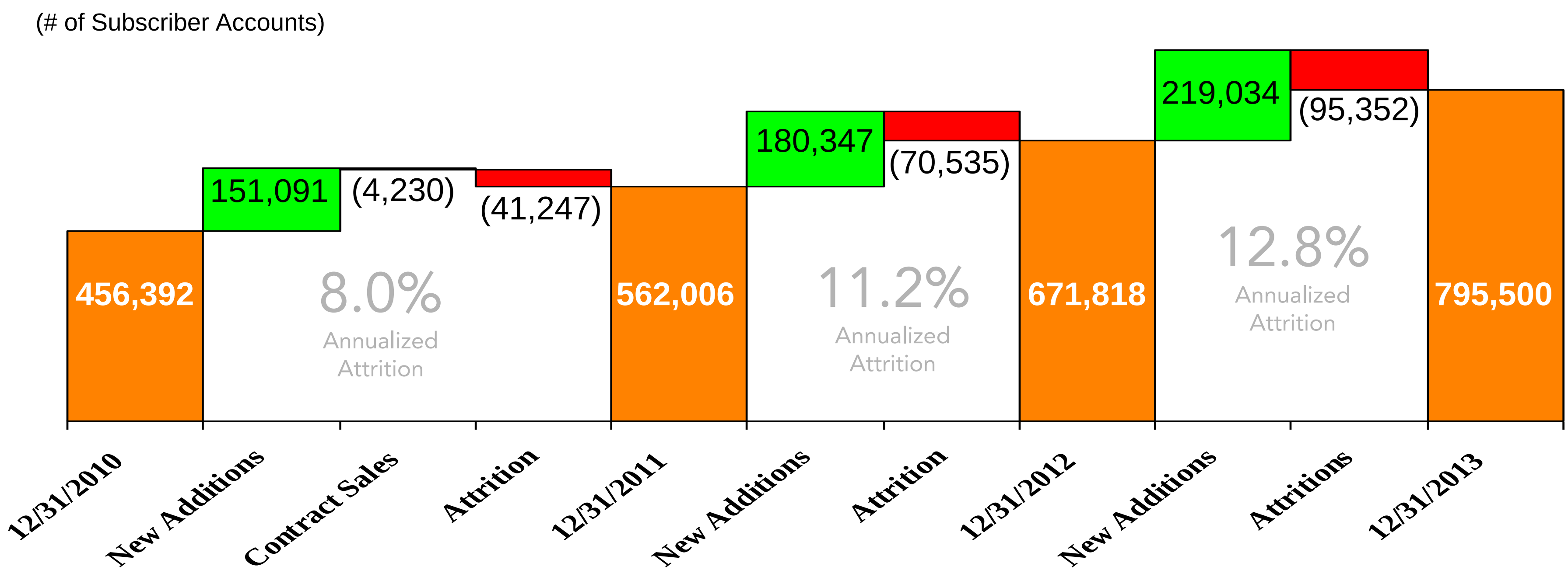
Total New Subscribers by Qtr



(1) Vivint data and metrics only for all periods presented

(2) RMR is stated as of the end of each period

Subscriber Account Attrition[1]



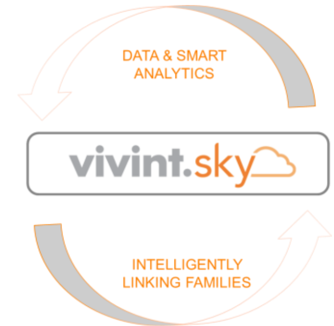
- A = Annualized Attrition, excluding End of Term renewals in the 8% range
- B = End of Term Attrition is in the 10% - 20% range across the Industry
- C = Multiple Pools (~19% of subscriber base) reached End of Term renewals in 2013
- Average FICO of portfolio at 12/31/2012 was ~717

(1) Vivint data and metrics only for all periods presented

2014 Key Initiatives

Launch New Sky Platform

- New Panel
- Cloud Operating System



Pilot Investments:

- Wireless Internet
- Commercial
- Voice

New Information Technology Systems

Innovation	Customer Acquisition	Customer Service	Integrated Technology

APX Group Holdings, Inc.

Consolidated Financial Statements

December 31, 2013, 2012 and 2011

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Basis of Presentation

On November 16, 2012, APX Group, Inc. and two of its historical affiliates, V Solar Holdings, Inc. ("Solar") and 2GIG Technologies, Inc. ("2GIG"), were acquired by an investor group (the "Investors") comprised of certain investment funds affiliated with Blackstone Capital Partners VI L.P. ("Blackstone" or the "Sponsor"), and certain co-investors and management investors. This acquisition was accomplished through certain mergers and related reorganization transactions (collectively, the "Merger") pursuant to which each of APX Group, Inc., Solar and 2GIG became indirect wholly-owned subsidiaries of 313 Acquisition, LLC ("Acquisition LLC"), an entity wholly-owned by the Investors. Upon the consummation of the Merger, APX Group, Inc. and 2GIG became consolidated subsidiaries of APX Group, which in turn is wholly-owned by APX Parent Holdco, Inc., which in turn is wholly-owned by Acquisition LLC, and Solar became a direct wholly-owned subsidiary of Acquisition LLC. Acquisition, LLC, APX Parent Holdco, Inc. and APX Group have no operations and were formed for the purpose of facilitating the Merger. The unaudited consolidated statements of operations of the Company presented below for periods subsequent to the Merger on November 16, 2012 are labeled "Successor." The consolidated statements of operations of APX Group, Inc. presented below for periods preceding the Merger on November 16, 2012 are labeled "Predecessor." The unaudited consolidated statements of operations for the Successor period reflect the Merger, presenting the results of operations of the Company and its wholly-owned subsidiaries. On April 1, 2013, the Company completed the sale of 2GIG and its subsidiaries to Nortek, Inc. Historical results of operations include the results of 2GIG through March 31, 2013 and Solar through November 16, 2012. Prior to the sale of 2GIG and its subsidiaries to Nortek, Inc., the Company conducted business through two segments, Vivint and 2GIG. These segments were managed and evaluated separately by management due to the differences in their products and services. The Vivint, Inc. sections for fourth quarter and full year 2013 excludes results for 2GIG.

Consolidated Statements of Operations

For the Years ended December 31, 2013, 2012 and 2011

Amounts in Thousands

Unaudited

	Successor	Combined (1)	Successor	Predecessor	
	Year ended December 31, 2013	Year ended December 31, 2012	Period from November 17, through December 31, 2012	Period from January 1, through November 16, 2012	Year ended December 31, 2011
Revenues:					
Monitoring revenue	$ 460,130	$ 374,393	$ 49,122	$ 325,271	$ 287,974
Service and other sales revenue	39,135	75,284	8,473	66,811	38,544
Activation fees	1,643	5,342	11	5,331	4,891
Contract sales	-	157	-	157	8,539
Total revenues	500,908	455,176	57,606	397,570	339,948
Costs and expenses:					
Operating expenses	164,221	166,496	20,699	145,797	126,563
Selling expenses	98,884	103,843	12,284	91,559	48,978
General and administrative expenses	97,177	109,493	9,521	99,972	50,510
Cost of contract sales	-	95	-	95	6,425
Transaction related expenses	-	55,346	31,885	23,461	-
Depreciation and amortization	195,506	91,089	11,410	79,679	68,458
Total costs and expenses	555,788	526,362	85,799	440,563	300,934
(Loss) income from operations	(54,880)	(71,186)	(28,193)	(42,993)	39,014
Other expenses (income):					
Interest expense	114,476	119,265	12,645	106,620	102,069
Interest income	(1,493)	(65)	(4)	(61)	(214)
Other (income) expenses	(76)	293	171	122	386
Gain on 2GIG Sale	(46,866)	-	-	-	-
Total other expenses (income)	66,041	119,493	12,812	106,681	102,241
Loss from continuing operations before income taxes	(120,921)	(190,679)	(41,005)	(149,674)	(63,227)
Income tax expense (benefit)	3,592	(5,980)	(10,903)	4,923	(3,739)
Net loss from continuing operations	(124,513)	(184,699)	(30,102)	(154,597)	(59,488)
Discontinued operations:					
Loss from discontinued operations	-	(239)	-	(239)	(2,917)
Net loss before non-controlling interests	(124,513)	(184,938)	(30,102)	(154,836)	(62,405)
Net (loss) income attributable to non-controlling interests	-	(1,319)	-	(1,319)	6,141
Net loss	$ (124,513)	$ (183,619)	$ (30,102)	$ (153,517)	$ (68,546)

(1) The unaudited combined results for the year ended December 31, 2012 represent the addition of the Predecessor and Successor Periods ("Combined"). This combination does not comply with U.S. GAAP or with the rules for pro forma presentation, but is presented because we believe it provides the most meaningful comparison of our results. The combined results do not reflect the actual results we would have achieved absent the Merger and are not indicative of our future results of operations.

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Consolidated Statements of Operations

For the Quarters ended December 31, 2013, 2012 and 2011

Amounts in Thousands Unaudited	Successor Three months ended December 31, 2013	Combined [1] Three months ended December 31, 2012	Successor Period from November 17, through December 31, 2012	Predecessor Period from October 1, through November 16, 2012	Predecessor Three months ended December 31, 2011
Revenues:					
Monitoring revenue	$ 125,786	$ 101,789	$ 49,122	$ 52,667	$ 81,759
Service and other sales revenue	6,233	18,030	8,473	9,557	10,685
Activation fees	692	881	11	870	1,305
Contract sales	-	-	-	-	(239)
Total revenues	132,711	120,700	57,606	63,094	93,510
Costs and expenses:					
Operating expenses	39,885	47,893	20,699	27,194	31,646
Selling expenses	23,490	59,668	12,284	47,384	6,381
General and administrative expenses	31,267	60,135	9,521	50,614	14,274
Cost of contract sales	-	-	-	-	18
Transaction related expenses	-	55,346	31,885	23,461	-
Depreciation and amortization	52,539	24,423	11,410	13,013	19,528
Total costs and expenses	147,181	247,465	85,799	161,666	71,847
(Loss) income from operations	(14,470)	(126,765)	(28,193)	(98,572)	21,663
Other expenses (income):					
Interest expense	31,167	29,333	12,645	16,688	30,267
Interest income	(406)	(11)	(4)	(7)	(19)
Other (income) expenses	(309)	179	171	8	2
Loss on 2GIG Sale	256	-	-	-	-
Total other expenses (income)	30,708	29,501	12,812	16,689	30,250
Loss from continuing operations before income taxes	(45,178)	(156,266)	(41,005)	(115,261)	(8,587)
Income tax expense (benefit)	(8,006)	(11,175)	(10,903)	(272)	645
Net loss from continuing operations	(37,172)	(145,091)	(30,102)	(114,989)	(9,232)
Discontinued operations:					
Loss from discontinued operations	-	-	-	-	(1,714)
Net loss before non-controlling interests	(37,172)	(145,091)	(30,102)	(114,989)	(10,946)
Net (loss) income attributable to non-controlling interests	-	(4,875)	-	(4,875)	(3,802)
Net loss	$ (37,172)	$ (140,216)	$ (30,102)	$ (110,114)	$ (7,144)

(1) The unaudited combined results for the year ended December 31, 2012 represent the addition of the Predecessor and Successor Periods ("Combined"). This combination does not comply with U.S. GAAP or with the rules for pro forma presentation, but is presented because we believe it provides the most meaningful comparison of our results. The combined results do not reflect the actual results we would have achieved absent the Merger and are not indicative of our future results of operations.

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Summary of Consolidated Statements of Cash Flows

For the Years ended December 31, 2013, 2012 and 2011

Amounts in Thousands

Unaudited

	Successor		Predecessor	
	Year ended December 31, 2013	Period from November 17, through December 31, 2012	Period from January 1, through November 16, 2012	Year ended December 31, 2011
Net cash provided by (used in) operating activities	$ 79,425	$ (25,243)	$ 95,371	$ (36,842)
Net cash used in investing activities	(176,477)	(1,949,454)	(270,094)	(207,603)
Net cash provided by financing activities	350,986	1,982,746	189,352	244,178
Effect of exchange rate changes on cash	(119)	41	(251)	247
Net increase in cash	253,815	8,090	14,378	(20)
Cash:				
Beginning of period	8,090	-	3,680	3,700
End of period	$ 261,905	$ 8,090	$ 18,058	$ 3,680

Summary of Consolidated Balance Sheet

For the Years ended December 31, 2013 and 2012

Amounts in Thousands

Unaudited

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	$ 261,905	$ 8,090
Restricted cash	14,375	-
Accounts receivable, net	2,593	10,503
Inventories, net	29,260	32,327
Deferred tax assets	-	8,124
Prepaid expenses and other current assets	13,870	16,229
Total current assets	322,003	75,273
Property and equipment, net	35,818	30,206
Subscriber contract costs, net	288,316	12,753
Deferred financing costs, net	59,375	57,322
Intangible assets, net	840,714	1,053,019
Goodwill	836,318	876,642
Restricted cash	14,214	28,428
Long-term investments and other assets	27,676	21,705
Total assets	**$ 2,424,434**	**$ 2,155,348**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 24,004	$ 26,037
Accrued payroll and commissions	46,007	20,446
Accrued expenses and other current liabilities	33,118	38,232
Deferred revenue	26,894	19,391
Current portion of capital lease obligations	4,199	4,001
Total current liabilities	134,222	108,107
Notes payable	1,762,049	1,305,000
Long-term portion of revolving line of credit	-	28,000
Capital lease obligations, net of current portion	6,268	4,768
Deferred revenue, net of current portion	18,533	708
Other long-term obligations	3,905	2,257
Deferred income tax liabilities	9,214	27,229
Total liabilities	1,934,191	1,476,069
Total stockholders' equity	490,243	679,279
Total liabilities & stockholders' equity	**$ 2,424,434**	**$ 2,155,348**

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APX Group Holdings, Inc.

Annex A

Reconciliation of non-GAAP Financial Measures – APX Group

($ in Millions)	Successor	Combined (1)	Successor	Predecessor	Successor	Combined (1)	Successor	Predecessor
	Three Months Ended December 31,		Period from November 17, through December 31,	Period from October 1, through November 16,	Year Ended December 31,		Period from November 17, through December 31,	Perod from January 1, through November 16,
	2013	2012	2012	2012	2013	2012	2012	2012
Net loss before non-controlling interests	$ (37.2)	$ (145.1)	$ (30.1)	$ (115.0)	$ (124.5)	$ (184.9)	$ (30.1)	$ (154.8)
Interest expense, net	30.8	29.3	12.6	16.7	113.0	119.2	12.6	106.6
Other (income) expense	(0.3)	0.2	0.2	-	(0.1)	0.3	0.2	0.1
Gain on 2GIG Sale (i)	0.2	-	-	-	(46.9)	-	-	-
Income tax expense (benefit)	(8.0)	(11.2)	(10.9)	(0.3)	3.6	(6.0)	(10.9)	4.9
Amortization of capitalized creation costs	9.4	12.0	0.2	11.8	22.2	72.2	0.2	72.0
Depreciation and amortization (ii)	43.1	12.4	11.2	1.2	173.3	18.9	11.2	7.7
Transaction related costs (iii)	0.2	128.4	33.3	95.1	0.8	132.4	33.3	99.1
Transaction costs related to 2GIG Sale (iv)	-	-	-	-	5.5	-	-	-
Non-capitalized subscriber acquisition costs (v)	23.0	24.7	11.3	13.4	101.0	70.4	11.3	59.1
Non-cash compensation (vi)	0.6	0.4	-	0.4	1.9	0.9	-	0.9
Adjustment for Solar business (vii)	-	5.1	-	5.1	-	7.1	-	7.1
Other adjustments (viii)	18.0	7.6	2.8	4.8	42.5	13.5	2.8	10.7
Adjusted EBITDA	$ 79.8	$ 63.8	$ 30.6	$ 33.2	$ 292.3	$ 244.0	$ 30.6	$ 213.4

(1) Combined Successor and Predecessor

(i) Non-recurring gain on the 2GIG Sale.
(ii) Excludes loan amortization costs that are included in interest expense, net.
(iii) Reflects total non-recurring bonus and other payments to employees and to third parties directly related to the Merger.
(iv) Reflects total non-recurring bonus and other payments to employees and to third parties directly related to the 2GIG Sale.
(v) Reflects subscriber acquisition costs that are expensed as incurred because they are not directly related to the acquisition of specific subscribers. Certain other industry participants purchase subscribers through subscriber contract purchases, and as a result, may capitalize the full cost to purchase these subscriber contracts, as compared to our organic generation of new subscribers, which requires us to expense a portion of our subscriber acquisition costs under GAAP.
(vi) Reflects non-cash compensation costs related to employee and director stock and stock option plans.
(vii) Reflects the exclusion of Solar results from the time it commenced operations in 2011.
(viii) Represents adjustments for: non-operating legal and professional fees, new product development, non-cash payroll tax reserve, the monitoring fee payable to Blackstone Management, L.L.C, an adjustment to exclude the impact of revenue deductions directly related to purchase accounting, deferred revenue adjustments and certain other adjustments.

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Reconciliation of non-GAAP Financial Measures – Vivint, Inc.

($ in Millions)	Successor	Combined [1]	Successor	Predecessor	Successor	Combined [1]	Successor	Predecessor
	Three Months Ended December 31,		Period from November 17, through December 31,	Period from October 1, through November 16,	Year Ended December 31,		Period from November 17, through December 31,	Perod from January 1, through November 16,
	2013	2012	2012	2012	2013	2012	2012	2012
Income (loss) from operations	$ (14.5)	$ (119.2)	$ (23.6)	$ (95.6)	$ (53.1)	$ (64.8)	$ (23.6)	$ (41.2)
Amortization of capitalized creation costs	9.4	12.2	0.2	12.0	22.5	73.1	0.2	72.9
Depreciation and amortization (i)	43.1	12.0	10.7	1.3	171.1	18.4	10.7	7.7
Transaction related costs (ii)	0.2	123.2	29.6	93.6	0.9	127.3	29.6	97.7
Transaction costs related to 2GIG Sale (iii)	-	-	-	-	5.5	-	-	-
Non-capitalized subscriber acquisition costs (iv)	23.0	24.7	11.3	13.4	101.0	70.4	11.3	59.1
Non-cash compensation (v)	0.6	-	-	-	1.9	0.4	-	0.4
Adjustment for Solar business (vi)	-	1.2	0.4	0.8	-	4.2	0.4	3.8
Other Adjustments (vii)	18.0	9.3	2.3	7.0	42.1	14.0	2.3	11.7
Adjusted EBITDA	**$ 79.8**	**$ 63.4**	**$ 30.9**	**$ 32.5**	**$ 291.9**	**$ 243.0**	**$ 30.9**	**$ 212.1**
LQA Adjusted EBITDA	**$ 319.2**	**$ 253.6**						
Add: G&A Pro Forma Adjustment[2]	17.3	6.7						
Less: Attrition Replacement Cost[3]	118.2	96.0						
Annualized SSFCF	**$ 218.3**	**$ 164.3**						

(1) Combined Successor and Predecessor

- (i) Excludes loan amortization costs that are included in interest expense, net.
- (ii) Reflects total non-recurring bonus and other payments to employees and to third parties directly related to the Merger.
- (iii) Reflects total non-recurring bonus and other payments to employees and to third parties directly related to the 2GIG Sale.
- (iv) Reflects subscriber acquisition costs that are expensed as incurred because they are not directly related to the acquisition of specific subscribers. Certain other industry participants purchase subscribers through subscriber contract purchases, and as a result, may capitalize the full cost to purchase these subscriber contracts, as compared to our organic generation of new subscribers, which requires us to expense a portion of our subscriber acquisition costs under GAAP.
- (v) Reflects non-cash compensation costs related to employee and director stock and stock option plans.
- (vi) Reflects the exclusion of Solar results from the time it commenced operations in 2011.
- (vii) Represents adjustments for: non-operating legal and professional fees, new product development, non-cash payroll tax reserve, the monitoring fee payable to Blackstone Management, L.L.C, an adjustment to exclude the impact of revenue deductions directly related to purchase accounting, deferred revenue adjustments and certain other adjustments.

(2) Adjustment based on management's estimated G&A expense savings in Steady State

(3)

	3 Months ended December 31, 2013	2012
RMR	**$ 42.2**	**$ 34.3**
Normalized RMR Attrition Rate	10.0%	10.0%
RMR Attrited	**$ 4.2**	**$ 3.4**
Normalized Net Creation Multiple	28.0x	28.0x
Attrition Replacement Cost	**$ 118.2**	**$ 96.0**

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Certain Definitions

- Total Subscribers – The aggregate number of active subscribers at the end of a given period
- RMR – The recurring monthly revenue billed to a subscriber
- Total RMR – The aggregate RMR billed for all subscribers
- Ave. RMR per Subscriber – The Total RMR divided by Total Subscribers. This is also commonly referred to as Average Revenue per User, or ARPU
- Ave. RMR per New Subscriber – The aggregate RMR for new subscribers originated during a period divided by the number of new subscribers originated during such period
- Attrition – The aggregate number of canceled subscribers during a period divided by the monthly weighted average number of total subscribers for such period. Subscribers are considered canceled when they terminate in accordance with the terms of their contract, are terminated by us, or if payment from such subscribers is deemed uncollectible (120 days past due). Sales of contracts to third parties and moves are excluded from the attrition calculation
- Net Subscriber Acquisition Cost – Gross cost to generate and install a subscriber net of any fees collected at the time of the contract signing. A portion of subscriber acquisition cost is expensed as incurred. The remaining portion of the costs is considered to be directly tied to subscriber creation and consists primarily of certain portions of sales commissions, equipment, and installation costs. These costs are deferred and recognized in a pattern that reflects the estimated life of the subscriber relationships. Vivint amortizes these costs using a 150% declining balance method over 12 years.
- Net Creation Cost Multiple – Defined as total Net Subscriber Acquisition Costs, divided by the number of new subscribers originated, and then divided by the Average RMR per New Subscriber
- Adjusted EBITDA – Net Income (loss) before interest expense (net of interest income), income and franchise taxes and depreciation and amortization (including amortization of capitalized subscriber acquisition costs), further adjusted to exclude the effects of certain contract sales to third parties, non-capitalized subscriber acquisition costs, stock-based compensation, the historical results of the Company's Solar variable interest entity and certain unusual, non-cash, non-recurring and other items permitted in certain covenant calculations under the indentures governing the notes
- Last Quarter Annualized Adjusted EBITDA ("LQA Adjusted EBITDA") – A common industry measure used to reflect the step-function in earnings during the sales season related to the subscribers generated from April to August. LQA Adjusted EBITDA, calculated by multiplying Adjusted EBITDA for the most recent fiscal quarter by 4, represents the ongoing earnings power of Vivint's current subscriber base and is potentially a more relevant metric than LTM due to the recurring nature of the revenue and expected earnings
- Steady State Free Cash Flow ("SSFCF") – Provides an estimate of the cash flow of a company, if it were to invest in new RMR only to the extent required to replace attrition. SSFCF is defined as LQA Adjusted EBITDA less cost to replace RMR attrited, plus an add-back for pro forma G&A expenses. Cost to replace RMR attrited is calculated by multiplying RMR by the attrition rate in steady state by the Net Creation Cost Multiple

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