UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to_____

Commission File Number: 001-39037

SMILEDIRECTCLUB, INC.
(Exact name of registrant as specified in its charter)

Delaware	**83-4505317**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
414 Union Street	
Nashville, TN	**37219**
(Address of principal executive offices)	(Zip Code)

(800) 848-7566
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	SDC	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

The registrant has the following number of shares outstanding of each of the registrant’s classes of common stock as of May 6, 2020:
Class A Common stock: 108,613,088
Class B Common Stock: 276,454,886

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “anticipates,” “believes,” “can,” “could,” “may,” “predicts,” “potential,” “should,” “will,” “estimate,” “plans,” “projects,” “continuing,” “ongoing,” “expects,” “intends,” and similar words or phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements are not guarantees of future performance and involve risks and uncertainties which are subject to change based on various important factors, some of which are beyond our control. For more information regarding these risks and uncertainties as well as certain additional risks that we face, refer to “*Risk Factors*” as well as the factors more fully described in “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” in this report and in our Annual Report on Form 10-K for the year ended December 31, 2019. Among the factors that could cause our financial performance to differ materially from that suggested by the forward-looking statements are:

- our ability to effectively manage our growth;
- our ability to effectively execute our business strategies, implement new initiatives, and improve efficiency;
- our sales and marketing efforts;
- our manufacturing capacity and performance and our ability to reduce the per unit production cost of our clear aligners;
- our ability to obtain regulatory approvals for any new or enhanced products;
- our estimates regarding revenues, expenses, capital requirements, and needs for additional financing;
- our ability to effectively market and sell, consumer acceptance of, and competition for our clear aligners in new markets;
- our relationships with retail partners and insurance carriers;
- our research, development, commercialization, and other activities and projected expenditures;
- changes or errors in the methodologies, models, assumptions, and estimates we use to prepare our financial statements, make business decisions, and manage risks;
- our current business model is dependent, in part, on current laws and regulations governing remote healthcare and the practice of dentistry, and changes in those laws, regulations, or interpretations that are inconsistent with our current business model could have a material adverse effect on our business;
- our relationships with our freight carriers, suppliers, and other vendors;
- our ability to maintain the security of our operating systems and infrastructure (e.g., against cyber-attacks);
- the adequacy of our risk management framework;
- our cash needs and ability to raise additional capital, if needed;
- our intellectual property position;
- our exposure to claims and legal proceedings;

- our ability to manage the COVID-19 pandemic and containment measures and the related impacts on our business; and

- other factors and assumptions described in this Quarterly Report on Form 10-Q.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements. Therefore, we caution not to place undue reliance on any forward-looking information or statements. The effect of these factors is difficult to predict. Factors other than these also could adversely affect our results, and the reader should not consider these factors to be a complete set of all potential risks or uncertainties. New factors emerge from time to time, and management cannot assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements only speak as of the date of this document, and we undertake no obligation to update any forward-looking information or statements, whether written or oral, to reflect any change, except as required by law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed with the Securities and Exchange Commission ("SEC") as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

SmileDirectClub, Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands)

	March 31, 2020	December 31, 2019
ASSETS		
Cash	$ 224,434	$ 318,458
Accounts receivable	246,959	239,413
Inventories	28,187	18,431
Prepaid and other current assets	10,415	14,186
Total current assets	509,995	590,488
Accounts receivable, non-current	98,348	106,315
Property, plant and equipment, net	184,712	177,543
Operating lease right-of-use asset	43,105	—
Other assets	11,608	11,299
Total assets	$ 847,768	$ 885,645
LIABILITIES AND PERMANENT EQUITY		
Accounts payable	$ 59,748	$ 52,706
Accrued liabilities	84,374	93,339
Deferred revenue	29,037	25,435
Current portion of long-term debt	37,539	35,376
Other current liabilities	7,156	—
Total current liabilities	217,854	206,856
Long-term debt, net of current portion	183,874	173,150
Operating lease liabilities, net of current portion	36,409	—
Other long-term liabilities	44,493	47,354
Total liabilities	482,630	427,360
Commitment and contingencies		
Permanent Equity		
Class A common stock, par value $0.0001 and 108,512,662 shares issued and outstanding at March 31, 2020 and 103,303,674 shares issued and outstanding at December 31, 2019	11	10
Class B common stock, par value $0.0001 and 276,454,886 shares issued and outstanding at March 31, 2020 and 279,474,505 shares issued and outstanding at December 31, 2019	27	28
Additional paid-in-capital	461,046	447,866
Accumulated other comprehensive income (loss)	12	(272)
Accumulated deficit	(143,763)	(114,513)
Noncontrolling interest	47,805	125,166
Total permanent equity	365,138	458,285
Total liabilities and permanent equity	$ 847,768	$ 885,645

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SmileDirectClub, Inc.
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2020	**2019**
Revenue, net	$ 183,928	$ 168,626
Financing revenue	12,722	9,110
Total revenues	196,650	177,736
Cost of revenues	59,777	40,471
Cost of revenues—related parties	—	8,444
Total cost of revenues	59,777	48,915
Gross profit	136,873	128,821
Marketing and selling expenses	142,324	95,733
General and administrative expenses	91,029	49,459
Loss from operations	(96,480)	(16,371)
Interest expense	4,022	3,896
Interest expense—related parties	—	75
Other expense	4,924	118
Net loss before provision for income tax expense	(105,426)	(20,460)
Provision for income tax expense	1,974	20
Net loss	(107,400)	(20,480)
Net loss attributable to noncontrolling interest	(78,150)	—
Net loss attributable to SmileDirectClub, Inc.	$ (29,250)	$ (20,480)
Earnings per share of Class A common stock:		
Basic	$ (0.28)	N/A
Diluted	$ (0.28)	N/A
Weighted average shares outstanding:		
Basic	104,595,081	N/A
Diluted	383,855,705	N/A

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SmileDirectClub, Inc.
Condensed Consolidated Statements of Comprehensive Loss (Unaudited)
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2020	**2019**
Net loss	$ (107,400)	$ (20,480)
Other comprehensive loss:		
Foreign currency translation adjustment	1,042	—
Comprehensive loss	(106,358)	(20,480)
Comprehensive loss attributable to noncontrolling interests	(77,392)	—
Comprehensive loss attributable to SmileDirectClub, Inc.	$ (28,966)	$ (20,480)

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SmileDirectClub, Inc.
Condensed Consolidated Statements of Changes in Equity (Deficit) (Unaudited)
(in thousands, except share/unit data and per share/unit amounts)

	SDC Financial (Prior to Reorganization Transactions)						
	Additional Paid in Capital		Warrants				
	Units	Amount	Units	Amount	Accumulated Deficit	Permanent Equity (Deficit)	Temporary Equity (Deficit)
Balance at December 31, 2018	108,878	$ 57,677	369	$ 315	$ (148,429)	$ (90,437)	$ 388,634
Net income prior to Reorganization Transactions	—	—	—	—	(20,480)	(20,480)	—
Preferred Unit redemption accretion	—	—	—	—	—	—	9,712
Equity-based compensation	—	7,827	—	—	—	7,827	—
Balance at March 31, 2019	108,878	$ 65,504	369	$ 315	$ (168,909)	$ (103,090)	$ 398,346

	SmileDirectClub, Inc. Stockholders' Equity								
	Class A Shares	Class B Shares	Class A Amount	Class B Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2019	103,303,674	279,474,505	$ 10	$ 28	$ 447,866	$ (114,513)	$ 125,166	$ (272)	$ 458,285
Net loss	—	—	—	—	—	(29,250)	(78,150)	—	(107,400)
Issuance of Class A shares in connection with RSU vesting	862,633	—	—	—	—	—	—	—	—
Issuance of Class B shares in connection with warrant exercise	—	1,326,736	—	—	—	—	922	—	922
Exchange of Class B common stock for Class A common stock	4,346,355	(4,346,355)	1	(1)	891	—	(891)	—	—
Equity-based compensation	—	—	—	—	16,396	—	—	—	16,396
Equity-based payments subsequent to Reorganization Transactions	—	—	—	—	(3,067)	—	—	—	(3,067)
Foreign currency translation adjustment	—	—	—	—	—	—	758	284	1,042
Other	—	—	—	—	(1,040)	—	—	—	(1,040)
Balance at March 31, 2020	108,512,662	276,454,886	$ 11	$ 27	$ 461,046	$ (143,763)	$ 47,805	$ 12	$ 365,138

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

SmileDirectClub, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2020	**2019**
Operating Activities		
Net loss	$ (107,400)	$ (20,480)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,442	4,655
Deferred loan cost amortization	628	176
Equity-based compensation	16,396	7,827
Other non-cash operating activities	1,971	1,811
Changes in operating assets and liabilities:		
Accounts receivable	421	(52,119)
Inventories	(9,756)	(3,548)
Prepaid and other current assets	3,459	(513)
Accounts payable	20,348	(6,322)
Accrued liabilities	(11,506)	38,824
Due to related parties	—	(17,171)
Deferred revenue	3,602	8,076
Net cash used in operating activities	(70,395)	(38,784)
Investing Activities		
Purchases of property, equipment, and intangible assets	(28,123)	(20,601)
Net cash used in investing activities	(28,123)	(20,601)
Financing Activities		
Payment of IPO related costs	(1,155)	—
Proceeds from warrant exercise	922	—
Repurchase of Class A shares to cover employee tax withholdings	(3,067)	—
Borrowings on long-term debt	15,800	—
Principal payments on long-term debt	(6,733)	(12,778)
Payments on finance leases	(2,497)	(354)
Other	1,224	(228)
Net cash provided by (used in) financing activities	4,494	(13,360)
Decrease in cash	(94,024)	(72,745)
Cash at beginning of period	318,458	313,929
Cash at end of period	$ 224,434	$ 241,184

The accompanying notes are an integral part of these interim unaudited condensed consolidated financial statements.

Note 1—Organization and Basis of Presentation

Organization

SmileDirectClub, Inc. was formed on April 11, 2019 with no operating assets or operations as a Delaware corporation for the purpose of facilitating an initial public offering and other related transactions in order to carry on the business of SDC Financial LLC and its subsidiaries. Unless otherwise indicated or the context otherwise requires, references to "we," "us," "our," the "Company," "SmileDirectClub," and similar references refer to SmileDirectClub, Inc. and its consolidated subsidiaries, including SDC Financial LLC and its subsidiaries. "SDC Financial" refers to SDC Financial LLC and "SDC Inc." refers to SmileDirectClub, Inc. The Company is engaged by its network of doctors to provide a suite of non-clinical administrative support services, including access to and use of its SmileCheck platform, as a dental support organization ("DSO"). For purposes of these notes to interim condensed consolidated financial statements (unaudited), the Company's affiliated network of dentists and orthodontists is included in the definition of "we," "us," "our," and the "Company" as it relates to any clinical aspect of the member's treatment. All of the Company's manufacturing operations are directly or indirectly conducted by Access Dental Lab, LLC ("Access Dental"), one of its operating subsidiaries.

The Company's direct-to-consumer model provides customers with a customized clear aligner therapy treatment delivered through its teledentistry platform. The Company integrates the marketing, aligner manufacturing, and fulfillment, and provides a proprietary web-based teledentistry platform for the monitoring of treatment by licensed dentists and orthodontists through the completion of a member's treatment. The Company is headquartered in Nashville, Tennessee and has locations throughout the U.S, Puerto Rico, Canada, Australia, New Zealand, the U.K., Ireland, Hong Kong, Germany, and Costa Rica.

SDC Inc. is a holding company. Its sole material asset is its equity interest in SDC Financial which, through its direct and indirect subsidiaries, conducts all of the Company's operations. SDC Financial is a Delaware limited liability company and wholly owns SmileDirectClub, LLC ("SDC LLC") (a Tennessee limited liability company) and Access Dental (a Tennessee limited liability company). Because SDC Inc. is the managing member of SDC Financial, SDC Inc. indirectly operates and controls all of the business and affairs of SDC Financial and its subsidiaries.

Initial Public Offering

On September 16, 2019, SDC Inc. completed an initial public offering ("IPO") of 58,537,000 shares of its Class A common stock at a public offering price of $23.00 per share. SDC Inc. received $1,286 million in proceeds, net of underwriting discounts and commissions. SDC Inc. used substantially all of the net proceeds after expenses to purchase newly-issued membership interest units from SDC Financial.

Reorganization Transactions

In connection with the IPO, the Company completed the following transactions (the "Reorganization Transactions"):

- the formation of SDC Inc. as a Delaware corporation to function as the ultimate parent of SmileDirectClub and a publicly traded entity;

- SDC Inc.'s acquisition of the pre-IPO membership interest units in SDC Financial ("Pre-IPO Units") held by certain pre-IPO investors that are taxable as corporations for U.S. federal income tax purposes ("Blockers"), pursuant to a series of mergers (the "Blocker Mergers") of the Blockers with wholly owned

subsidiaries of SDC Inc., and the issuance by SDC Inc. to the equityholders of the Blockers shares of Class A common stock as consideration in the Blocker Mergers;

- the amendment and restatement of the SDC Financial's limited liability company operating agreement (the "SDC Financial LLC Agreement") to, among other things, modify the capital structure of SDC Financial by replacing the different classes of Pre-IPO Units (including restricted Pre-IPO Units held by certain employees) with a single new class of membership interests of SDC Financial ("LLC Units");

- the issuance to each of the pre-IPO investors previously holding Pre-IPO Units (including restricted Pre-IPO Units) of a number of shares of SDC Inc. Class B common stock equal to the number of LLC Units held by it;

- the issuance to certain employees of cash and shares of Class A common stock pursuant to their Incentive Bonus Agreements ("IBAs"); and

- the equitable adjustment, pursuant to their terms, of outstanding warrants to purchase Pre-IPO Units held by two service providers into warrants to acquire LLC Units (together with an equal number of shares of SDC Inc.'s Class B common stock).

Following the completion of the Reorganization Transactions and the IPO, SDC Inc. owns 26.9% of SDC Financial. Holders (other than SDC Inc.) of LLC Units following the consummation of the Reorganization Transactions and the IPO ("Continuing LLC Members") own the remaining 73.1% of SDC Financial.

SDC Inc. is the sole managing member of SDC Financial and, although SDC Inc. has a minority economic interest in SDC Financial, it has the sole voting power in, and controls the management of, SDC Financial. Accordingly, SDC Inc. consolidated the financial results of SDC Financial and reported a noncontrolling interest in its condensed consolidated financial statements. As the Reorganization Transactions are considered transactions between entities under common control, the financial statements for periods prior to the IPO and Reorganization Transactions have been adjusted to combine the previously separate entities for presentation purposes.

In connection with the Reorganization Transactions and the IPO, the Company entered into a Tax Receivable Agreement (the "Tax Receivable Agreement") with the Continuing LLC Members, pursuant to which SDC Inc. agreed to pay the Continuing LLC Members 85% of the amount of cash tax savings, if any, in U.S. federal, state, and local income tax or franchise tax that SDC Inc. actually realizes as a result of (a) the increases in tax basis attributable to exchanges of LLC Units by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by SDC Inc. as a result of the Tax Receivable Agreement.

Basis of Presentation and Consolidation

The accompanying unaudited condensed financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01of Regulation S-X of the SEC and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. All intercompany accounts and transactions have been eliminated in the unaudited condensed financial statements.

The interim condensed consolidated financial statements include the accounts of SDC Inc., which consolidates SDC Financial and its wholly-owned subsidiaries, as well as accounts of contractually affiliated professional corporations ("PCs") managed by the Company.

The interim condensed consolidated financial statements include the accounts of variable interest entities in which the Company is the primary beneficiary under the provisions of Accounting Standards Codification (''ASC") Topic 810, *''Consolidation.*" At March 31, 2020, the variable interest entities include 45 dentist owned PCs and at December 31, 2019 the variable interest entities included 44 dentist owned PCs. The Company is a dental service organization and does not engage in the practice of dentistry. All clinical services are provided by dentists and orthodontists who are engaged as independent contractors or otherwise engaged by the dentist-owned PCs. The Company contracts with the PCs and dentists and orthodontists through a suite of agreements, including but not limited to, management services agreements, supply agreements, and licensing agreements, pursuant to which the Company provides the administrative, non-clinical management services to the PCs and independent contractors. The Company has the contractual right to manage the activities that most significantly impact the variable interest entities' economic performance through these agreements without engaging in the corporate practice of dentistry. Additionally, the Company would absorb substantially all of the expected losses of these entities should they occur. The accompanying consolidated statements of operations reflect the revenue earned and the expenses incurred by the PCs.

All significant intercompany balances and transactions are eliminated in consolidation.

In January 2020, the Company adopted lease accounting guidance as discussed in Note 2 and Note 6 to the unaudited condensed consolidated financial statements. Adoption of the new lease accounting guidance had a material impact to the Company's unaudited condensed consolidated balance sheets and related disclosures, and resulted in the recording of additional right-of-use assets and lease liabilities as of the date of adoption. This guidance was applied using the optional transition method which allowed the Company to not recast comparative financial information but rather recognize a cumulative-effect adjustment to retained earnings as of the effective date in the period of adoption. No material adjustments to retained earnings were made as a result of the adoption of this guidance. Consistent with the optional transition method, the financial information in the condensed consolidated balance sheets prior to the adoption of this new lease accounting guidance has not been adjusted and is therefore not comparable to the current period presented. The standard did not materially impact the Company's condensed consolidated statements of operations, comprehensive loss, changes in equity (deficit), or cash flows. For additional information, including the required disclosures, related to the impact of adopting this standard, see Note 2 and Note 6 to the unaudited condensed consolidated financial statements.

COVID-19 Pandemic

The impacts of COVID-19 unfolded globally throughout the first quarter of 2020, growing in strength from what the World Health Organization ("WHO") declared a Public Health Emergency of International Concern in January, to an increased threat assessment by the WHO from high to very high in February, culminating with the WHO characterization of COVID-19 as a pandemic in March 2020. In response to COVID-19 and the related containment measures, the Company took the following steps to ensure the health and safety of its employees and its members: transitioned its employees, where possible, to a remote working environment; closed its SmileShops (except in Hong Kong); and implemented enhanced cleaning and sanitizing routines as well as social distancing and other protective measures at its manufacturing facilities. The Company also repurposed certain of its 3D printing capabilities in order to manufacture personal protective equipment at cost for healthcare organizations and government agencies.

While the Company did not incur material disruptions to its business in the first two months of the quarter, the impacts of COVID-19 correlated with its rise as a pandemic intensified in March and materially disrupted the Company's operations. Specifically, on March 20, 2020, the Company commenced the closure of its SmileShops, which have historically been a key driver in member conversion to aligner sales. This resulted in lower than anticipated revenue growth and a decrease in gross margin. Further, in an effort to fortify the short-term financial

position of the business, in April the Company took the following actions: reduced its marketing efforts; furloughed much of its headquarters and retail workforce; temporarily suspended cash pay for its executive and leadership teams; and bolstered its business contingency plans. Throughout the remainder of the year, the Company expects to reopen its SmileShops, as and when it is deemed safe to do so, as well as bring back our workforce, in both instances in a manner that is commensurate with the needs of its business and protects the health and safety of its team members and customers.

Note 2—Summary of Significant Accounting Policies

Management Use of Estimates

The preparation of the interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that impact the reported amounts. On an ongoing basis, the Company evaluates its estimates, including those related to the fair values of financial instruments, useful lives of property, plant and equipment, revenue recognition, equity-based compensation, long-lived assets, and contingent liabilities, among others. Each of these estimates varies in regard to the level of judgment involved and its potential impact on the Company's financial results. Estimates are considered critical either when a different estimate could have reasonably been used, or where changes in the estimate are reasonably likely to occur from period to period, and such use or change would materially impact the Company's financial condition, results of operations, or cash flows. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues are derived primarily from sales of aligners, impression kits, whitening gel, and retainers, and interest earned through its *SmilePay* financing program. Revenue is recorded for all customers based on the amount that is expected to be collected, which considers implicit price concessions, discounts and returns.

The Company identifies a performance obligation as distinct if both of the following criteria are met: the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. Determining the standalone selling price ("SSP") and allocation of consideration from a contract to the individual performance obligations, and the appropriate timing of revenue recognition, is the result of significant qualitative and quantitative judgments. Management considers a variety of factors such as historical sales, usage rates (the number of times a customer is expected to order additional aligners), costs, and expected margin, which may vary over time depending upon the unique facts and circumstances related to each performance obligation, in making these estimates. Further, the Company's process for estimating usage rates requires significant judgment and evaluation of inputs, including historical data and forecasted usages. Changes in the allocation of the SSP between performance obligations will not affect the amount of total revenues recognized for a particular contract. The Company uses the expected cost plus a margin approach to determine the SSP for performance obligations, and discounts are allocated to each performance obligation based on the relative standalone selling price. However, any material changes in the allocation of the SSP could impact the timing of revenue recognition, which may have a material effect on the Company's financial position and result of operations as the contract consideration is allocated to each performance obligation, delivered or undelivered, at the inception of the contract based on the SSP of each distinct performance obligation.

The Company estimates the amount expected to be collected based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections as a primary source of information in estimating the amount of contract consideration expected to be collected and implicit price concessions. Uncollectible receivables are written-off in the period management believes it has exhausted its ability to collect payment from the customer. The Company believes its analysis provides reasonable estimates of its revenues and valuations of its accounts receivable.

(in thousands, except share/unit data and per share/unit amounts)

A description of the revenue recognition for each product sold by the Company is detailed below.

Aligners and Impression Kits: The Company enters into contracts with customers for aligner sales that involve multiple future performance obligations. The Company determined that aligner sales comprise the following distinct performance obligations: initial aligners, modified aligners, refinement aligners, and retainers for international sales only which can occur at any time throughout the treatment plan (which is typically between five to ten months) upon the direction of and prescription from the treating dentist or orthodontist.

The Company allocates revenues for each performance obligation based on its SSP and recognizes the revenues as control of the performance obligation is transferred upon shipment of the aligners. The Company recognizes aligner revenue on amounts expected to be collected during the course of the treatment plan.

The Company bills its customers either upfront for the full cost of aligners or monthly through its *SmilePay* financing program, which involves a down payment and a fixed amount per month for up to 24 months. The Company's accounts receivable related to the *SmilePay* financing program are reported at the amount expected to be collected on the consolidated balance sheets, which considers implicit price concessions. Financing revenue from its accounts receivable is recognized based on the contractual market interest rate with the customer, net of implicit price concessions. There are no fees or origination costs included in accounts receivable.

The Company sells impression kits to its customers as an alternative to an in-person visit at one of its retail locations where the customer receives a free oral digital imaging of their teeth. The Company combines the sales of its impression kits with aligner sales and recognizes the revenues as control of the performance obligation is transferred upon shipment of the aligners. The Company estimates the amount of impression kit sales that do not result in an aligner therapy treatment plan and recognizes such revenue when aligner conversion becomes remote.

Retainers and Other Products: The Company sells retainers and other products (such as whitening gel and tooth brushes) to customers, which can be purchased on the Company's website or certain retail outlets. The sales of these products are independent and separate from the customer's decision to purchase aligner therapy for domestic sales. The Company determined that the transfer of control for these performance obligations occurs as the title of such products passes to the customer.

The following table summarizes revenue recognized for each product sold by the Company:

	Three Months Ended March 31,	
	2020	**2019**
Aligner revenue, net of implicit price concessions	$ 170,935	$ 165,253
Financing revenue, net of implicit price concessions	12,722	9,110
Retainers and other products revenue	12,993	3,373
Total revenue	$ 196,650	$ 177,736
Implicit price concessions included in total revenue	$ 23,370	$ 18,365

Deferred Revenue: Deferred revenue represents the Company's contract liability for performance obligations associated with sales of aligners. During the three months ended March 31, 2020 and 2019, the Company recognized $196,650 and $177,736 of revenue, respectively, of which $12,108 and $11,225 was previously included in deferred revenue on the consolidated balance sheets as of December 31, 2019 and 2018, respectively.

Shipping and Handling Costs

Shipping and handling charges are recorded in cost of revenues in the consolidated statements of operations upon shipment. The Company incurred approximately $5,391 and $4,656 in outsourced shipping expenses for the three months ended March 31, 2020 and 2019, respectively.

(in thousands, except share/unit data and per share/unit amounts)

Cost of Revenues

Cost of revenues includes the total cost of products produced and sold. Such costs include direct materials, direct labor, overhead costs (occupancy costs, indirect labor, and depreciation), fees retained by doctors, freight and duty expenses associated with moving materials from vendors to the Company's facilities and from its facilities to the customers, and adjustments for shrinkage (physical inventory losses), lower of cost or net realizable value, slow moving product and excess inventory quantities.

Marketing and Selling Expenses

Marketing and selling expenses include direct online and offline marketing and advertising costs, costs associated with intraoral imaging services, selling labor, and occupancy costs of SmileShop locations. All marketing and selling expenses are expensed as incurred. For the three months ended March 31, 2020 and 2019, the Company incurred marketing and selling costs of $142,324 and $95,733, respectively.

General and Administrative Expenses

General and administrative expenses include payroll and benefit costs for corporate team members, equity-based compensation expenses, occupancy costs of corporate facilities, bank charges and costs associated with credit and debit card interchange fees, outside service fees, and other administrative costs, such as computer maintenance, supplies, travel, and lodging.

Depreciation and Amortization

Depreciation includes expenses related to the Company's property, plant and equipment, including finance leases. Amortization includes expenses related to definite-lived intangible assets and capitalized software. Depreciation and amortization are calculated using the straight-line method over the useful lives of the related assets, ranging from three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the related lease terms or their useful lives. Depreciation and amortization are included in cost of revenues, selling expenses, and general and administrative expenses depending on the purpose of the related asset. Depreciation and amortization by financial statement line item were as follows:

	Three Months Ended March 31,	
	2020	**2019**
Cost of revenues	$ 5,554	$ 2,087
Marketing and selling expenses	1,643	877
General and administrative expenses	4,245	1,691
Total	$ 11,442	$ 4,655

Fair Value of Financial Instruments

The Company measures the fair value of financial instruments as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 — Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as 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; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 — Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial instruments consist of cash, receivables, accounts payable, debt instruments, and derivative financial instruments. Due to their short-term nature, the carrying values of cash, current receivables, trade payables, and debt instruments approximate current fair value at each balance sheet date. The derivative financial instruments are held at fair value, and the preferred units are recorded at the accreted redemption value. The Company had $166,248 and $150,448 in borrowings under its debt facilities (as discussed in Note 9) as of March 31, 2020 and December 31, 2019, respectively. Based on current market interest rates (Level 2 inputs), the carrying value of the borrowings under its debt facilities approximates fair value for each period reported.

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with applicable accounting standards for such instruments and hedging activities, which require that all derivatives are recorded on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company had no outstanding derivatives at March 31, 2020 or December 31, 2019; however, the Company may enter into derivative contracts that are intended to economically hedge a certain portion of its risk, even though hedge accounting does not apply or the Company elects not to apply the hedge accounting standards.

Certain Risks and Uncertainties

The Company's operating results depend to a significant extent on the ability to market and develop its products. The life cycles of the Company's products are difficult to estimate due, in part, to the effect of future product enhancements and competition. The inability to successfully develop and market the Company's products as a result of competition or other factors would have a material adverse effect on its business, financial condition, and results of operations.

The Company provides credit to customers in the normal course of business. The Company maintains reserves for potential credit losses and such losses have been within management's expectations. No individual customer accounted for 1% or more of the Company's accounts receivable at March 31, 2020 or December 31, 2019, or net revenue for the three or three months ended March 31, 2020 and 2019.

Some of the Company's products are considered medical devices and are subject to extensive regulation in the U.S. and internationally. The regulations to which the Company is subject are complex. Regulatory changes could result in restrictions on the Company's ability to carry on or expand its operations, higher than anticipated costs or lower than anticipated sales. The failure to comply with applicable regulatory requirements may have a material adverse impact on the Company.

The Company's reliance on international operations exposes it to related risks and uncertainties, including difficulties in staffing and managing international operations, such as hiring and retaining qualified personnel; political, social and economic instability; interruptions and limitations in telecommunication services; product and material transportation delays or disruption; trade restrictions and changes in tariffs; import and export license

requirements and restrictions; fluctuations in foreign currency exchange rates; and potential adverse tax consequences. If any of these risks materialize, operating results may be harmed.

The Company purchases certain inventory from sole suppliers, and the inability of any supplier or manufacturer to fulfill the supply requirements could materially and adversely impact its future operating results.

Cash

Cash consists of all highly-liquid investments with original maturities of less than three months. Cash is held in various financial institutions in the U.S. and internationally.

Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method of inventory accounting. Inventory consists of raw materials for producing impression kits and aligners and finished goods. Inventory is net of shrinkage and obsolescence.

Property, Plant and Equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Routine maintenance and repairs are charged to expense as incurred. At the time property, plant and equipment are retired from service, the cost and accumulated depreciation or amortization are removed from the respective accounts and the related gains or losses are reflected in the consolidated statements of operations.

Leases

January 1, 2020, the Company adopted the new leases standard using the modified retrospective transition method, which requires that it recognizes leases differently pre and post-adoption. See “Recently Adopted Accounting Pronouncements—ASU No. 2016-02” below for more information. We categorize leases at their inception as either operating or finance leases. Lease agreements cover certain retail locations, office space, warehouse and distribution space and equipment. Operating leases are included in operating right-of-use assets, other current liabilities, and long-term right-of-use operating lease liabilities in our condensed consolidated balance sheet as of March 31, 2020. Finance leases are included in property, plant and equipment, net, current portion of long-term debt, and long-term debt.

Leased assets represent our right to use an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses a secured incremental borrowing rate as the discount rate for determining the present value of lease payments when the rate implicit in the contract is not readily determinable. Leases that have a term of twelve months or less upon commencement date are considered short-term in nature. Accordingly, short-term leases are not included on the condensed consolidated balance sheets and are expensed on a straight-line basis over the lease term, which commences on the date we have the right to control the property.

Internally Developed Software Costs

The Company generally provides services to its customers using software developed for internal use. The costs that are incurred to develop such software are expensed as incurred during the preliminary project stage. Once certain criteria have been met, direct costs incurred in developing or obtaining computer software are capitalized. Training and maintenance costs are expensed as incurred. Capitalized software costs are included in property, plant and equipment in the consolidated balance sheets and are amortized over a three-year period. During the three months ended March 31, 2020 and 2019, the Company capitalized $3,758 and $2,154, respectively, of internally developed software costs. Amortization expense for internally developed software was $1,497 and $470 for the three months ended March 31, 2020, and 2019, respectively.

Impairment

The Company evaluates long-lived assets (including finite-lived intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. An asset or asset group is considered impaired if its carrying amount exceeds the future undiscounted net cash flows that the asset or asset group is expected to generate. Factors the Company considers important which could trigger an impairment review include significant negative industry or economic trends, significant loss of customers and changes in the competitive environment. If an asset or asset group is considered to be impaired, the impairment to be recognized is calculated as the amount by which the carrying amount of the asset or asset group exceeds its fair market value. The Company's estimates of future cash flows attributable to long-lived assets require significant judgment based on its historical and anticipated results and are subject to many assumptions. The estimation of fair value utilizing a discounted cash flow approach includes numerous uncertainties which require significant judgment when making assumptions of expected growth rates and the selection of discount rates, as well as assumptions regarding general economic and business conditions, and the structure that would yield the highest economic value, among other factors.

Debt Issuance Costs

The Company records debt issuance costs related to its term debt as direct deductions from the carrying amount of the debt. The costs are amortized to interest expense over the life of the debt using the effective interest method.

Income Taxes

SDC Inc. is the managing member of SDC Financial and, as a result, consolidates the financial results of SDC Financial in the unaudited condensed consolidated financial statements. SDC Financial and its subsidiaries are limited liability companies and have elected to be taxed as partnerships for income tax purposes except for a subsidiary, SDC Holding, LLC (''SDC Holding") and its domestic and foreign subsidiaries, which are taxed as corporations. As such, SDC Financial does not pay any federal income taxes, as any income or loss is included in the tax returns of the individual members. SDC Financial does pay state income tax in certain jurisdictions, and the Company's income tax provision in the consolidated financial statements reflects the income taxes for those states. Additionally, certain wholly-owned entities taxed as corporations are subject to federal, state, and foreign income taxes, in the jurisdictions in which they operate, and accruals for such taxes are included in the consolidated financial statements. The Company further evaluates deferred tax assets in each jurisdiction and recognizes associated benefits when positive evidence of realization exceeds negative evidence, and otherwise records valuation allowances as necessary.

Tax Receivable Agreement

In connection with the Reorganization Transactions and the IPO, the Company entered into a Tax Receivable Agreement (the "Tax Receivable Agreement") with the Continuing LLC Members, pursuant to which SDC Inc. agreed to pay the Continuing LLC Members 85% of the amount of cash tax savings, if any, in U.S. federal, state, and local income tax or franchise tax that SDC Inc. actually realizes as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by SDC Inc. as a result of the Tax Receivable Agreement. The Company recognizes this contingent liability in its consolidated financial statements when amounts become probable as to incurrence and estimable in amount.

Recent Accounting Pronouncements

In September 2016, the Financial Accounting Standards Board (''FASB") issued Accounting Standards Update (''ASU") 2016-13, "*Financial Instruments—Credit Losses"* (Topic 326). The FASB issued this update to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update replace the existing guidance of incurred loss impairment methodology with an approach that reflects

expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2018, the FASB issued ASU 2018-19, *"Codification Improvements to Topic 326, Financial Instruments—Credit Losses,"* which clarifies the scope of guidance in the ASU 2016-13. The updated guidance is effective for annual periods beginning after December 15, 2020. Early adoption of the update is permitted in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*," which amends the disclosure requirements for fair value measurements by removing, modifying and adding certain disclosures. This guidance is effective for years beginning after December 15, 2020, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-15, "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.*" This update clarifies the accounting treatment for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. This guidance is effective for years beginning after December 15, 2020, with early adoption permitted. The amendments may be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently assessing the impact that adoption of this guidance will have on its consolidated financial statements and related disclosures.

In January 2020, the Company adopted FASB ASU 2016-02 and subsequent updates, collectively referred to as "*Leases (Topic 842).*" This update requires a dual approach for lessee accounting under which a lessee will account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. In July 2018, ASU 2018-10, "*Codification Improvements to Topic 842, Leases*," was issued to provide more detailed guidance and additional clarification for implementing ASU 2016-02. Furthermore, in July 2018, the FASB issued ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*," which provides an optional transition method in addition to the existing modified retrospective transition method by allowing a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company adopted the package of practical expedients in transition, which permits it to not reassess its conclusions pertaining to lease identification, lease classification, and initial direct costs on leases that commenced prior to the adoption of the new standard. The Company also elected the ongoing practical expedient to not recognize operating lease right-of-use assets and operating lease liabilities related to short-term leases. The Company did not elect the use-of-hindsight practical expedient. The Company elected to not separate lease and non-lease components for certain classes of assets including real estate and equipment. As a result of adopting Topic 842, the Company recognized net operating lease right-of-use assets of $45,076 and operating lease liabilities of $44,807 as of the effective date. As part of adopting Topic 842 and the Company's election to not separate lease and non-lease components, the Company increased its finance lease asset $3,791 and related liability $4,378 as of the effective date to include non-lease components. The cumulative effect of adding the non-lease components to finance leases upon adoption resulted in an immaterial adjustment to the opening balance of retained earnings as of January 1, 2020. The standard did not have a material impact on the Company's results of operations or cash flows.

In January 2020, the Company adopted FASB ASU 2018-07, "*Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting,*" which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from non-employees. The adoption of this guidance did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

(in thousands, except share/unit data and per share/unit amounts)

Note 3—Inventories

Inventories are comprised of the following:

	March 31, 2020	December 31, 2019
Raw materials	$ 8,530	$ 5,950
Finished goods	19,657	12,481
Total inventories	$ 28,187	$18,431

Note 4—Prepaid and other assets

Prepaid and other assets are comprised of the following:

	March 31, 2020	December 31, 2019
Prepaid expenses	$ 6,833	$ 10,503
Deposits to vendors	2,917	3,132
Other	665	551
Total prepaid and other current assets	$ 10,415	$ 14,186
Prepaid expenses, non-current	$ 1,354	$ 1,308
Deposits to vendors, non-current	3,665	3,346
Indefinite-lived intangible assets	6,217	6,217
Other intangible assets, net	372	428
Total other assets	$ 11,608	$ 11,299

In March 2019, the Company purchased an intangible asset related to manufacturing. The Company evaluates the remaining useful life and carrying value of this indefinite-lived intangible asset at least annually or when events and circumstances warrant such a review, to determine whether significant events or changes in circumstances indicate that a change in the useful life or impairment in value may have occurred. There were no impairment charges during the three months ended March 31, 2020.

Note 5—Property, plant and equipment, net

Property, plant and equipment were comprised of the following:

	March 31, 2020	December 31, 2019
Lab and SmileShop equipment	$ 86,091	$ 79,103
Computer equipment and software	58,301	48,401
Leasehold improvements	21,588	13,275
Furniture and fixtures	14,765	13,152
Vehicles	6,069	2,660
Construction in progress	50,019	60,317
Property, plant and equipment, gross	236,833	216,908
Less: accumulated depreciation	(52,121)	(39,365)
Property, plant and equipment, net	$ 184,712	$ 177,543

(in thousands, except share/unit data and per share/unit amounts)

The carrying values of assets under finance leases were $27,975 and $26,501 as of March 31, 2020 and December 31, 2019, respectively, net of accumulated depreciation of $7,953 and $4,670, respectively.

Note 6—Leases

The Company adopted ASU No. 2016-02, *Leases (Topic 842)*, which requires leases with durations greater than 12 months to be recognized on the balance sheet, effective January 1, 2020, using the modified retrospective approach. Prior period financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. The Company elected the package of transition provisions available which allowed us to carryforward our historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs.

The Company leases property and equipment under finance and operating leases. For leases with terms greater than 12 months, the Company records the related right-of-use assets and right-of-use obligations at the present value of lease payments over the term. Certain of the Company's leases include rental escalation clauses and renewal options that are factored into our determination of lease payments when appropriate. Certain of the Company's leased store locations have variable payments based upon scan volume as well as other variable property related costs. The Company does not separate lease and non-lease components of contracts.

Generally, the Company uses its estimated incremental borrowing rate to discount the lease payments based on information available at lease commencement, as most of its leases do not provide a readily determinable implicit interest rate. As substantially all of the Company's leases do not provide an implicit rate, the Company estimates its collateralized incremental borrowing rate based upon a synthetic credit rating and yield curve analysis at commencement or modification date in determining the present value of lease payments.

The following table presents our lease-related assets and liabilities at March 31, 2020:

Leases Assets and Liabilities	**Balance Sheet Classification**		**March 31, 2020**
Assets:			
Operating leases	Operating lease right-of-use asset	$	43,105
Finance leases	Property, plant, and equipment, net		27,975
		$	71,080
Liabilities:			
Operating leases	Other current liabilities	$	7,156
Finance leases	Current portion of long-term debt		10,182
Operating leases	Operating lease liabilities, net of current portion		36,409
Finance leases	Long-term debt, net of current portion		19,511
		$	73,258
Weighted average remaining term:			
Operating leases			6.3 years
Finance leases			2.3 years
Weighted average discount rate:			
Operating leases			5.70%
Finance leases			7.50%

(1) Finance lease assets are recorded net of accumulated amortization of $7,953 as of March 31, 2020.

(2) Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2020.

(in thousands, except share/unit data and per share/unit amounts)

The following table presents certain information related to lease expense for finance and operating leases:

Expense Category	Statement of Operations Classification	Three Months Ended March 31, 2020
Finance lease expense:		
Amortization of leased assets	Cost of revenues	$ 2,497
Interest of lease liabilities	Interest expense	586
Operating leases[3]		2,508
Short-term lease expense[3]		7,642
Variable lease expense[3]		2,291
Total lease expense		$ 15,524

(3) Expenses are included in “Cost of revenues”, “Marketing and selling expenses”, or “General and administrative expenses” in our condensed consolidated statements of operations, depending on the purpose of the related asset.

Other Information

The following table presents supplemental cash flow information:

	Three Months Ended March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:	
Cash used in operating activities	$ 3,094
Cash used in investing activities	$ —
Cash used in financing activities	$ 2,497

Maturities of Lease Liabilities

The following table reconciles the undiscounted cash flows to the finance lease liabilities and operating lease liabilities recorded on the condensed consolidated balance sheet at March 31, 2020:

	Finance Leases	Operating Leases
2020 (remaining)	$ 9,115	$ 6,955
2021	11,209	9,482
2022	6,859	7,622
2023	—	6,991
2024	—	6,158
2025 and thereafter	—	15,404
Total minimum lease payments	27,183	52,612
Residual value	5,661	—
Amount representing interest	(3,151)	(9,047)
Present value of future minimum lease payments	29,693	43,565
Less: current portion	(10,182)	(7,156)
Long-term lease liabilities	$ 19,511	$ 36,409

(in thousands, except share/unit data and per share/unit amounts)

Note 7—Accrued liabilities

Accrued liabilities were comprised of the following:

	March 31, 2020	December 31, 2019
Accrued marketing costs	$ 28,037	$ 31,804
Accrued payroll and payroll related expenses	19,691	25,019
Accrued sales tax and related costs	7,693	6,660
Other	28,953	29,856
Total accrued liabilities	$ 84,374	$ 93,339

Note 8—Income taxes

SDC Inc. is the managing member of SDC Financial and, as a result, consolidates the financial results of SDC Financial. SDC Financial and its subsidiaries are limited liability companies and have elected to be taxed as partnerships for income tax purposes except for a subsidiary, SDC Holding and certain of its domestic and foreign subsidiaries, are taxed as corporations. The Company files income tax returns in the U.S. federal, various states and foreign jurisdictions. Any taxable income or loss generated by SDC Financial is passed through to and included in the taxable income or loss of its members, including SDC Inc., generally on a pro rata basis or otherwise under the terms of the SDC Financial LLC Agreement. The Company is subject to U.S. federal income taxes, in addition to state and local income taxes with respect to its allocable share of any taxable income or loss of SDC Financial, as well as any stand-alone income or loss generated by SDC Inc.

The Company’s U.S. federal and state income tax returns for the tax years 2015 and beyond remain subject to examination by the Internal Revenue Service. The Company also has operations in Costa Rica, Puerto Rico, Canada, Australia, the U.K., the E.U., Ireland, Hong Kong and New Zealand with tax filings in each foreign jurisdiction. With respect to state and local jurisdictions, the Company and its subsidiaries are typically subject to examination for several years after the income tax returns have been filed. The Internal Revenue Service has commenced an examination of the SDC, LLC’s U.S. income tax return for 2017. We anticipate this audit will conclude within the next twelve months. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for in the accompanying consolidated financial statements for any adjustments that may be incurred due to state or local audits and uncertain tax positions. The Company is also subject to withholding taxes in foreign jurisdictions. The Company’s income tax expense may vary from the expense that would be expected based on statutory rates due principally to its organizational structure and recognition of valuation allowances against deferred tax assets.

(in thousands, except share/unit data and per share/unit amounts)

The income tax provision was as follows:

	Three Months Ended March 31,	
	2020	**2019**
Current:		
Federal	$ 1,698	$ —
State	(67)	20
Foreign	200	—
Current income tax provision	$ 1,831	$ 20
Deferred:		
Federal	$ —	$ —
State	143	—
Foreign	—	—
Deferred income tax provision	$ 143	—
Total income tax provision	$ 1,974	$ 20

At March 31, 2020 the Company had unused federal net operating loss carryforwards (tax effected) for federal income tax purposes of approximately $16,921, which can be carried forward indefinitely and may be used to offset future taxable income. In addition, the Company had unused net operating loss carryforwards (tax effected) for state income tax purposes of approximately $11,979, which expire from 2029 through 2034. The Company also had unused net operating loss carryforwards (tax effected) for foreign income tax purposes of approximately $1,061. Additionally, the Company has certain other deferred tax assets related to potential future tax benefits. All deferred tax assets are evaluated using positive and negative evidence as to their future realization. The Company considers recent historic losses to be significant negative evidence, and as such, records a valuation allowance against substantially all of its deferred tax assets.

As of March 31, 2020, the Company maintained a full valuation allowance of approximately $205,958 against its deferred tax assets. If there is a change in the Company's assessment of the amount of deferred income tax assets that is realizable, adjustments to the valuation allowance will be made in future periods.

Tax Receivable Agreement

The Company expects to obtain an increase in its share of the tax basis in the net assets of SDC Financial when LLC Units are redeemed from or exchanged by Continuing LLC Members. The Company intends to treat any redemptions and exchanges of LLC Units as direct purchases of LLC Units for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that it would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

In connection with the Reorganization Transactions and the IPO, the Company entered into the Tax Receivable Agreement with the Continuing LLC Members. The Tax Receivable Agreement provides for the payment by SDC Inc. of 85% of the amount of any tax benefits that SDC Inc. actually realizes, or in some cases is deemed to realize, as a result of (i) increases in SDC Inc.'s share of the tax basis in the net assets of SDC Financial resulting from any redemptions or exchanges of LLC Units, (ii) tax basis increases attributable to payments made under the Tax Receivable Agreement, and (iii) deductions attributable to imputed interest pursuant to the Tax Receivable Agreement (the "TRA Payments"). The Company expects to benefit from the remaining 15% of any of cash savings, if any, that it realizes.

During the year ended December 31, 2019, the Company acquired an aggregate of $635,690 in LLC Units in connection with the redemption of certain Continuing LLC Members, which resulted in an increase in the tax basis

(in thousands, except share/unit data and per share/unit amounts)

of the assets of SDC Financial subject to the provisions of the Tax Receivable Agreement. The Company has not recognized any additional liability under the Tax Receivable Agreement after concluding it was not probable that such TRA Payments would be paid based on its estimates of future taxable income. No payments were made to the Continuing LLC Members pursuant to the Tax Receivable Agreement during the three month period ended March 31, 2020.

The amounts payable under the Tax Receivable Agreement will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of SDC Inc. in the future. If the valuation allowance recorded against the deferred tax assets applicable to the tax attributes referenced above is released in a future period, the Tax Receivable Agreement liability may be considered probable at that time and recorded within earnings.

Note 9—Long-Term Debt

The Company's debt and capital lease obligations are comprised of the following:

	March 31, 2020	December 31, 2019
JPM Credit Facility, net of unamortized financing costs of $1,885 and $2,513, respectively	164,363	147,935
Align redemption promissory note	27,357	34,090
Capital lease obligations (Note 6)	29,693	26,501
Total debt	221,413	208,526
Less current portion	(37,539)	(35,376)
Total long-term debt	$ 183,874	$ 173,150

JPM Credit Facility

In June 2019, the Company entered into a loan and security agreement with JPMorgan Chase Bank, N.A., as the administrative agent, the collateral agent and a lender (the "JPM Credit Facility"), providing a secured revolving credit facility in an initial aggregate maximum principal amount of $500 million with the potential to increase the aggregate principal amount that may be borrowed up to an additional $250 million with the consent of the lenders participating in such increase. Availability under the JPM Credit Facility is based on, among other things, the amount of eligible retail installment sale contracts.

The JPM Credit Facility provides for interest on the outstanding principal balance of a spread above prevailing commercial paper rates or, to the extent the advance is not funded by a conduit lender through the issuance of commercial paper, LIBOR. The JPM Credit Facility also provides for an unused fee based on the unused portion of the total aggregate commitment. There is no amortization schedule. Upon expiration of the JPM Credit Facility on December 14, 2020 (unless earlier terminated or extended in accordance with its terms), any outstanding principal will be due in full on the final maturity date six months following the expiration.

The Company recorded $6,188 related to deferred financing costs of the JPM Credit Facility. During the three months ended March 31, 2020, the Company amortized under the effective interest rate method $628 of deferred financing costs.

The proceeds of the JPM Credit Facility were used to repay all outstanding amounts under the previous financing agreement with TCW Direct Lending (as amended, the ‘‘TCW Credit Facility"), including repurchasing warrants to the lenders under the TCW Credit Facility, and for working capital and other corporate purposes.

The JPM Credit Facility is secured by, among other assets, a first-priority security interest in certain receivables and certain intellectual property. As of March 31, 2020, the Company had $276,594 of its receivables collateralized as part of the JPM Credit Facility.

The JPM Credit Facility contains certain covenants. The material financial covenants, ratios or tests contained in the JPM Credit Facility are as follows:

- The Company must maintain a monthly minimum tangible net worth not less than $150,000.
- The Company must maintain a monthly minimum liquidity, as defined in the agreement, not less than the greater of $75,000 and 5% of consolidated total assets.
- The Company must maintain a monthly leverage ratio, as defined in the agreement, not greater than 4:1.
- The Company must maintain a minimum credit scores, charge-off and collection ratios on the portfolio of its *SmilePay* receivables.

As of March 31, 2020, the Company had $166,248 outstanding and was in compliance with all covenants in the JPM Credit Facility.

New HPS Credit Facility

On May 12, 2020, we entered into our new HPS Credit Facility, as defined below, providing a five-year secured term loan facility in an initial aggregate maximum principal amount of $400,000, with the ability to request incremental term loans of up to an additional aggregate principal amount of $100,000 with the consent of the lenders participating in such increase. The proceeds of the HPS Credit Facility were used to repay all outstanding amounts under the previous JPM Credit Facility and for working capital and other corporate purposes. For a complete discussion of the new HPS Credit Facility, see “Note 18-Subsequent Events” in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Align Redemption Promissory Note

In connection with the required redemption of Align’s 20,710 Pre-IPO Units described in Note 16, the Company entered into a promissory note with Align Technology, Inc. (“Align”). Under the terms of the promissory note, the Company will make monthly payments of $2,311 to Align through March 2021. The promissory note bears annual interest of 2.52% which is included in the consolidated statement of operations. As of March 31, 2020, the Company has $27,357 outstanding under this promissory note.

Note 10—Noncontrolling Interests

SDC Inc. is the sole managing member of SDC Financial and consolidates the financial results of SDC Financial. Therefore, SDC Inc. reports a noncontrolling interest based on the common units of SDC Financial held by the Continuing LLC Members. Changes in SDC Inc.’s ownership interest in SDC Financial, while SDC Inc. retains its controlling interest in SDC Financial, are accounted for as equity transactions. As such, future redemptions or direct exchanges of LLC Units by the Continuing LLC Members will result in a change in ownership and reduce or increase the amount recorded as noncontrolling interest and increase or decrease additional paid-in capital when SDC Financial has positive or negative net assets, respectively. As of March 31, 2020, SDC Inc. had 108,512,662 shares of Class A common stock outstanding, which resulted in an equivalent amount of ownership of LLC Units by SDC Inc. As of March 31, 2020, SDC Inc. had a 28.2% economic ownership interest in SDC Financial.

Note 11—Variable Interest Entities

Upon completion of the IPO, SDC Inc. became the managing member of SDC Financial with 100% of the management and voting power in SDC Financial. In its capacity as managing member, SDC Inc. has the sole authority to make decisions on behalf of SDC Financial and bind SDC Financial to signed agreements. Further, SDC Financial maintains separate capital accounts for its investors as a mechanism for tracking earnings and subsequent distribution rights. Accordingly, management concluded that SDC Financial is determined to be a limited partnership or similar legal entity as contemplated in ASC 810.

(in thousands, except share/unit data and per share/unit amounts)

Furthermore, management concluded that SDC Inc. is SDC Financials' primary beneficiary. As the primary beneficiary, SDC Inc. consolidates the results of SDC Financial for financial reporting purposes under the variable interest consolidation model guidance in ASC 810.

SDC Inc.'s relationship with SDC Financial results in no recourse to the general credit of SDC Inc. SDC Financial and its consolidated subsidiaries represents SDC Inc.'s sole investment. SDC Inc. shares in the income and losses of SDC Financial in direct proportion to SDC Inc.'s ownership percentage. Further, SDC Inc. has no contractual requirement to provide financial support to SDC Financial.

SDC Inc.'s financial position, performance and cash flows effectively represent those of SDC Financial as of and for the period ended March 31, 2020. Prior to the IPO and Reorganization Transactions, SDC Inc. was not impacted by SDC Financial.

Note 12—Incentive Compensation Plans

In connection with the IPO, the Company adopted the 2019 Omnibus Incentive Compensation Plan (the "2019 Plan") in August 2019. The Company's board of directors or the compensation committee of the board of directors, acting as plan administrator, administers the 2019 Plan and the awards granted under it. The Company reserved a total of 38,486,295 shares of Class A common stock for issuance pursuant to the 2019 Plan. The Company currently has two types of share-based compensation awards outstanding under the 2019 Plan: Class A common stock options ("Options") and Class A restricted stock units ("RSUs"), including those issued pursuant to IBAs.

Class A Common Stock Options

Options activity was as follows during the three months ended March 31, 2020:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding beginning of period	1,744,556	$ 23.00	9.7	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Forfeited	—	—	—	—
Outstanding at March 31, 2020	1,744,556	$ 23.00	9.4	$ —
Exercisable at March 31, 2020	—	$ —	—	$ —

The Company estimates fair value of the Options using the Black-Scholes option pricing model. Inputs to the Black-Scholes option pricing model include an expected dividend yield of 0%, expected volatility of 45%, risk-free interest rate of 1.7% and an expected term of 6.0 years or 6.5 years, pursuant to vesting terms, resulting in a weighted average fair value of $10.29 or $10.68 per Option pursuant to vesting terms. As of March 31, 2020, unrecognized compensation expense related to the Options was $14,913. This expense is expected to be recognized over a weighted average period of 2.4 years.

Expected dividend yield - An increase in the expected dividend yield would decrease compensation expense.

Expected volatility - This is a measure of the amount by which the price of the equity instrument has fluctuated or is expected to fluctuate. The expected volatility was based on the historical volatility of a group of guideline companies. An increase in expected volatility would increase compensation expense.

Risk-free interest rate - This is the U.S. Treasury rate as of the measurement date having a term approximating the expected life of the award. An increase in the risk-free interest rate would increase compensation expense.

(in thousands, except share/unit data and per share/unit amounts)

Expected term - The period of time over which the awards are expected to remain outstanding. The Company estimates the expected term as the mid-point between actual or expected vesting date and the contractual term. An increase in the expected term would increase compensation expense.

Restricted Stock Units

Incentive Bonus Awards

The Company has IBA agreements with several key employees to provide a bonus payment in the event of a liquidation event as defined in each agreement. The bonus amounts are calculated based on the value of the Company at the time of the liquidation event, less an amount determined upon the employee entering into the agreement. The right to the payment generally vests annually over a five-year period, with certain liquidation events resulting in an acceleration of the vesting period. As the vesting of these awards was contingent on a liquidation event, no amounts were required to be recorded prior to a liquidation event. The IBA agreements were modified in August 2019 to accelerate certain vesting conditions upon a liquidation event and to modify the settlement terms, whereby the Company settled the vested portion of each IBA in 50% shares of Class A common stock and/or vested RSUs and 50% cash, of which approximately 80% of the cash (40% of the total vested portion of the award) that the IBA holders would have otherwise received was withheld by the Company to fulfill tax withholding obligations and the remainder was paid out to IBA holders upon the occurrence of a liquidation event. As a result of the modification and the occurrence of a liquidation event through the IPO, the Company recorded equity-based compensation expense of $316,959, equivalent to the amount of IBAs vested at the time of the IPO, in the form of cash, 5,654,078 shares of Class A common stock and 2,199,453 vested RSUs to be released over a period of six to twenty-four months following the date of the IPO. The unvested portion of the IBAs are represented in the form of unvested RSUs that will vest, subject to the holders' continued employment, over a period generally ranging from 2 years to 4 years.

Non-IBA Restricted Stock Units

The Company granted RSUs to certain team members that generally vest annually over two to three years or after three years from the date of grant, subject to the recipient's continued employment or service to the Company through each vesting date.

A summary of activity related to these RSUs is as follows:

	IBA RSUs	Non-IBA RSUs	Total RSUs	Weighted Average Grant Date Fair Value
RSUs outstanding, December 31, 2019	4,794,394	1,089,796	5,884,190	$ 21.88
Granted	—	1,246,584	1,246,584	$ 9.91
Vested	(1,146,495)	—	(1,146,495)	$ 23.00
Forfeited	—	(20,845)	(20,845)	$ 8.70
RSUs outstanding, March 31, 2020	3,647,899	2,315,535	5,963,434	$ 18.87

As of March 31, 2020, unrecognized compensation expense related to unvested IBA and non-IBA RSUs was $68,040. This expense is expected to be recognized over a weighted average period of 2.1 years.

Incentive Bonus Units

SDC Financial issued Incentive Bonus Units ("IBUs") to employees and non-employees. For employee IBUs, the fair value is based on SDC Financial's unit value on the date of grant. For non-employee IBUs the fair value is determined at the time of vesting.

Two employee IBU agreements were modified in July 2019 to accelerate certain vesting conditions upon a change of control. As a result of the acceleration of vesting conditions resulting from the Reorganization Transactions and the IPO, the Company recognized incremental compensation expense of $436 during the year

ended December 31, 2019. As of March 31, 2020, unrecognized compensation expense related to unvested IBUs was $774.

Employee Stock Purchase Plan

The SmileDirectClub, Inc. team member Stock Purchase Plan ("SPP") was initiated in November 2019. Under the SPP, the Company is authorized to issue up to 5,772,944 shares of its Class A common stock to qualifying employees. Eligible team members may direct the Company, during each six months option period, to withhold up to 30% of their base salary and commissions, the proceeds from which are used to purchase shares of Class A common stock at a price equal to the lesser of 85% of the closing market price on the exercise date or the grant date. For accounting purposes, the SPP is considered a compensatory plan such that the Company recognizes equity-based compensation expense based on the fair value of the options held by the employees to purchase the Company's shares.

Summary of Equity-Based Compensation Expense

The Company recognized compensation expense of $16,396, and $7,827 for the three months ended March 31, 2020 and 2019, respectively. Amounts are included in general and administrative expense on the consolidated statements of operations.

Note 13—Earnings per Share

Basic earnings per share of Class A common stock is computed by dividing net income attributable to SDC Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted earnings per share of Class A common stock is computed by dividing net income attributable to SDC Inc., adjusted for the assumed exchange of all potentially dilutive LLC Units for Class A common stock, by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive elements. Prior to the IPO, the SDC Financial membership structure included Pre-IPO Units, some of which were profits interests. The Company analyzed the calculation of earnings per unit for periods prior to the IPO and determined that it resulted in values that would not be meaningful to the users of these unaudited consolidated financial statements. Therefore, earnings per share information has not been presented for the three months ended March 31, 2019.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock:

(in thousands, except share/unit data and per share/unit amounts)

	Three Months Ended March 31, 2020
Numerator:	
Net loss	$ (107,400)
Less: Net loss attributable to noncontrolling interests subsequent to the Reorganization Transactions	(78,150)
Net loss attributable to SDC Inc. - basic	(29,250)
Add: Reallocation of net loss attributable to noncontrolling interests after the Reorganization Transactions from the assumed exchange of LLC Units for Class A common stock	(78,150)
Net loss attributable to SDC Inc. - diluted	$ (107,400)
Denominator:	
Weighted average shares of Class A common stock outstanding - basic	104,595,081
Add: Dilutive effects as shown separately below	
LLC Units that are exchangeable for Class A common stock	279,260,624
Weighted average shares of Class A common stock outstanding - diluted	383,855,705
Earnings per share of Class A common stock outstanding - basic	$ (0.28)
Earnings per share of Class A common stock outstanding - diluted	$ (0.28)

Shares of the Company's Class B common stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented.

Due to their anti-dilutive effect, the following securities have been excluded from diluted net loss per share in the periods presented:

	Three Months Ended March 31, 2020
Options	1,744,556
Restricted Stock Units	5,963,434
Warrants	144,999

On May 12, 2020, in connection with the HPS Credit Facility, the Company issued the HPS Warrants, as defined below, to affiliates of HPS Investment Partners, LLC exercisable at any time into an aggregate of 3,889,575 shares of the Company's Class A common stock, which amounts to 1% of the Company's total outstanding Class A and Class B common stock, as of the closing date of the HPS Credit Facility, at an exercise price of $7.11 per share, payable in cash or pursuant to a cashless exercise. The proceeds of the HPS Credit Facility were used to repay all outstanding amounts under the previous JPM Credit Facility and for working capital and other corporate purposes.

For a complete discussion of the new HPS Credit Facility and the HPS Warrants, see "Note 18-Subsequent Events" in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Note 14—Employee Benefit Plans

The Company has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code of 1986, as amended, that covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. For the three months ended March 31, 2020 and 2019, the Company matched 100% of employees' salary deferral contributions up to 3% and 50% of employees' salary deferral contributions from 3% to 5% of employees' eligible compensation. The Company contributed $1,251 and $395 to the 401(k) plan for the three months ended March 31, 2020 and 2019, respectively.

Note 15—Related Party Transactions

Products and Services

The Company is affiliated through common ownership by the Company's Chairman and Chief Executive Officer, with several other entities (''Affiliates"). Certain Affiliates incur (or previously incurred) costs related to the Company, including travel costs, certain senior management personnel costs, freight, and rent, the most significant of which is freight. The Company reimbursed $0 and $2,366 of freight incurred through an Affiliate during the three months ended March 31, 2020 and 2019, respectively, which is included in cost of revenues—related parties. These costs incurred by Affiliates related to the Company are billed at actual cost to the Company by the Affiliates.

In addition, the Company paid one of the Affiliates $0 and $450 in management fees for the three months ended March 31, 2020 and 2019, respectively, which is included in general and administrative expenses. These fees include charges relating to several individuals who provide senior leadership to the Company as well as certain other services. Certain of these individuals have been granted IBUs, which have resulted in equity-based compensation expense (see Note 12).

The Company purchased legal services from a law firm where a partner is an immediate family member of a director of the Company. Fees paid for services totaled $841 and $60 for the three months ended March 31, 2020 and 2019, respectively.

The Company was party to a Strategic Supply Agreement with Align, a former equityholder of the Company, in which the Company had the option to purchase aligners from Align at a price that varies with the level of product purchased. While the majority of the Company's aligners were manufactured in-house, the Company did purchase aligners under this agreement during the first quarter of 2019. Additionally, the Company purchases oral digital imaging equipment from Align. For the three months ended March 31, 2020 and 2019, purchases from Align of equipment were $0 and $6,025, respectively, and purchases of aligners included in cost of revenues—related parties were $0 and $6,577, respectively.

In February 2019, the Company entered into an agreement with the David Katzman Revocable Trust (the ''Trust") to purchase all of the issued and outstanding membership units of a limited liability corporation (''SDC Plane") owned by the Trust for a purchase price of approximately $1,100, which was the Trust's acquisition cost. SDC Plane owns an interest in an aircraft, which is available for use by our executives.

In March 2020, the Company purchased a private aircraft from Camelot SI Leasing, LLC, for $3,400, the appraised value of the aircraft.

Distribution Payable

In August 2019, SDC Financial declared a distribution of $43,400 less any amount determined to be due and payable to Align in connection with the current Align arbitration proceedings to the pre-IPO investors. Such distribution will be paid upon final determination of the outcome and amount payable, if any, in connection with such current arbitration proceedings. This amount is presented within other long-term liabilities on the accompanying condensed consolidated balance sheets.

Note 16—Commitments and Contingencies

Legal Matters

In the ordinary course of conducting its business, the Company is involved, from time to time, in various contractual, product liability, intellectual property, and other claims and disputes incidental to its business. Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance, and it is reasonably possible that some of these matters may be decided unfavorably to the Company. In addition, the Company periodically receives communications from state and federal regulatory and similar agencies inquiring about the nature of its business activities, licensing of professionals providing services, and similar matters. Such matters are routinely concluded with no financial or operational impact on the Company.

From September to December 2019, a number of purported stockholder class action complaints were filed in the U.S. District Court for the Middle District of Tennessee and in state courts in Tennessee, Michigan and New York against the Company, members of the Company's board of directors, certain of its current officers, and the underwriters of its IPO. The following nine complaints have been filed to date: *Mancour v. SmileDirectClub, Inc.*, 19-1169-IV (TN Chancery Court filed 9/27/19), *Vang v. SmileDirectClub, Inc.*, 19c2316 (TN Circuit Court filed 9/30/19), *Fernandez v. SmileDirectClub, Inc.*, 19c2371 (TN Circuit Court filed 10/4/19), *Wei Wei v. SmileDirectClub, Inc.*, 19-1254-III (TN Chancery Court filed 10/18/19), *Andre v. SmileDirectClub, Inc.*, 19-cv-12883 (E.D. Mich. filed 10/2/19), *Ginsberg v. SmileDirectClub, Inc.*, 19-cv-09794 (S.D.N.Y. filed 10/23/19), *Franchi v. SmileDirectClub, Inc.*, 19- cv-962 (M.D. Tenn. filed 10/29/19), *Nurlybayev v. SmileDirectClub, Inc.*, 19-177527-CB (Oakland County, MI Circuit Court filed 10/30/19), Sasso v. Katzman, et al., No. 657557/2019 (NY Supreme Court filed 12/18/19). In December 2019, the *Fernandez*, *Vang*, *Mancour* and *Wei Wei* actions were consolidated as *In re SmileDirectClub, Inc. Securities Litigation*, 19-1169-IV (TN Chancery Court filed December 20, 2019). The complaints all allege, among other things, that the registration statement filed with the SEC on August 16, 2019, and accompanying amendments, and the Prospectus filed with the SEC on September 13, 2019, in connection with the Company's initial public offering were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein. The complaints seek unspecified money damages, other equitable relief, and attorneys' fees and costs. All of the actions are in the preliminary stages. On February 26, 2020, Defendants prevailed on their motion to dismiss the Michigan state court action. On January 22, 2020, the New York state court action was stayed. On February 10, 2020, the Company moved to dismiss or stay the Tennessee state court action. On March 23, 2020, the Company moved to dismiss the Tennessee federal action. The Company denies any alleged wrongdoing and intends to vigorously defend against these actions.

In November and December 2019 and March 2020, three stockholder derivative actions were filed against the members of the Company's board of directors, certain of our current officers and related entities. The complaints allege, among other things, that the defendants breached their fiduciary duties by allowing the Final IPO Prospectus to contain materially misleading statements and by participating in insider selling in connection with the IPO. The complaints seek, among other things, money damages on behalf of the Company, restitution and/or disgorgement from the selling director defendants and cancellation of the Company's Class B common stock. The three derivative actions have been consolidated into *In Re SmileDirectClub, Inc. Derivative Litigation*, C.A. No. 2019-0940-MTZ (Delaware Chancery Court) and Plaintiffs filed a consolidated amended complaint on April 8, 2020. The action remains in the preliminary stages.

Some state dentistry boards have established new rules or interpreted existing rules in a manner that limits or restricts the Company's ability to conduct its business as currently conducted in other states or have engaged in conduct so as to otherwise interfere with the Company's ability to conduct its business. We have filed actions in federal court in Alabama, Georgia, and California against the state dental boards in those states, alleging violations by the dental boards of various laws, including the Sherman Act and the Commerce Clause. While a national orthodontic association has filed Amicus Briefs in support of the dental boards in both the Georgia and Alabama litigations and has filed a motion to do the same in California (which motion was denied), the FTC and DOJ have filed joint Amicus Briefs in support of the Company in both the Alabama and Georgia matters. An

amended complaint is being filed in the California matter in response to the Court's order giving the Company leave to amend on all of its claims with the exception of its equal protection act claim. Both the Alabama and Georgia matters are pending before the 11th Circuit Court of Appeals as a result of the dental boards in both states appealing the lower courts' decisions. The Georgia matter is scheduled for oral argument on May 20, 2020. The FTC and DOJ have filed an unopposed motion to use a portion of the Company's time to present at oral argument to argue their position that the Georgia government has not demonstrated it sufficiently oversaw the dentistry board. The Alabama matter is tentatively scheduled for oral argument on July 6, 2020.

In September 2019, a putative class action on behalf of a consumer and three orthodontists was brought against the Company in the U.S. District Court for the Middle District of Tennessee, *Ciccio, et al. v. SmileDirectClub, LLC, et al.*, Case No. 3:19-cv-00845 (M.D. Tenn.). The Plaintiffs assert claims for breach of warranty, false advertising under the Lanham Act, common law fraud, and various state consumer protection statutes relating to our advertising. The Company filed its motion to strike and motion to dismiss the providers claims in December 2019 with briefing on the motions concluded in February 2020. No ruling has been made on these motions as of yet. In January 2020, one of the putative consumers who withdrew from the above action filed a declaratory judgment action in the U.S. District Court for the Southern District of Florida seeking to compel the Company to arbitrate. The consumer plaintiff simultaneously filed a putative class arbitration in the American Arbitration Association, pursuing substantially similar claims. This consumer and the original consumer plaintiff in the Middle District of Tennessee litigation have since sought to rejoin the Middle District of Tennessee litigation or, in the alternative, to intervene. The Company has filed its motion in response to oppose the consumer plaintiff's motion to rejoin or intervene. Litigation is in the pleading stage and discovery has not yet commenced. The Company denies any alleged wrongdoing and intends to defend against these actions vigorously.

In March 2019, a final arbitration award was issued in an arbitration proceeding brought by the Company alleging that one of its former members, Align Technology, Inc., had violated certain restrictive covenants set forth in its operating agreement. The arbitrator ruled that Align had breached both the non-competition and confidentiality provisions of our operating agreement and that, as a result, Align was required to close its Invisalign Stores, return all of the Company's confidential information, and sell its membership units to the Company or certain of the Company's pre-IPO unitholders for an amount equal to the balance of Align's capital account as of November 2017. The arbitrator also extended the non-competition period to which Align is subject through August of 2022 and prohibited Align from using our confidential information in any manner going forward. The Company is paying Align $54,000, pursuant to a promissory note payable over 24 months through March 2021, in full redemption of Align's membership units pursuant to this ruling. The ruling has been confirmed in its entirety in the circuit court of Cook County, Chicago, Illinois, but Align continues to object to the purchase price and repurchase documentation despite the arbitration ruling and its confirmation, and has since filed a subsequent arbitration proceeding disputing the $54,000 redemption amount and seeking an additional $43,400. Arbitration on this matter was scheduled for June 30, 2020 through July 16, 2020 but has since been postponed due to the COVID-19 pandemic. The parties will address a new arbitration date at a future status conference.

Tax Receivable Agreement

As described in Note 8, the Company is a party to the Tax Receivable Agreement pursuant to which SDC Inc. is contractually committed to pay the Continuing LLC Members 85% of the amount of any tax benefits that SDC Inc. actually realizes, or in some cases is deemed to realize, as a result of certain transactions. The Company is not obligated to make any payments under the Tax Receivable Agreement until the tax benefits associated with the transactions that gave rise to the payments are realized. TRA Payments are contingent upon, among other things, (i) generation of future taxable income over the term of the Tax Receivable Agreement and (ii) future changes in tax laws. If the Company does not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits, then it will not be required to make the related TRA Payments. During the three months ended March 31, 2020 and 2019, the Company recognized no liabilities relating to its obligations under the Tax Receivable Agreement, after concluding that it was not probable that the Company would have sufficient future taxable income over the term of the Tax Receivable Agreement to utilize the related tax

benefits. There were no transactions subject to the Tax Receivable Agreement for which the Company recognized the related liability, as the Company concluded that it would not have sufficient future taxable income to utilize all of the related tax benefits.

Note 17—Segment Reporting

The Company provides aligner products. The Company's chief operating decision maker views the operations and manages the business on a consolidated basis and, therefore the Company has one operating segment, aligner products, for segment reporting purposes in accordance with ASC 280-10, "*Segment Reporting*." For the three months ended March 31, 2020 and 2019, a substantial majority of the Company's revenues were generated by sales within the United States and substantially all of its net property, plant and equipment was within the United States.

Note 18—Subsequent Events

COVID-19 Pandemic

In response to the COVID-19 pandemic and in an effort to fortify the short-term financial position of the business, in April the Company took the following actions: reduced its marketing efforts; furloughed much of its headquarters and retail workforce; temporarily suspended cash pay for its executive and leadership teams; and bolstered its business contingency plans. Throughout the remainder of the year, the Company expects to reopen its SmileShops, as and when it is deemed safe to do so, as well as bring back our workforce, in both instances in a manner that is commiserate with the needs of our business.

New HPS Credit Facility

On May 12, 2020, SDC U.S. SmilePay SPV ("SPV"), a wholly-owned special purpose subsidiary of the Company, entered into a Loan Agreement among SPV, as borrower, SmileDirectClub, LLC, as the seller and servicer, certain lenders, and HPS Investment Partners, LLC, as administrative agent and collateral agent, providing a five-year secured term loan facility to SPV in an initial aggregate maximum principal amount of $400,000, with the ability to request incremental term loans of up to an additional aggregate principal amount of $100,000 with the consent of the lenders participating in such increase (the "HPS Credit Facility").

The proceeds of the HPS Credit Facility were used to repay all outstanding amounts under the previous JPM Credit Facility and for working capital and other corporate purposes.

Outstanding loans under the HPS Credit Facility bear interest at a variable rate equal to three-month LIBOR (subject to a 1.75% per annum floor), plus 7.50% per annum payable in cash, plus 3.25% per annum payable in kind or, at the Company's election, wholly or partially in cash.

Subject to certain exceptions, the HPS Credit Facility is secured by first-priority security interests in SPV's assets, which consist of certain receivables, cash, intellectual property and related assets. SPV's obligations under the Loan Agreement are guaranteed on a limited basis by SmileDirectClub, LLC and SDC Financial LLC.

The HPS Credit Facility contains various restrictions, covenants, ratios and events of default, including:

- SPV has limitations on consolidations, creation of liens, incurring additional indebtedness, dispositions of assets, investments and paying dividends or other distributions.
- SDC Financial LLC, its consolidated subsidiaries and certain originator entities must maintain minimum monthly liquidity of $100,000 and are subject to additional leverage ratios upon the occurrence of additional debt.
- SDC Financial LLC is subject to a consolidated leverage ratio measured as of the end of each fiscal quarter beginning March 31, 2022, to be calculated based on annualized EBITDA for the first three quarters of 2022, and thereafter, to be calculated based on EBITDA during the trailing four fiscal quarters for the relevant period.

The HPS Credit Facility can be refinanced during the first year, provided that SPV would be required to pay the amount of interest that would have accrued during the remainder of the first year, plus 4% of the principal amount prepaid; and after the first year, for a fee of 4% of the principal amount prepaid, with the prepayment fee decreasing each year to 3% in the third year, 2% in the fourth year and 1% in the fifth year.

HPS Warrants

In connection with the HPS Credit Facility, the Company issued warrants ("HPS Warrants") to affiliates of HPS Investment Partners, LLC exercisable at any time into an aggregate of 3,889,575 shares of the Company's Class A common stock, which amounts to 1% of the Company's total outstanding Class A and Class B common stock, including the HPS Warrants, as of the closing date of the HPS Credit Facility, at an exercise price of $7.11 per share, payable in cash or pursuant to a cashless exercise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in any forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q, particularly in "Risk Factors."
See "Cautionary Statement Regarding Forward-Looking Statements."

We are the industry pioneer as the first direct-to-consumer medtech platform for transforming smiles. Through our cutting-edge teledentistry technology and vertically integrated model, we are revolutionizing the oral care industry. Our direct-to-consumer model provides members with a customized clear aligner therapy treatment delivered directly to their doors. We integrate marketing, aligner manufacturing, and fulfillment, and provide a proprietary web-based teledenstistry platform for the monitoring of treatment by licensed dentists and orthodontists through the completion of a member's treatment. We are headquartered in Nashville, Tennessee and have locations throughout the U.S, Puerto Rico, Canada, Australia, New Zealand, the U.K., Ireland, Hong Kong, Germany and Costa Rica.

Key Business Metrics

We review the following key business metrics to evaluate our business performance: *Unique aligner order shipments*

For the three months ended March 31, 2020 and 2019, we shipped 122,751 and 109,894 unique aligner orders, respectively. Each unique aligner order shipment represents a single contracted member. We believe that our ability to increase the number of aligner orders shipped is an indicator of our market penetration, growth of our business, consumer interest, and our member conversion.

Average aligner gross sales price

We define average gross sales price (''ASP") as gross revenue, before implicit price concession and other variable considerations and exclusive of sales tax, from aligner orders shipped divided by the number of unique aligner orders shipped. We believe ASP is an indicator of the value we provide to our members and our ability to maintain our pricing. Our ASP for the three months ended March 31, 2020 and 2019 was $1,770 and $1,767, respectively. Our ASP is less than our standard $1,895 price as a result of discounts offered to select members.

Key Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including those described below and in the section titled "*Risk Factors*" included in Part I, Item 1A. in our Annual Report on Form 10-K for the year ended December 31, 2019, and updated elsewhere in this Form 10-Q.

COVID-19 pandemic

The impacts of COVID-19 unfolded globally throughout the first quarter of 2020, growing in strength from what the World Health Organization ("WHO") declared a Public Health Emergency of International Concern in January, to an increased threat assessment by the WHO from high to very high in February, culminating with the WHO characterization of COVID-19 as a pandemic in March 2020. In response to COVID-19 and the related containment measures, we took the following steps to ensure the health and safety of our employees and our members: transitioned our employees, where possible, to a remote working environment; closed our SmileShops (except in Hong Kong); and implemented enhanced cleaning and sanitizing routines as well as social distancing and other protective measures at our manufacturing facilities. We also repurposed certain of our 3D printing capabilities in order to manufacture personal protective equipment at cost for healthcare organizations and government agencies.

While we did not incur material disruptions to our business in the first two months of the quarter, the impacts of COVID-19 correlated with its rise as a pandemic, intensified in March and materially disrupted our operations. Specifically, on March 20, 2020, we commenced the closure of our SmileShops, which have historically been a key driver in member conversion to aligner sales. This resulted in lower than anticipated revenue growth and a decrease in our gross margin. Further, in an effort to fortify the short-term financial position of the business, in April we took the following actions: reduced our marketing efforts; furloughed much of our headquarters and retail workforce; temporarily suspended cash pay for our executive and leadership teams; and bolstered our business contingency plans. Throughout the remainder of the year, we expect to reopen our SmileShops, as and when it is deemed safe to do so, as well as bring back our workforce, in both instances in a manner that is commensurate with the needs of our business and protects the health and safety of our team members and customers.

We are working to navigate the uncertain economic and operating conditions resulting from COVID-19. We believe that our direct-to-consumer and teledentistry platforms are well suited for this environment. Specifically, our impression kit offers the ability to begin treatment or obtain any necessary mid-course corrections or refinements remotely from home. We believe that, going forward, increased demand for our impression kit and the expected resulting conversion to aligner sales will help to partially offset the decrease in revenue growth and gross margin experienced as a result of our SmileShop closures. As of the date of this filing, we continue to fill orders in a timely manner and have not experienced nor do we foresee any material disruptions to our ability to manufacture or distribute our products. Although we cannot know or control the duration and severity of COVID-19 and its impact on our business, we will continue to focus on: the health and safety of our employees and our members; continuity in our supply chain; quality and safety in our manufacturing; timely order fulfillment; and nimble decision-making, observing trends and meeting our members in whatever way they choose to experience our products. We remain committed to our mission to democratize access to a smile each and every person loves, and to growing our business, with the ability to shift our strategy to meet our members' needs in this unprecedented time.

Efficient acquisition of new members

- *Visits to our website:* On average, we have approximately five million unique visitors to our website each month, and we expect to continue to invest in sales and marketing to spread awareness and increase the number of individuals visiting our website.
- *Conversions from visits to aligner orders:* From our website, individuals can either sign up for a SmileShop appointment or order a doctor prescribed impression kit to evaluate and ultimately purchase our clear aligner treatment. We expect to continue to invest heavily in our proprietary technology platform, operations, and other processes to improve member conversion from website visit through SmileShop appointment booking, appointment attendance, and aligners ordered; and a similar process for our impression kits.

SmilePay

We offer *SmilePay*, a convenient monthly payment plan, to maximize accessibility and provide an affordable option for all of our members. The $250 down payment for *SmilePay* covers our cost of manufacturing the aligners, and the interest income generated by *SmilePay* helps offset the negative impact of delinquencies and cancellations. A number of factors affect delinquency and cancellation rates, including member-specific circumstances, our efforts in member service and management, and the broader macroeconomic environment.

Continued investment in controlled growth

We intend to continue investing in our business to support future growth by focusing on strategies that best address our large market opportunity, both domestically and internationally. Our key investment initiatives include continued advancement in automating and streamlining our manufacturing and treatment planning operations to allow us to stay ahead of consumer demand, continued discipline around marketing and selling investments, including a focus on pushing more demand through existing SmileShops, impression kits, and our office direct model, enhancing our existing product platform, and introducing new products to further differentiate our offerings. Additionally, we intend to continue to develop a suite of ancillary products for our

members' oral care needs, lengthening our relationship with our members and enhancing our recurring revenue base. As part of these key investment initiatives, we will also continue to explore collaborations with retailers and other third-party partnerships as a component of our expansion strategy.

International expansion

We will continue to make significant investments to expand our presence in international markets, particularly in Europe, Asia-Pacific, and other geographies.

Pace of adoption for teledentistry

The rate of adoption of teledentistry will impact our ability to acquire new members and grow our revenue.

Components of Operating Results

Revenues

Our revenues are derived primarily from sales of aligners, impression kits, whitening gel, and retainers, and interest earned on *SmilePay*. Revenues are recorded based on the amount that is expected to be collected, which considers implicit price concessions, discounts, and returns. Revenues includes revenue recognized from orders shipped in the current period, as well as deferred revenue recognized from orders in prior periods. We offer our members the option of paying the entire $1,895 cost of their treatment upfront or enrolling in *SmilePay*, our convenient monthly payment plan requiring a $250 down payment and an average monthly payment of $85 for 24 months.

Financing revenue includes interest earned on *SmilePay* aligner orders shipped in prior periods. Our average APR is approximately 17%, which is included in the $85 monthly payment.

Cost of revenues

Cost of revenues includes the total cost of products produced and sold. Such costs include direct materials, direct labor, overhead costs (occupancy costs, indirect labor, and depreciation), fees retained by doctors, freight and duty expenses associated with moving materials from vendors to our facilities and from our facilities to our members, and adjustments for shrinkage (physical inventory losses), lower of cost or net realizable value, slow moving product, and excess inventory quantities.

We manufacture all of our aligners and retainers in our manufacturing facilities. We have built extensive supply chain mechanisms that allow us to quickly and accurately create treatment plans and manufacture aligners.

Marketing and selling expenses

Our marketing expenses include costs associated with an omni-channel approach supported by media mix modeling (MMM) and multitouch attribution modeling (MTA). These costs include online sources, such as social media and paid search, and offline sources, such as television, experiential events, local events, and business-to- business partnerships. We also have comprehensive strategies across search engine optimization, customer relationship management (CRM) marketing, and earned and owned marketing. We have invested significant resources into optimizing our member conversion process.

Our selling costs include both labor and non-labor expenses associated with our SmileShops and costs associated with our sales and scheduling teams in our customer contact center. Non-labor costs associated with our SmileShops include rent, travel, supplies, and depreciation costs associated with digital photography equipment, furniture, and computers, among other costs.

General and administrative expenses

General and administrative expenses include payroll and benefit costs for corporate team members, equity-

based compensation expenses, occupancy costs of corporate facilities, bank charges, costs associated with credit and debit card interchange fees, outside service fees, and other administrative costs, such as computer maintenance, supplies, travel, and lodging.

Interest and other expenses

Interest expense includes interest from our financing agreements and other long-term indebtedness. Other expense includes unrealized gains and losses on currency translation adjustments related to certain intercompany loan agreements between legal entities, disposal of long-lived assets, and other non-operating gains and losses.

Provision for income tax expense

We are subject to U.S. federal, state, and local income taxes with respect to our allocable share of any taxable income of SDC Financial, and we are taxed at the prevailing corporate tax rates. In addition to tax expenses, we also incur tax expenses related to our operations, as well as payments under the Tax Receivable Agreement. We receive a portion of any distributions made by SDC Financial. Any cash received from such distributions from our subsidiaries will first be used by us to satisfy any tax liability and then to make any payments required under the Tax Receivable Agreement. See Note 8.

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with GAAP, we also present Adjusted EBITDA, a financial measure which is not based on any standardized methodology prescribed by GAAP.

We define Adjusted EBITDA as net loss, plus depreciation and amortization, interest expense, income tax expense, equity-based compensation, and certain other non-operating expenses such as one-time severance and other labor costs, and unrealized foreign currency adjustments. Adjusted EBITDA does not have a definition under GAAP, and our definition of Adjusted EBITDA may not be the same as, or comparable to, similarly titled measures used by other companies. We use Adjusted EBITDA when evaluating our performance when we believe that certain items are not indicative of operating performance. Adjusted EBITDA provides useful supplemental information to management regarding our operating performance and we believe it will provide the same to members/stockholders.

We believe that Adjusted EBITDA will provide useful information to members/stockholders about our performance, financial condition, and results of operations for the following reasons: (i) Adjusted EBITDA would be among the measures used by our management team to evaluate our operating performance and make day-to-day operating decisions and (ii) Adjusted EBITDA is frequently used by securities analysts, investors, lenders, and other interested parties as a common performance measures to compare results or estimate valuations across companies in our industry. Adjusted EBITDA should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. A reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure, is set forth below.

Results of Operations

The following table summarizes our historical results of operations. The period-over-period comparison of results of operations is not necessarily indicative of results for future periods, and the results for any interim period are not necessarily indicative of the operating results to be expected for the full fiscal year. You should read this discussion of our results of operations in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Form 10-Q.

(in thousands)	Three Months Ended March 31,	
	2020	2019
	(unaudited)	
Statements of Operations Data:		
Total revenues	$ 196,650	$ 177,736
Cost of revenues	59,777	48,915
Gross profit	136,873	128,821
Marketing and selling expenses	142,324	95,733
General and administrative expenses	91,029	49,459
Loss from operations	(96,480)	(16,371)
Total interest expense	4,022	3,971
Other expense	4,924	118
Net loss before provision for income tax expense	(105,426)	(20,460)
Provision for income tax expense	1,974	20
Net loss	(107,400)	(20,480)
Net loss attributable to non-controlling interest	(78,150)	—
Net loss attributable to SDC Inc.	$ (29,250)	$ (20,480)
Other Data:		
Adjusted EBITDA	$ (66,982)	$ (3,889)

The following table reconciles Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

(in thousands)	Three Months Ended March 31,	
	2020	2019
	(unaudited)	
Net loss	$ (107,400)	$ (20,480)
Depreciation and amortization	11,442	4,655
Total interest expense	4,022	3,971
Income tax expense	1,974	20
Equity-based compensation	16,396	7,827
Unrealized foreign currency adjustments	5,188	107
Other non-operating general and administrative costs	1,396	11
Adjusted EBITDA	$ (66,982)	$ (3,889)

Comparison of the three months ended March 31, 2020 and 2019

Revenues

Revenues increased $18.9 million, or 10.6%, to $196.7 million in the three months ended March 31, 2020 from $177.7 million in the three months ended March 31, 2019. The increase in revenues was primarily driven by growth in unique aligner shipments of 12% for the three months ended March 31, 2020 compared to the same period in 2019. Growth in unique aligner orders was primarily driven by an increase in number of website visitors and SmileShop scans and conversion thereof to aligner sales, along with an increase in sales and marketing spend.

This growth was partially offset by the impacts of COVID-19 on our operations, including the closure of SmileShops beginning in the latter half of March 2020 and a corresponding reduction in sales.

Cost of revenues

Cost of revenues increased $10.9 million, or 22.2%, to $59.8 million in the three months ended March 31, 2020 from $48.9 million in the three months ended March 31, 2019. Cost of revenues increased as a percentage of revenues from 28% in the three months ended March 31, 2019 to 30% in the three months ended March 31, 2020, primarily as a result of the negative impacts to our revenue caused by our response to COVID-19 including the closure of SmileShops and pause in production at our manufacturing facility in the latter half of March 2020. During the pause in production, we continued to pay team members through early April 2020. This increase was partially offset by a shift of producing more aligners internally versus outsourcing to a contract manufacturer, as well as increased automation.

Gross margin decreased to 70% in the three months ended March 31, 2020 from 72% in the three months ended March 31, 2019, primarily as a result of the factors described above.

Marketing and selling expenses

Marketing and selling expenses as a percentage of revenues increased to 72% in the three months ended March 31, 2020 from 54% in the three months ended March 31, 2019, and increased to $142.3 million in the three months ended March 31, 2020 from $95.7 million in the three months ended March 31, 2019, primarily due to increased digital and media advertising and branding efforts, and by expansion of SmileShop locations to prepare for growth. The increase in marketing and selling expenses as a percentage of revenue was negatively impacted by the effect of COVID-19 on our revenues, including the closure of SmileShops and pause in production at our manufacturing facility.

General and administrative expenses

General and administrative expenses increased $41.6 million, or 84%, to $91.0 million in the three months ended March 31, 2020 from $49.5 million in the three months ended March 31, 2019, primarily due to the expansion of our team members and services to support our business growth as well as an increase in equity-based compensation expense. General and administrative expenses as a percent of revenue increased from 28% in the three months ended March 31, 2019 to 46% in the three months ended March 31, 2020, primarily as a result of the factors mentioned above, including the deleveraging of our general and administrative expenses due to the negative effect of COVID-19 on our revenues.

Interest expense

Interest expense increased $0.1 million, or 1%, to $4.0 million in the three months ended March 31, 2020 from $4.0 million in the three months ended March 31, 2019, primarily as a result of a lower interest rates in new facilities, partially offset by higher amounts of indebtedness outstanding in the first quarter of 2020 compared to the same period in 2019.

Other expense

Other expense increased $4.8 million to $4.9 million in the three months ended March 31, 2020 from $0.1 million in the three months ended March 31, 2019, primarily as a result of the impact of unrealized foreign currency translation adjustments.

Provision for income tax expense

Our provision for income tax expense was $2.0 million and $0.0 million for the three months ended March 31, 2020 and 2019.

Liquidity and Capital Resources

As of March 31, 2020, SDC Inc. had an accumulated deficit of $143.8 million and had working capital of $292.1 million. Our operations have been financed primarily through net proceeds from the sale of our equity securities and borrowings under our debt instruments.

Our short-term liquidity needs primarily include working capital, international expansion, innovation, research and development, and debt service requirements. We believe that our current liquidity, including net proceeds received in connection with the IPO and our new HPS Credit Facility, will be sufficient to meet our projected operating, investing, and debt service requirements for at least the next 12 months. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our levels of revenue, sales and marketing activities, the results of research and development and other business initiatives, the timing of new product introductions, and overall economic conditions including the effects of the COVID-19 pandemic. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of additional debt financing would result in debt service obligations, and any future instruments governing such debt could provide for operating and financing covenants that would restrict our operations.

SDC Inc. is a holding company with no operations of our own and, as such, we depend on our subsidiaries for cash to fund all of our operations and expenses. We depend on the payment of distributions by our subsidiaries, and such distributions may be restricted as a result of regulatory restrictions, state and international laws regarding distributions, or contractual agreements, including agreements governing indebtedness. For a discussion of those restrictions, see "*Risk Factors—Risks Related to Our Organization and Structure—We are a holding company. Our sole material asset is our equity interest in SDC Financial, and as such, we depend on our subsidiaries for cash to fund all of our expenses, including taxes and payments under the Tax Receivable Agreement.*" included in our Annual Report on Form 10-K for the period ending December 31, 2019. We currently anticipate that such restrictions will not impact our ability to meet our cash obligations.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated.

(in thousands)	**Three Months Ended March 31,**	
	2020	**2019**
Net cash used in operating activities	$ (70,395)	$ (38,784)
Net cash used in investing activities	(28,123)	(20,601)
Net cash provided by (used in) financing activities	4,494	(13,360)
Increase in cash	(94,024)	(72,745)
Cash at beginning of period	318,458	313,929
Cash at end of period	$ 224,434	$ 241,184

Comparison of the three months ended March 31, 2020 and 2019

As of March 31, 2020, we had $224.4 million in cash, a decrease of $16.8 million compared to $241.2 million as of March 31, 2019.

Cash used in operating activities increased to $70.4 million during the three months ended March 31, 2020 compared to $38.8 million in the three months ended March 31, 2019, or an increase of $31.6 million, primarily resulting from an increase in net loss during the period.

Cash used in investing activities increased to $28.1 million during the three months ended March 31, 2020, compared to $20.6 million in the three months ended March 31, 2019, primarily resulting from an increase in the

number of SmileShop locations, along with an increase in purchases of manufacturing automation equipment and computer and software equipment to support our growth.

Cash provided by financing activities was $4.5 million during the three months ended March 31, 2020, compared to cash used in financing activities of $13.4 million in the three months ended March 31, 2019. This increase is primarily due to net proceeds received from credit facility borrowings as compared to net repayments on borrowings in the prior year period.

Tax Receivable Agreement

Our purchase of LLC Units from SDC Financial, coupled with SDC Financial's purchase and cancellation of LLC Units from the Pre-IPO Investors in connection with the IPO and any future exchanges of LLC Units for our Class A common stock or cash are expected to result in increases in our allocable tax basis in the assets of SDC Financial that otherwise would not have been available to us. These increases in tax basis are expected to provide us with certain tax benefits that can reduce the amount of cash tax that we otherwise would be required to pay in the future. We and SDC Financial are parties to the Tax Receivable Agreement with the Continuing LLC Members, pursuant to which SDC Inc. is obligated to pay the Continuing LLC Members 85% of the cash savings, if any, in U.S. federal, state, and local income tax or franchise tax that SDC Inc. actually realize as a result of (a) the increases in tax basis attributable to exchanges by Continuing LLC Members and (b) tax benefits related to imputed interest deemed to be paid by SDC Inc. as a result of the Tax Receivable Agreement. The amounts to be recorded for both the deferred tax assets and the liability for our obligations under the Tax Receivable Agreement will be estimated at the time of an exchange of LLC Units. All of the effects of changes in any of our estimates after the date of the exchange will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income. Because SDC Inc. is the managing member of SDC Financial, which is the managing member of SDC LLC, which is the managing member of SDC Holding, we have the ability to determine when distributions (other than tax distributions) will be made by SDC Holding to SDC LLC and by SDC LLC to SDC Financial and the amount of any such distributions, subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments). Any such distributions will then be distributed to all holders of LLC Units, including us, pro rata based on holdings of LLC Units. The cash received from such distributions will first be used by us to satisfy any tax liability and then to make any payments required under the Tax Receivable Agreement. We expect that such distributions will be sufficient to fund both our tax liability and the required payments under the Tax Receivable Agreement.

Indebtedness

Revolving credit facility

In June 2019, we and SDC U.S. SmilePay SPV (the ‘‘SPV”), our wholly owned special purpose subsidiary, entered into a loan and security agreement with JPMorgan Chase Bank, N.A., as the administrative agent, the collateral agent and a lender providing a secured revolving credit facility to the SPV in an initial aggregate maximum principal amount of $500 million with the potential to increase the aggregate principal amount that may be borrowed up to an additional $250 million with the consent of the lenders participating in such increase. Availability under the JPM Credit Facility is based on, among other things, the amount of eligible retail installment sale contracts owned by the SPV.

The JPM Credit Facility provides for interest on the outstanding principal balance of a spread above prevailing commercial paper rates or, to the extent the advance is not funded by a conduit lender through the issuance of commercial paper, LIBOR. The JPM Credit Facility also provides for an unused fee based on the unused portion of the total aggregate commitment. There is no amortization schedule. Upon expiration of the JPM Credit Facility on December 14, 2020 (unless earlier terminated or extended in accordance with its terms), any outstanding principal will continue to be reduced monthly through available collections. As of March 31, 2020, we had $166.2 million of outstanding borrowings under the JPM Credit Facility at an interest rate of three-month LIBOR plus 320 basis points in addition to 75 basis points on unused commitments.

The proceeds of the JPM Credit Facility were used to repay all outstanding amounts under the TCW Credit Facility, including repurchasing the TCW Warrants, for working capital and other corporate purposes. We are required to maintain on a consolidated basis specified minimum tangible net worth and liquidity and are also subject to a maximum leverage ratio. The JPM Credit Facility is secured by, among other assets, a first priority security interest in certain receivables conveyed by us to the SPV and certain of our intellectual property.

New HPS Credit Facility

On May 12, 2020, we entered into our new HPS Credit Facility providing a five-year secured term loan facility in an initial aggregate maximum principal amount of $400 million, with the ability to request incremental term loans of up to an additional aggregate principal amount of $100 million with the consent of the lenders participating in such increase. The proceeds of the HPS Credit Facility were used to repay all outstanding amounts under the previous JPM Credit Facility and for working capital and other corporate purposes. For a complete discussion of the new HPS Credit Facility, see “Note 18-Subsequent Events” in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during the periods presented.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that impact the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition and equity-based compensation, among others. Each of these estimates varies in regard to the level of judgment involved and its potential impact on our financial results. Estimates are considered critical either when a different estimate could have reasonably been used, or where changes in the estimate are reasonably likely to occur from period to period, and such use or change would materially impact our financial condition, results of operations, or cash flows. Actual results could differ from those estimates. While our significant accounting policies are more fully described in Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly

Report on Form 10-Q, we believe that the following accounting policy and estimates are most critical to a full understanding and evaluation of our reported financial results.

Revenue recognition

As discussed in Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we adopted ASC 606, "*Revenue from Contracts with Customers*," as of January 1, 2017 using the full retrospective method.

Our revenue is generated through sales of aligners, retainers, and other products. Our aligner sales commitment contains multiple promises which may include (i) initial aligners, (ii) mid-course corrections, and (iii) refinement aligners. Our members are eligible for modified or refinement aligners at any point during their treatment plan or immediately following their original treatment plan (which is typically between five and ten months), in each case, upon the direction of, and pursuant to a prescription from, the treating dentist or orthodontist. Under ASC 606, we evaluate whether the initial aligners, mid-course corrections, and refinement aligners represent separate or combined performance obligations. We have determined that these promises, within the aligner sales commitment, represent separate performance obligations.

The terms of the aligner and retainer sales include member rights to cancel the orders and return unopened aligner, impression kit, or retainer boxes for a refund of any consideration paid related to the returned products. The rights of return create variability in the amount of transaction consideration, and in turn, revenue we can recognize for fulfilling related performance obligations. We recognize revenue based on the amount of consideration to which we expect to be entitled, which excludes consideration received for products expected to be returned. Accordingly, we are required to make estimates of expected returns and related refund liabilities. We estimate expected returns based upon our assessment of historical and expected cancellations.

We offer our members the option of paying for the entire cost of their aligners upfront or enrolling in *SmilePay*, a convenient monthly payment plan that requires a $250 down payment, with the remaining consideration due over a period up to 24 months. Approximately 65% of our members elect to purchase our aligners using *SmilePay*. The amount of contract consideration we estimate to be collectible from our *SmilePay* members results in an implicit price concession. We estimate the amount of implicit price concession based upon our assessment of historical write-offs and expected net collections, business and economic conditions, including the uncertainty of the lasting effects of the COVID-19 pandemic, and other collection indicators. We believe our analysis provides reasonable estimates of our revenues and valuations of our accounts receivable.

Revenue is recognized for mid-course corrections and refinement aligners when the promised goods are transferred to the member. Mid-course corrections and refinement aligners represent a promise to transfer goods to members, and not all members order mid-course corrections or refinement aligners. We make our best estimate of mid-course correction and refinement aligner member usage rates, which we use to determine the amount of revenue to allocate to those performance obligations at inception of our aligner sales commitment. Our process for estimating usage rates requires significant judgment and evaluation of inputs, including historical data and forecasted usages. Any material changes to usage rates could impact the timing of revenue recognition, which may have a material effect on our financial position and result of operations.

Amounts received prior to satisfying the above revenue recognition criteria are recorded as a contract liability in our historical consolidated balance sheets.

Equity-based compensation

Prior to the IPO, we issued equity-based compensation awards to team members and non-team members through granting of incentive units. There have been no significant changes to this critical accounting policy which is disclosed in our Final IPO Prospectus.

Following the IPO, we have two types of equity-based compensation awards outstanding: Options and RSUs, including those issued pursuant to IBAs.

We account for equity-based compensation for team members in accordance with ASC 718, "*Compensation-Stock Compensation*." In accordance with ASC 718, compensation cost is measured at estimated fair value on grant date and is included as compensation expense over the vesting period during which a team member provides service in exchange for the award.

We used the Black-Scholes Option Pricing Method to allocate the total equity fair value to outstanding Options. The Black-Scholes Option Pricing Method includes various assumptions, including the expected life of Options, the expected volatility, and the expected risk-free interest rate. These assumptions reflect our best estimates, but they involve inherent uncertainties based on market conditions generally outside our control. As a result, if other assumptions had been used, equity-based compensation cost could have been materially impacted. Furthermore, if we use different assumptions for future grants, equity-based compensation cost could be materially impacted in future periods.

The fair value of RSUs is determined by our stock price on the date of grant and related compensation expense is generally recognized over the requisite service period.

Income tax expense

SDC Inc. is the managing member of SDC Financial and, as a result, consolidates the financial results of SDC Financial. SDC Financial and its subsidiaries are limited liability companies and have elected to be taxed as partnerships for income tax purposes except for a subsidiary, SDC Holding, that is treated like a corporation. As such, SDC Financial does not pay any federal income taxes, as any income or loss will be included in the tax returns of the individual members. SDC Financial does pay state income tax in certain jurisdictions, and the Company's income tax provision in the consolidated financial statements reflects the income taxes for those states. Additionally, certain wholly-owned entities are required to be looked at on a stand-alone basis resulting in federal income taxes, and such federal income taxes are included in the consolidated financial statements.

We use the asset and liability method to account for income taxes and apply the principles of ASC 740, *"Income Taxes,"* in determining when our tax positions should be recognized. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If a net operating loss carryforward exists, we make a determination as to whether that net operating loss carryforward will be utilized in the future. A valuation allowance will be established for certain net operating loss carryforwards and other deferred tax assets where the recoverability is deemed to be uncertain. The carrying value of the net deferred tax assets is based upon estimates and assumptions related to our ability to generate sufficient future taxable income in certain tax jurisdictions. If these estimates and related assumptions change in the future, we will be required to adjust our deferred tax valuation allowances.

In connection with the Reorganization Transactions and the IPO, we entered into the Tax Receivable Agreement with certain of the Continuing LLC Members that provides for the payment by us of 85% of the amount of any tax benefits that SDC Inc. actually realizes, or in some cases is deemed to realize, as a result of (i) increases in SDC Inc.'s share of the tax basis in the net assets of SDC Financial resulting from any redemptions or exchanges of LLC Units, (ii) tax basis increases attributable to payments made under the Tax Receivable Agreement, and (iii) deductions attributable to imputed interest pursuant to the Tax Receivable Agreement (the "TRA Payments"). We expect to benefit from the remaining 15% of any of cash savings, if any, that we realize.

The amounts payable under the Tax Receivable Agreement will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of SDC Inc. in the future. If the valuation allowance recorded against the deferred tax assets applicable to the tax attributes referenced above is released in a future period, the Tax Receivable Agreement liability may be considered probable at that time and recorded within earnings.

Recent Accounting Pronouncements

For a discussion of new accounting pronouncements recently adopted and not yet adopted, see Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk

Our cash consists primarily of an interest-bearing account at a large U.S. bank with limited interest rate risk. We intend to maintain our portfolio of cash equivalents in a variety of investment-grade securities, which may include commercial paper, money market funds, and government and non-government debt securities. Because of the short-term maturities of our cash and cash equivalents and marketable securities, we do not believe that an increase in market rates would have any significant negative impact on the realized value of our investments. At March 31, 2020, we held no investments in marketable securities.

In June 2019, we entered into the JPM Credit Facility in an initial aggregate maximum principal amount of $500 million with the potential to borrow up to an additional $250 million. The JPM Credit Facility provides for interest on the outstanding principal balance of a spread above prevailing commercial paper rates or, to the extent the advance is not funded by a conduit lender through the issuance of commercial paper, LIBOR. As of March 31, 2020, we had $166.2 million of outstanding borrowings under the JPM Credit Facility at an interest rate of three-month LIBOR plus 320 basis points in addition to 75 basis points on unused commitments.

Foreign currency exchange risk

Historically we have operated primarily in the U.S. and substantially all of our revenue, cost, expense and capital purchasing activities for the three months ended March 31, 2020 were transacted in United States dollars. As we are expanding our sales and operations internationally, we are more exposed to changes in foreign exchange rates. Our international revenue is currently predominantly from Canada and is denominated primarily in Canadian dollars, with a limited portion from Australia, New Zealand, the U.K., Ireland, Hong Kong, and Germany, which are denominated in their local currencies. In the future, as we continue to expand into additional international jurisdictions, we expect that our international sales will be primarily denominated in foreign currencies and that any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct foreign sales could have an adverse impact on our revenue. To minimize this risk, our expenses, other than manufacturing, are incurred in local currency to effectively create a natural hedge against currency risk.

A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates. In particular, in our Costa Rican operations, we pay payroll and other expenses in Costa Rican colones. In addition, our suppliers incur many costs, including labor costs, in other currencies. To the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us, which could have a material impact on our gross margins. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. However, we believe that the exposure to foreign currency fluctuation from operating expenses is relatively small at this time as the related costs do not constitute a significant portion of our total expenses.

Our exposures to foreign currency risks may change as we continue to grow our international operations and could have a material adverse impact on our financial results. We may in the future hedge our foreign currency exposure and may use currency forward contracts, currency options, and/or other common derivative financial instruments to reduce foreign currency risk. It is difficult to predict the effect any future hedging activities would have on our operating results.

Inflation risk

Inflationary factors, such as increases in our cost of revenues, advertising costs and other selling and operating expenses, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain and increase our gross margin or to maintain current levels of selling, general, administrative and other operating expenses as a percentage of revenues if the selling price of our products do not increase with these increased costs.

Credit risk

We are exposed to credit risk through our *SmilePay* financing option. In the first quarter of 2020, approximately 66% of our members choose to finance their treatment through *SmilePay*. As of December 31, 2019, *SmilePay* amounted to approximately $345.7 million in net receivables and an associated delinquency rate of 9%. As of March 31, 2020, *SmilePay* amounted to approximately $345.3 million in net receivables and an associated delinquency rate of approximately 9% of revenue. We may experience an increase in payment defaults and uncollectible accounts due to, among other things, the uncertainty of the lasting effects of the COVID-19 pandemic on general economic conditions and consumer behavior, and may be required to revise our collection estimates, which would adversely affect our revenue and net loss.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our CEO and CFO have concluded that as of March 31, 2020, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

We adopted ASU No. 2016-02, *Leases (Topic 842)* as of January 1, 2020 (see Note 2 and Note 6). As a result, we updated accounting policies affected by ASC 842 and modified internal controls over financial reporting related to ASC 842.

There were no other changes in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectives of Controls and Procedures

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of conducting our business, we are involved, from time to time, in various contractual, product liability, intellectual property, and other claims and disputes incidental to our business. Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance, and it is reasonably possible that some of these matters may be decided unfavorably to us. In addition, we periodically receive communications from state and federal regulatory and similar agencies inquiring about the nature of our business activities, licensing of professionals providing services, and similar matters. Such matters are routinely

concluded with no financial or operational impact on us.

From September to December 2019, a number of purported stockholder class action complaints were filed in the U.S. District Court for the Middle District of Tennessee and in state courts in Tennessee, Michigan and New York against us, members of our board of directors, certain of our current officers, and the underwriters of our IPO. The following nine complaints have been filed to date: *Mancour v. SmileDirectClub, Inc.*, 19-1169-IV (TN Chancery Court filed 9/27/19), *Vang v. SmileDirectClub, Inc.*, 19c2316 (TN Circuit Court filed 9/30/19), *Fernandez v. SmileDirectClub, Inc.*, 19c2371 (TN Circuit Court filed 10/4/19), *Wei Wei v. SmileDirectClub, Inc.*, 19-1254-III (TN Chancery Court filed 10/18/19), *Andre v. SmileDirectClub, Inc.*, 19-cv-12883 (E.D. Mich. filed 10/2/19), *Ginsberg v. SmileDirectClub, Inc.*, 19-cv-09794 (S.D.N.Y. filed 10/23/19), *Franchi v. SmileDirectClub, Inc.*, 19- cv-962 (M.D. Tenn. filed 10/29/19), *Nurlybayev v. SmileDirectClub, Inc.*, 19-177527-CB (Oakland County, MI Circuit Court filed 10/30/19), Sasso v. Katzman, et al., No. 657557/2019 (NY Supreme Court filed 12/18/19). In December 2019, the *Fernandez*, *Vang*, *Mancour* and *Wei Wei* actions were consolidated as *In re SmileDirectClub, Inc. Securities Litigation*, 19-1169-IV (TN Chancery Court filed December 20, 2019). The complaints all allege, among other things, that the registration statement filed with the SEC on August 16, 2019, and accompanying amendments, and the Prospectus filed with the SEC on September 13, 2019, in connection with our initial public offering were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein. The complaints seek unspecified money damages, other equitable relief, and attorneys' fees and costs. All of the actions are in the preliminary stages. On February 26, 2020, Defendants prevailed on their motion to dismiss the Michigan state court action. On January 22, 2020, the New York state court action was stayed. On February 10, 2020, we moved to dismiss or stay the Tennessee state court action. On March 23, 2020, we moved to dismiss the Tennessee federal action. The Company denies any alleged wrongdoing and intends to vigorously defend against these actions.

In November and December 2019 and March 2020, three stockholder derivative actions were filed against the members of our board of directors, certain of our current officers and related entities. The complaints allege, among other things, that the defendants breached their fiduciary duties by allowing the Final IPO Prospectus to contain materially misleading statements and by participating in insider selling in connection with the IPO. The complaints seek, among other things, money damages on behalf of the Company, restitution and/or disgorgement from the selling director defendants and cancellation of the Company's Class B common stock. The three derivative actions have been consolidated into *In Re SmileDirectClub, Inc. Derivative Litigation*, C.A. No. 2019-0940-MTZ (Delaware Chancery Court) and Plaintiffs filed a consolidated amended complaint on April 8, 2020. The action remains in the preliminary stages.

Some state dentistry boards have established new rules or interpreted existing rules in a manner that limits or restricts our ability to conduct our business as currently conducted in other states or have engaged in conduct so as to otherwise interfere with the Company's ability to conduct its business. We have filed actions in federal court in Alabama, Georgia, and California against the state dental boards in those states, alleging violations by the dental boards of various laws, including the Sherman Act and the Commerce Clause. While a national orthodontic association has filed Amicus Briefs in support of the dental boards in both the Georgia and Alabama litigations and has filed a motion to do the same in California (which motion was denied), the FTC and DOJ have filed joint Amicus Briefs in support of the Company in both the Alabama and Georgia matters. An amended complaint is being filed in the California matter in response to the Court's order giving us leave to amend on all of our claims with the exception of our equal protection act claim. Both the Alabama and Georgia matters are pending before the 11th Circuit Court of Appeals as a result of the dental boards in both states appealing the lower courts' decisions. The Georgia matter is scheduled for oral argument on May 20, 2020. The FTC and DOJ have filed an unopposed motion to use a portion of our time to present at oral argument to argue their position that the Georgia government has not demonstrated it sufficiently oversaw the dentistry board. The Alabama matter is tentatively scheduled for oral argument on July 6, 2020.

In September 2019, a putative class action on behalf of a consumer and three orthodontists was brought against us in the U.S. District Court for the Middle District of Tennessee, *Ciccio, et al. v. SmileDirectClub, LLC, et al.*, Case No. 3:19-cv-00845 (M.D. Tenn.). The Plaintiffs assert claims for breach of warranty, false advertising under

the Lanham Act, common law fraud, and various state consumer protection statutes relating to our advertising. We recently filed a motion to strike and a motion to dismiss the providers claims. In January 2020, one of the putative consumers who withdrew from the above action filed a declaratory judgment action in the U.S. District Court for the Southern District of Florida seeking to compel us to arbitrate. The consumer plaintiff simultaneously filed a putative class arbitration in the American Arbitration Association, pursuing substantially similar claims. This consumer and the original consumer plaintiff in the Middle District of Tennessee litigation have since sought to rejoin the Middle District of Tennessee litigation or, in the alternative, to intervene. We have filed our motion in response to oppose the consumer plaintiff's motion to rejoin or intervene. Litigation is in the pleading stage and discovery has not yet commenced. The Company denies any alleged wrongdoing and intends to defend against these actions vigorously.

In March 2019, a final arbitration award was issued in an arbitration proceeding brought by us alleging that one of our former members, Align Technology, Inc., had violated certain restrictive covenants set forth in our operating agreement. The arbitrator ruled that Align had breached both the non-competition and confidentiality provisions of our operating agreement and that, as a result, Align was required to close its Invisalign Stores, return all of our confidential information, and sell its membership units to us or certain of our pre-IPO unitholders for an amount equal to the balance of Align's capital account as of November 2017. The arbitrator also extended the non- competition period to which Align is subject through August of 2022 and prohibited Align from using our confidential information in any manner going forward. We are paying Align $54 million, pursuant to a promissory note payable over 24 months through March 2021, in full redemption of Align's membership units pursuant to this ruling. The ruling has been confirmed in its entirety in the circuit court of Cook County, Chicago, Illinois, but Align continues to object to the purchase price and repurchase documentation despite the arbitration ruling and its confirmation, and has since filed a subsequent arbitration proceeding disputing the $54 million redemption amount and seeking an additional $43 million. Arbitration on this matter was scheduled for June 30, 2020 through July 16, 2020 but has since been postponed due to the Covid-19 pandemic. The parties will address a new arbitration date at a future status conference.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, as updated and supplemented below. However, the risks and uncertainties we face are not limited to those described in this report and in our Annual Report on Form 10-K. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial may also adversely affect our business, particularly given the rapidly evolving nature of the COVID-19 pandemic and containment measures, and the related impacts to economic and operating conditions.

The COVID-19 pandemic and the measures implemented to contain the spread of the virus have had, and are expected to continue to have, a material adverse impact on our business, results of operations and cash flows.

The emergence of the COVID-19 pandemic and the resulting containment measures have had, and we expect will continue to have, a material adverse impact on our business, results of operations and cash flows, the extent and duration of which depend on numerous evolving factors and future developments that we are unable to predict, including the duration, spread and severity of the outbreak; the nature, extent and effectiveness of containment measures; the immediate and long-term impact on the economy, unemployment, consumer confidence and consumer spending; and how quickly and to what extent normal economic and operating conditions can resume.

The COVID-19 pandemic and containment measures have contributed to certain negative impacts on our business, including, without limitation, the following:

- Decreased sales of our clear aligners, retainers and other products that we expect will continue with greater

significance in the second quarter of 2020 and potentially beyond.

- Closed SmileShops (except in Hong Kong), which have historically been a key driver in improving member conversion, until such time as reopening is deemed safe for our employees and our members.
- Decreased sales of our oral care product line as our retail partners experience disruption due to mandated or encouraged shelter-in-place and social distancing policies.
- Reduced consumer demand due to deteriorating economic and political conditions such as increased unemployment, decreased salary and wage rates, and decreased consumer confidence and consumer perception of economic conditions.
- Reduced marketing efforts, which has had and may continue to have negative impacts on our ability to increase demand and improve member conversion.
- Furloughed much of our headquarters and retail workforce, which may result in a permanent loss of key employees, that in turn may significantly delay or prevent the achievement of our business objectives, and further may negatively impact our ability to recruit and retain personnel in the future.
- Revised the timing of expansion into certain international markets due to delays in the regulatory approval process of certain foreign governments.
- Experienced some disruption in our volume of raw materials received from international third party suppliers, particularly in Asia, who supply, among other things, certain of the technology and raw materials used in our manufacturing processes.
- Reduced manufacturing capacity as a result of reconfiguring our production lines to comply with social distancing safety protocol as well as reallocating certain 3D printing capabilities to produce personal protective equipment.
- Anticipated potential for increased defaults on our SmilePay financing plan, including the potential for an increase in our delinquency rates and number of uncollectible accounts, as the economic impacts of COVID-19 intensify.

The above impacts of the COVID-19 pandemic and containment measures are likely to continue, and in some instances, may worsen. The duration and severity of the pandemic may also heighten other risks described in the “Risk Factors” section in our Annual Report on Form 10-K for the year ended December 31, 2019. The full extent to which the COVID-19 pandemic will negatively affect our business, results of operations and cash flows is not yet known, cannot be predicted and may continue even once the pandemic is controlled and containment measures are lifted.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 12, 2020, in connection with the HPS Credit Facility, the Company issued the HPS Warrants to affiliates of HPS Investment Partners, LLC exercisable at any time into an aggregate of 3,889,575 shares of the Company’s Class A common stock, which amounts to 1% of the Company’s total outstanding Class A and Class B common stock, including the HPS Warrants, as of the closing date of the HPS Credit Facility, at an exercise price of $7.11 per share, payable in cash or pursuant to a cashless exercise. The proceeds of the HPS Credit Facility were used to repay all outstanding amounts under the previous JPM Credit Facility and for working capital and other corporate purposes. The HPS Warrants were issued in reliance upon the exemption from registration set forth in Section 4(a)(2) of the Securities Act of 1933, as amended. For a complete discussion of the new HPS Credit Facility and the HPS Warrants, see “Note 18-Subsequent Events” in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On May 12, 2020, we entered into our new HPS Credit Facility and, in connection with the HPS Credit Facility, issued the HPS Warrants. For a complete discussion of the HPS Credit Facility and the HPS Warrants, see “Note 18-Subsequent Events” in the Notes to Condensed Consolidated Financial Statements, “Indebtedness” in the Management’s Discussion and Analysis, and Item 2. “Unregistered Sale of Securities and Use of Proceeds” contained in this Quarterly Report on Form 10-Q.

Item 6. Exhibits

Exhibit Index

Exhibit No.	Exhibit Description
4.1*	Form of Warrants to Purchase Class A Common Stock of SmileDirectClub, Inc. issued May 12, 2020.
10.1*	Loan Agreement, dated as of May 12, 2020, among SDC U.S. SmilePay SPV, as borrower, SmileDirectClub, LLC, as the seller and servicer, the lenders from time to time party thereto, and HPS Investment Partners, LLC, as administrative agent and collateral agent.
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

SMILEDIRECTCLUB, INC.

(Registrant)

May 15, 2020

Date

/s/ Kyle Wailes

Kyle Wailes

Chief Financial Officer

(Principal Financial Officer)

May 15, 2020

Date

/s/ Troy Crawford

Troy Crawford

Chief Accounting Officer

(Principal Accounting Officer)

NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

WARRANT TO PURCHASE CLASS A COMMON STOCK OF SMILEDIRECTCLUB, INC.

Warrant No.: ____
Number of Shares of Common Stock:_____
Date of Issuance: May 12, 2020 ("**Issuance Date**")

SmileDirectClub, Inc. a Delaware corporation, (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [●], the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase Class A Common Stock (including any Warrants to Purchase Class A Common Stock issued in exchange, transfer or replacement hereof, the "**Warrants**"), at any time or times on or after the date hereof, but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), [●] fully paid nonassessable shares of Common Stock (as defined below) (the "**Warrant Shares**").

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof, the Warrants may be exercised by the Holder on any day from the date hereof until the Expiration Date , in whole or in part, by (i) delivery of a written notice to the Company in the form attached hereto as Exhibit A (as properly completed, including with appendices, if applicable, an "**Exercise Notice**"), of the Holder's election to exercise this Warrant and (ii) (A) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or by wire transfer of immediately available funds or (B) notification to the Company in the Exercise Notice that this Warrant is being exercised pursuant to a Cashless Exercise (as defined below). The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. No ink-original Exercise Notice shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Exercise Notice be required. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant

evidencing the right to purchase the remaining number of Warrant Shares and the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Exercise Notice is delivered to the Company. On or before the second (2nd) Trading Day following the date of delivery of the applicable Exercise Notice and Aggregate Exercise Price (or notice of a Cashless Exercise) (together, the "**Exercise Delivery Documents**"), the Company shall transmit an acknowledgement of confirmation of receipt of the Exercise Delivery Documents in the form attached to the Exercise Notice to the Holder and the Company's transfer agent ("**Transfer Agent**"). On or before the third (3rd) Business Day following the date on which the Company has received all of the Exercise Delivery Documents (the "**Share Delivery Date**"), the Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder to credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with The Depositary Trust Company, a New York corporation ("**DTC**"), through its Deposit Withdrawal At Custodian system specified by the Holder in the Exercise Notice if the Company is then a participant in such system or otherwise by physical delivery of a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Exercise Notice. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is physically delivered in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall, at the request of a Holder, deliver a new Warrant representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded down to the nearest whole number. The Company (i) shall pay any and all taxes and other expenses of the Company which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant and (ii) shall be responsible for all fees and expenses of the Transfer Agent and all fees and expenses with respect to the issuance of the Warrant Shares via DTC, if any. Until the Expiration Date, the Company shall use commercially reasonable efforts to maintain a transfer agent that participates in DTC's Fast Automated Securities Transfer system. In connection with any Cashless Exercise of a Warrant for which the Holder has held the Warrant for the requisite holding period under Rule 144 of the Securities Act of 1933, as amended (the "**Securities Act**"), the Company shall, upon request, provide the Holder and the Transfer Agent with an opinion of counsel for the Company (which shall be an outside law firm with securities law experience, which may be Foley & Lardner LLP) stating that (i) the exercise of the Warrants on a cashless basis in accordance with Section 1(d) is not required to be registered under the Securities Act and (ii) the shares of Common Stock issued upon such exercise shall be freely tradable under United States federal securities laws by anyone who is not an affiliate (as such term is defined in Rule 144 under the Securities Act (or any successor rule)) of the Company and, accordingly, shall not be required to bear a restrictive legend.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means $7.11, subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a valid Exercise Notice by the third Trading Day following the Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the Closing Sale Price of the Common Stock on the date of the applicable Exercise Notice), $10 per Trading Day (increasing to $20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise.

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary, the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the "Net Number" of shares of Common Stock determined according to the following formula (a "**Cashless Exercise**"):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A= the total number of shares with respect to which this Warrant is then being exercised.

B= the Closing Sale Price of the shares of Common Stock (as reported by Bloomberg) on the date immediately preceding the date of the Exercise Notice.

C= the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(e) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed and that are disputed shall be resolved in accordance with Section 14.

(f) Insufficient Authorized Shares. If at any time while any of the Warrants remain outstanding the Company does not have a sufficient number of authorized and otherwise unreserved shares of Common Stock to satisfy its obligation to reserve for issuance upon exercise of the Warrants at least a number of shares of Common Stock equal to 100% (the "**Required Reserve Amount**") of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of all of the Warrants then outstanding (an "**Authorized Share Failure**"), then the Company shall promptly take all action reasonably necessary to increase the Company's authorized shares of Common Stock to an amount sufficient to allow the

Company to reserve the Required Reserve Amount for the Warrants then outstanding. Without limiting the generality of the foregoing sentence, as soon as practicable after the date of the occurrence of an Authorized Share Failure, but in no event later than one hundred and twenty (120) days after the occurrence of such Authorized Share Failure, the Company shall hold a meeting of its stockholders for the approval of an increase in the number of authorized shares of Common Stock. In connection with such meeting, the Company shall provide each stockholder with a proxy statement and shall use its commercially reasonable efforts to solicit its stockholders' approval of such increase in authorized shares of Common Stock and to cause its board of directors to recommend to the stockholders that they approve such proposal. Notwithstanding the foregoing, with respect to any such Authorized Share Failure, if the Company is able to obtain the written consent of stockholders in accordance with the first sentence of Section 9.1 of the Company's Amended and Restated Certificate of Incorporation to approve the increase in the number of authorized shares of Common Stock, the Company may satisfy this obligation by obtaining such consent and submitting for filing with the U.S. Securities and Exchange Commission an Information Statement on Schedule 14C.

(g) Restrictions. The Holder acknowledges that any Warrant Shares acquired other than in a registered transaction will have restrictions upon resale imposed by state and federal securities laws.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES.

(a) Stock Splits, Dividends, and Recapitalizations. If the Company at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(a) shall become effective at the close of business on the date such subdivision or combination becomes effective.

3. RIGHTS UPON DISTRIBUTION OF ASSETS. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price equal to such Exercise Price in effect immediately prior to the close of business on such record

date minus the fair market value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of Common Stock; provided, that, if such adjustment would reduce the Exercise Price to an amount less than $0.01, the number of Warrant Shares issuable upon exercise of this Warrant shall be correspondingly increased by the quotient of the amount of such reduction divided by the Closing Bid Price of the shares of Common stock on the Trading Day immediately preceding such record date.

4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights; provided, however, the Holder shall not have the right to acquire any Purchase Rights pursuant to to any Company equity incentive plans for employees, officers, directors, managers, consultants and advisors.

(b) Fundamental Transactions. The Company shall not consummate a Fundamental Transaction unless (A)(i) the Successor Entity assumes in writing all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 4(b) pursuant to written agreements prior to the consummation of such Fundamental Transaction, including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant, including, without limitation, an adjusted exercise price equal to the value for the shares of Common Stock reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and (ii) the Successor Entity (including its Parent Entity) is a publicly traded corporation whose Common Stock is quoted on or listed for trading on an Eligible Market or (B) the Company provides each Holder with not less than ten (10) Business Days prior notice of the anticipated consummation of such Fundamental Transaction (which notice may be provided by means of a press release and/or the filing of a Current Report on Form 8-K) and affords each Holder an opportunity to exercise such Holder's Warrants prior to the consummation of such Fundamental Transaction, following which each unexercised Warrant will be null, void and of no further force or effect. Upon the occurrence of any Fundamental Transaction subject to the provisions of Section 4(b)(A), the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power

of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein. Upon consummation of the Fundamental Transaction subject to the provisions of Section 4(b)(A), the Successor Entity shall deliver to the Holder confirmation that there shall be issued upon exercise of this Warrant at any time after the consummation of the Fundamental Transaction, in lieu of the shares of the Common Stock (or other securities, cash, assets or other property) issuable upon the exercise of the Warrant prior to such Fundamental Transaction, such shares of the publicly traded common stock (or its equivalent) of the Successor Entity (including its Parent Entity) which the Holder would have been entitled to receive upon the happening of such Fundamental Transaction had this Warrant been converted immediately prior to such Fundamental Transaction, as adjusted in accordance with the provisions of this Warrant. The provisions of this Section 4 shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the exercise of this Warrant.

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be reasonably required to protect the rights of the Holder hereunder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of the Warrants above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of the Warrants, and (iii) shall, so long as any of the Warrants are outstanding, take all action reasonably necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of the Warrants, 100% of the number of shares of Common Stock as shall from time to time be necessary to effect the exercise of the Warrants then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of capital stock of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger, conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company. Notwithstanding this Section 6, the Company shall provide the Holder with copies of the same

notices and other information given to the stockholders of the Company generally, contemporaneously with the giving thereof to the stockholders; provided, that the Company shall be deemed to have complied with such requirement by filing any such notices or other information on the SEC's Electronic Data Gathering Analysis system.

7. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY. The Company represents and warrants to the Holder that as of the date hereof:

(a) The Company is duly organized, validly existing and in good standing under the laws of its state of incorporation or organization, is duly qualified to do business and is in good standing in each jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification, and has all requisite power and authority to own or hold its properties and to conduct the business in which it is now engaged, except where the failure to be so qualified or in good standing or have such power or authority would not, individually or in the aggregate, have a material adverse effect on the assets, business, operations, prospects, property or financial or other condition of the Company and its subsidiaries taken as a whole or on the performance by the Company of its obligations under this Warrant (a "**Material Adverse Effect**"). The Company has all requisite corporate power and authority to enter into and perform its obligations under this Warrant and the Warrants.

(b) As of the Issuance Date, the Company had outstanding 108,613,088 shares of Common Stock and 276,454,886 shares of Class B common stock, par value $0.0001 per share, and, except as set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 or pursuant to plans described therein or filed as exhibits thereto, the Company had no other outstanding (i) options, warrants and other similar rights to acquire shares of the Company's capital stock, or (ii) securities directly or indirectly convertible into, or exchangeable or exercisable for, shares of the Company's capital stock (other than shares of Common Stock convertible into Class B common stock).

(c) The execution, delivery and performance by the Company of this Warrant and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action.

(d) This Warrant, when issued and delivered in accordance with the terms set forth herein, will be validly issued and free of restrictions on transfer other than restrictions on transfer under this Warrant and applicable state and federal securities laws. Assuming the accuracy of the representations of the Holder in Section 8 of this Warrant, the Warrant Shares will be issued in compliance with all federal and state securities laws. The Warrant Shares have been duly reserved for issuance, and upon issuance upon exercise of the Warrant, will be validly issued, fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under applicable state and federal securities laws.

(e) The execution, delivery and performance by the Company and the consummation of the transactions contemplated hereby do not and will not: (i) violate (x) its certificate of incorporation; (y) any provision of law applicable to it (except where such violation would not reasonably be expected to have a Material Adverse Effect) or (z) any order, judgment or decree of any governmental or regulatory authority binding on it or any of its property (except

where such violation would not reasonably be expected to have a Material Adverse Effect); (ii) result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation binding upon it or its property (except where such breach or default would not reasonably be expected to have a Material Adverse Effect); (iii) result in or require the creation or imposition of any material lien (other than permitted liens) upon its assets; or (iv) require any approval or consent of any person under any contractual obligation binding upon it or its property, which approvals or consents have not been obtained on or before the dates required under such contractual obligations (except where the failure to obtain such approval or consent would not reasonably be expected to have a Material Adverse Effect).

(f) Assuming the accuracy of the representations of the Holder in Section 8 of this Warrant, the execution and delivery by the Company of this Warrant, and the consummation of the transactions contemplated hereby, do not and will not require any registration with, consent or approval or, or notice to, or other action to, with or by, any governmental or regulatory authority which has not been obtained or made and is in full force and effect other than (i) any SEC filing in accordance with applicable law and (ii) any of the foregoing that failure to have made or obtained would not reasonably be expected to have a Material Adverse Effect.

(a) At any time a Holder of the Warrants exercises one or more Warrants, the Company, shall, in its capacity as managing member thereof, cause SDC Financial, LLC, a Delaware limited liability company ("SDC LLC"), to issue to the Company common units of SDC LLC in an amount equal to the Warrant Shares as to which the Warrants are being exercised and contribute to SDC LLC the Exercise Price received in connection with such exercise in exchange therefor. For so long as the Warrants are outstanding, the Company, in its capacity as managing member thereof, shall take all action reasonably necessary to cause SDC LLC to reserve and keep available out of its authorized and unissued common units, 100% of the common units as shall from time to time be necessary to satisfy its obligations under this Section 7(g) in connection with any exercise of Warrants then outstanding. If at any time while any of the Warrants remain outstanding, SDC LLC does not have a sufficient number of authorized and otherwise unreserved common units to satisfy its obligation under this Section 7(g), then the Company, in its capacity as managing member thereof, shall take all action reasonably necessary to cause SDC LLC to increase the authorized common units to an amount sufficient to satisfy its obligations under this Section 7(g) in connection with any exercise of Warrants then outstanding.

8. REPRESENTATIONS AND WARRANTIES OF HOLDER. The Holder hereby represents and warrants to the Company that as of the date hereof:

(a) This Warrant is made with the Holder in reliance upon the Holder's representation to the Company, which by its execution of this Warrant the Holder confirms, that the Warrant and the Warrant Shares (if any) will be acquired for investment for the Holder's own account, not as a nominee or agent, and do not with a view to the resale of distribution, and that the Holder has no present intention of selling, granting any participation in, or otherwise distributing the same. The Holder has not been formed for the specific purpose of acquiring the Warrant or the Warrant Shares.

(b) The Holder has had an opportunity to discuss the Company's business, management, financial affairs and the terms and conditions of the Warrant with the Company's management. The foregoing however, does not limit or modify the representations and warranties of the Company in Section 7 of this Warrant or the right of the Holder to rely thereon.

(c) The Holder is an accredited investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act and the Purchaser has not experienced a disqualifying event as enumerated pursuant to Rule 506(d) of Regulation D under the Securities Act.

(d) The Holder understands that the Warrants and Warrant Shares have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (1) subsequently registered thereunder or (2) sold in reliance on an exemption therefrom; and neither the Company nor any other person is under any obligation to register the Warrants or the Warrant Shares under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

(e) The Holder has such knowledge and experience in financial and business matters so as to enable it to understand and evaluate the merits and risks of an investment in the Warrants and the Warrant Shares and is able to bear the economic risk of an investment in the Warrants and the Warrant Shares in the amount contemplated hereunder. The Purchaser can afford a complete loss of its investments in the Warrants and the Warrant Shares.

9. NOTICES. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefor. Without limiting the generality of the foregoing, the Company will give notice to the Holder (i) promptly upon any adjustment of the Exercise Price, setting forth in reasonable detail the calculation of such adjustment and (ii) at least fifteen days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to holders of shares of Common Stock (other than pursuant to any Company equity incentive plans for employees, officers, directors, managers, consultants and advisors) or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder. Any and all notices or other communications or deliveries hereunder (including without limitation any Exercise Notice) shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via electronic mail at the email address specified in this Section 9 and an appropriate confirmation is received prior to 5:00 p.m. (New York time) on a Business Day, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via electronic mail at the email address specified in this Section 9 and an appropriate confirmation is received on a day that is not a Business Day or later than 5:00 p.m. (New York time) on any Business Day, (iii) the Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The addresses for such communications shall be:

if to the Company:

SmileDirectClub, Inc.
c/o SmileDirectClub, LLC
414 Union Street
Nashville, Tennessee 37219
Attention: Kyle Wailes and Susan Greenspon Rammelt
Email: kyle.wailes@smiledirectclub.com;
susan.greenspon@smiledirectclub.com

with copies to (which shall not constitute notice):

Foley & Lardner LLP
777 E. Wisconsin Avenue
Milwaukee, WI 53202

Attention: Patricia J. Lane, Benjamin F. Rikkers and John K. Wilson
Email: plane@foley.com; brikkers@foley.com; jkwilson@foley.com

if to the Holder:

[ ]
Attention: [ ]
Email: [ ]

10. MISCELLANEOUS.

(a) Successors and Assigns. This Warrant shall be binding on and inure to the benefit of the Company, the Holder, and their respective successors and assigns. Subject to the preceding sentence, nothing in this Warrant shall be construed to give to any Person other than the Company and the Holder any legal or equitable right, remedy or cause of action under this Warrant.

(b) Amendments and Waivers. Except as otherwise provided herein, the provisions of this Warrant may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder. Notwithstanding the foregoing, the Company may, without the consent of the Holder, by supplemental agreement or otherwise, (i) make any changes or corrections in this Warrant that are required to cure any ambiguity or to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein or (ii) add to the covenants and agreements of the Company for the benefit of the Holder, or surrender any rights or power reserved to or conferred upon the Company in this Warrant; provided that, in the case of (i) or (ii), such changes or corrections shall not adversely

affect the interests of the Holder of then outstanding Warrants in any material respect. The Company may, with the consent, in writing or at a meeting, of the Holders of outstanding warrants to purchase Common Stock issued on the Issue Date exercisable for at least two-thirds of the of the aggregate Warrant Shares (as defined in each such warrant), amend in any way, by supplemental agreement or otherwise, this Warrant; provided, however, that no such amendment shall adversely affect any Warrant differently than it affects all other such warrants, unless the Holder thereof consents thereto.

(c) Severability. In case any one or more of the provisions of this Warrant shall be invalid or unenforceable in any respect, the validity and enforceability of the remaining terms and provisions of this Warrant shall not in any way be affected or impaired thereby and the parties will attempt in good faith to agree upon a valid and enforceable provision which shall be a commercially reasonable substitute therefor, and upon so agreeing, shall incorporate such substitute provision in this Warrant.

11. TRANSFER OF THE WARRANT.

(a) The Company shall maintain a register (the "***Warrant Register***") containing the name and address of the Holder or Holders. Until this Warrant is transferred on the Warrant Register in accordance herewith, the Company may treat the Holder as shown on the Warrant Register as the absolute owner of this Warrant for all purposes, notwithstanding any notice to the contrary. Any Holder of this Warrant (or of any portion of this Warrant) may change its address as shown on the Warrant Register by written notice to the Company requesting a change.

(b) The Company may appoint an agent for the purpose of maintaining the Warrant Register referred to in Section 11(a), issuing the Warrant Shares, exchanging this Warrant, replacing this Warrant or conducting related activities.

(c) This Warrant (but excluding any Warrant Shares issued in respect hereof) may not be transferred or assigned in whole or in part without the Company's prior written consent (which shall not be unreasonably withheld), except: (i) to another Holder of Warrants, (ii) to an Affiliate of such Holder (including a parent or subsidiary of such Holder, any of such Holder's partners, members or other equity owners) or a fund or account that is managed, controlled or advised by or under common control with one or more general partners or managing members of, the same management company with, or the investment advisor of, the Holder, (iii) in connection with a corresponding transfer of Loans (as defined in the Loan Agreement) by such Holder or its Affiliates, or (iv) during the occurrence and continuance of an Event of Default (as defined in the Loan Agreement) under the Loan Agreement

(d) If this Warrant is to be transferred in compliance with Section 11(c), the Holder shall surrender this Warrant to the Company, whereupon the Company shall issue and deliver upon the order of the Holder a new Warrant, registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less than the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant to the Holder representing the right to purchase the number of

Warrant Shares not being transferred. The Company shall not be obligated to pay any tax which may be payable with respect to any transfer (or deemed transfer) arising in connection with the registration of any Warrants in the name of any person other than the Holder.

12. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS WARRANT OR ANY TRANSACTION CONTEMPLATED HEREBY.

13. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and all the Holders and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

14. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via electronic mail within two (2) Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three (3) Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via electronic mail (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten (10) Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

15. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant and the other Transaction Documents, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the rights of the Holder or the Company to pursue actual damages for any failure by the other party to comply with the terms of this Warrant. Each of the Company and the Holder acknowledges that a breach by such party of its obligations hereunder will cause irreparable harm to the other party and that the remedy at law for any such breach may be inadequate. The

Company and Holder therefore agree that, in the event of any such breach or threatened breach, the other party shall be entitled, in addition to all other available remedies, to seek an injunction restraining any breach, without the necessity of showing economic loss and without any bond or other security being required.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

(b) "**Accredited Investor**" has the meaning set forth in Rule 501 of Regulation D promulgated under the Securities Act.

(c) "**Bid Price**" means, for any security as of the particular time of determination, the bid price for such security on the Principal Market as reported by Bloomberg as of such time of determination, or, if the Principal Market is not the principal securities exchange or trading market for such security, the bid price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg as of such time of determination, or if the foregoing does not apply, the bid price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg as of such time of determination, or, if no bid price is reported for such security by Bloomberg as of such time of determination, the average of the bid prices of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC) as of such time of determination. If the Bid Price cannot be calculated for a security as of the particular time of determination on any of the foregoing bases, the Bid Price of such security as of such time of determination shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved in accordance with the procedures in Section 14. All such determinations shall be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during such period.

(d) "**Bloomberg**" means Bloomberg Financial Markets.

(e) "**Business Day**" means any day other than Saturday, Sunday, Federal holiday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(f) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or last trade price, respectively, of such security prior to 4:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the

principal securities exchange or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by OTC Markets Group Inc. (formerly Pink Sheets LLC). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 14. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(g) "**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for shares of Common Stock.

(h) "**Dollar**", "**US Dollar**" and "**$**" each mean the lawful money of the United States.

(i) "**Eligible Market**" means the New York Stock Exchange, the Principal Market, The NASDAQ Capital Market, the American Stock Exchange, The NASDAQ Global Market or The NASDAQ Global Select Market.

(j) "**Expiration Date**" means May 12, 2025.

(k) "**Fundamental Transaction**" means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify its Common Stock, or (vi) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the "beneficial

owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Common Stock.

(l) "**Loan Agreement**" means that certain Loan Agreement, dated as of May 12, 2020, by and among SDC U.S. Smilepay SPV, as the Borrower, SDC LLC, as the Seller and Servicer, HPS, as the Administrative Agent and the Collateral Agent, and the lenders from time to time party thereto.

(m) "**Options**" means any rights, warrants or options to subscribe for or purchase shares of Common Stock or Convertible Securities.

(n) "**Common Stock**" means (i) the Company's Class A common stock par value $0.0001 per share, and (ii) any share capital into which such Class A Common Stock shall have been changed or any share capital resulting from a reclassification of such Class A Common Stock.

(o) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(p) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(q) "**Principal Market**" means the Nasdaq Global Select Market.

(r) "**Successor Entity**" means the Person (or the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(s) "**Trading Day**" means any day on which the Common Stock are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock are then traded.

17. COUNTERPARTS. This Warrant may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Warrant delivered by facsimile, electronic mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Warrant.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

SMILEDIRECTCLUB, INC.

By: __
Name:
Title:

IN WITNESS WHEREOF, the undersigned has caused this Warrant to be duly executed by its authorized officer as of the date first indicated above.

[ ]

By: __
Name:
Title

Exhibit A

EXERCISE NOTICE
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS WARRANT TO PURCHASE CLASS A COMMON STOCK

The undersigned holder hereby exercises the right to purchase _____ of the shares of Common Stock ("**Warrant Shares**") of SmileDirectClub, Inc., a Delaware corporation (the "**Company**"), evidenced by the attached Warrant to Purchase Class A Common Stock (the "**Warrant**"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as:

_____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of $ to the Company in accordance with the terms of the Warrant.

Payment shall be made in lawful money of the United States to the following account of SmileDirectClub, Inc.:

Bank Name:
ABA#:
Account Name:
Account No.:

3. Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Name of Registered Holder

DTC Account:

Address:

Contact person:

Phone Number:

By:

Name:

Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs [Transfer Agent] to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated [ ] from the Company and acknowledged and agreed to by [ ].

SMILEDIRECTCLUB, INC.

By: __
Name:
Title:

Execution Version

LOAN AGREEMENT

by and among

SDC U.S. SMILEPAY SPV,
as the Borrower,

SMILEDIRECTCLUB, LLC,
as the Seller and Servicer,

HPS Investment Partners, LLC
as the Administrative Agent and the Collateral Agent,

and

the LENDERS from time to time party hereto.

Dated as of May 12, 2020

4833-3345-6311
4829-3096-7227
4838-8137-7211
4851-8445-4588
4818-6623-9676

US-DOCS\114513936.26

24850-2423-7500.1

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APPENDICES

SCHEDULES

EXHIBITS

LOAN AGREEMENT

PREAMBLE

THIS LOAN AGREEMENT (including all Appendices, Schedules and Exhibits hereto, this "Agreement") is made as of May 12, 2020, by and among SDC U.S. SMILEPAY SPV, a Delaware statutory trust (the "Borrower"), SMILEDIRECTCLUB LLC, a Tennessee limited liability company, as the Seller (the "Seller") and initial Servicer (in such capacity, the "Servicer"), HPS Investment Partners, LLC, as the collateral agent (in such capacity, the "Collateral Agent"), HPS Investment Partners, LLC, as the administrative agent (in such capacity, the "Administrative Agent"), and the financial institutions party hereto from time to time (the "Lenders"). Unless otherwise indicated, capitalized definitional terms used in this Agreement are defined in, and this Agreement shall be interpreted in accordance with, the provisions of Appendix A.

BACKGROUND

1. On and after the Closing Date, the Borrower intends to purchase Receivables from the Seller in accordance with the terms of the Purchase Agreement.

2. The Borrower has requested that the Lenders extend credit in the form of Loans to be made on the Closing Date in an aggregate principal amount equal to $400,000,000 and the Lenders are willing to extend such credit to the Borrower, on the terms and subject to the conditions set forth herein.

3. In order to secure its obligation to repay the Loans and its other Obligations arising hereunder, the Borrower shall pledge to the Collateral Agent, on behalf of the Secured Parties, the Collateral identified in this Agreement and in the Transaction Documents.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto agree as follows:

Article I

LOANS

Section 1.01 Loans. Subject to the terms and conditions of this Agreement, each Lender, severally and not jointly, agrees to make a term loan to the Borrower in the amount equal to such Lender's Commitment (the "Loans"). The Loans shall be advanced on the Closing Date and, if requested by any Lender at any time, shall be evidenced by one or more secured promissory notes (collectively, the "Term Notes") in substantially the form attached hereto as Exhibit B. Amounts repaid in respect of the Loans may not be re-borrowed.

Section 1.02 Borrowing Procedures. (%3) The Loans to be made hereunder shall be requested upon the Borrower's irrevocable written notice (which may be by email), substantially in the form of Exhibit A (each such request, a "Borrowing Request"), delivered to the Administrative Agent and each Lender no later than 2:00 p.m. (New York City time) at least one (1) Business Day prior to the Closing Date, which notice shall (A) specify the amount requested to be advanced by the Lenders (which amount shall equal the Commitment) and the amount of each Lender's Percentage of such requested amount, (B) specify the Closing Date (which shall be a Business Day), (C) specify the Borrower's wire instructions, and (D) certify that all prerequisite conditions for the making of such Loans set forth in Section 5.01 have been satisfied. The Borrowing Request shall be deemed to be a request by the Borrower to each Lender to fund such Lender's Percentage of the requested Loans.

(a) Upon the satisfaction of each of the conditions precedent set forth in Section 5.01, on the Closing Date each Lender shall remit, or cause to be remitted on its behalf, to the Borrower's Account, its Percentage of the Loans, in same day funds, by wire transfer to the Borrower's Account not later than 2:00 p.m. (New York City time).

(b) The obligation of each Lender to fund the Loans shall apply severally and not jointly to each Lender in proportion to its Commitment; *provided* that nothing contained herein shall impose any obligation on any Lender to fund any Loan, in whole or in part, in excess of its Commitment.

Section 1.03 [Reserved].

Section 1.04 [Reserved].

Section 1.05 [Reserved].

Section 1.06 [Reserved].

Section 1.07 Incremental Loans.

(a) The Borrower may at any time after the Closing Date, in accordance with and subject to the terms of this Agreement, by notice pursuant to Section 1.07(d) to the Administrative Agent, request an additional tranche of term loans from one or more additional Lenders (subject to the terms hereof) (which shall be deemed to be a separate and independent tranche from the existing Loans unless such additional tranche of term loans are added to and fungible with the Loans) to be funded in U.S. Dollars (the "Incremental Loans") in an aggregate principal amount of $100,000,000; *provided*, that the Incremental Loans may only be incurred pursuant to this Section 1.07 so long as (i) no Event of Default shall exist immediately prior to incurrence of such Incremental Loan and (ii) after giving pro forma effect to such Incremental Loan and the use of proceeds thereof, (x) such incurrence would not result in any Event of Default under Sections 8.01(t) and 8.01(u) (in each case, as if such Event of Default were tested on the date of such incurrence) or result in any other Event of Default and (y) the aggregate amount of all Loans (including such Incremental Loans) shall be less than the Permitted Loan Balance; *provided*, *further*, that the Incremental Loans may only be incurred in whole (and not in part) as one additional tranche of term loans in the amount of $100,000,000.

(b) The Incremental Loans (i) shall rank pari passu in right of payment and of security with the Loans (including, without limitation, with respect to voluntary prepayments and mandatory prepayments) and shall not benefit from guarantees from any person other than guarantors of the Loans, (ii) shall be incurred on the same terms and conditions (including, without limitation, with respect to interest rate, interest rate floor, amortization, prepayment premiums, fees and other economic terms) as the existing Loans and (iii) shall mature and be repaid in amounts and on dates consistent with the existing Loans.

(c) Commitments in respect of Incremental Loans shall become Commitments under this Agreement pursuant to an amendment (an "***Incremental Amendment***") to this Agreement and, as appropriate, the other Transactions Documents, executed by the Borrower and each Lender agreeing to provide such Commitment (and to the extent such Lender is not an existing Lender under this Agreement, such Lender shall also execute a joinder agreement and be joined as a Lender hereunder), if any; *provided* that such Incremental Amendment shall not be effective prior to the date that is ten (10) Business Days (or such shorter period acceptable to Administrative Agent and HPS) from the date Administrative Agent and HPS first receive the notice required pursuant to Section 1.07(d). The Incremental Amendment may, without the consent of any other Lenders, effect such amendments to this Agreement and the other Loan Documents as may be necessary, in the reasonable opinion of the Administrative Agent and HPS (which opinion does not operate as a consent right to the incurrence of Incremental Loans in accordance with the terms hereof) and the Borrower, to effect the provisions of this Section 1.07. The effectiveness of any Incremental Amendment (and the funding of Incremental Loans thereunder) shall be subject to the satisfaction on the date of funding such Incremental Loans of (x) such conditions as the parties thereto shall agree (which, for the avoidance of doubt, shall be consistent with the conditions in this Agreement (as modified for an extension of Incremental Loans)), (y) the terms of this Section 1.07 in respect of the Commitments in respect of Incremental Loans then being requested and the applicable Incremental Loans then being funded and after giving effect thereto, and (z) both before and after giving effect to the creation of the applicable Commitments in respect of Incremental Loans and the funding of the applicable Incremental Loans, the truth and correctness in all material respects (or in any respect if such representation or warranty contains any materiality qualifier, including references to "material," "Material Adverse Effect" or dollar thresholds) as of such date of all representations and warranties made by the Borrower herein or in any other Transaction Document as of such date (or as of a specific earlier date if such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted or expressly contemplated by this Agreement); *provided* that, the proceeds of any Incremental Loans may not be used directly or indirectly by Parent or Servicer for Restricted Payments. Amounts paid or prepaid on account of any Incremental Loans may not be re-borrowed. This Section 1.07(c) shall supersede any provisions in Section 12.01 to the contrary.

(d) Notices. Each notice from the Borrower pursuant to this Section 1.07(d) shall be given in writing. The Administrative Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Borrowing Request or similar notice believed in good faith thereby to be genuine. Administrative Agent may assume that each person executing and delivering such a notice was duly authorized, unless the responsible individual acting thereon for Administrative Agent has actual knowledge to the contrary.

(e) Notwithstanding anything to the contrary, it is understood and agreed that the Borrower shall, prior to requesting any Incremental Loans or Commitments in respect of Incremental Loans from any other Lender, request such Incremental Loans or Commitments in respect thereof from HPS on the same terms as the existing Loans and provide HPS a reasonable opportunity to provide such Loans or Commitments; *provided* that, for the avoidance of doubt, if HPS either declines the opportunity, or is unable to provide such Incremental Loans or Commitments in respect of Incremental Loans (*provided* that HPS shall be deemed to have declined to provide such Loans or Commitments to the extent it fails to accept Borrower's request within ten Business Days), the Borrower may request that the other Lenders as of the Closing Date or any other Lender (subject to execution of a joinder agreement to this Agreement, as applicable) provide such Incremental Loans or Incremental Commitments in accordance with Section 1.07(f) below.

(f) Subject at all times to Section 1.07(e) above, to the extent HPS declines, or is unable to consent to, the Borrower's request to incur Incremental Loans or Commitments in respect of Incremental Loans, any Lender may in its sole discretion participate in any such Incremental Loans or Commitments in respect of Incremental Loans, but no Lender shall have any obligation to do so; *provided* that, to the extent HPS either does not provide, or provides less than 100% of, any such Incremental Loans or Commitments in respect of Incremental Loans, the Borrower may request any other Lender to provide such Incremental Loans or Commitment in respect of Incremental Loans on the same terms (including the same fees (including any structuring or other similar fees)) being provided to HPS and/or, as the case may be, any other Lender, and all such fees and amounts shall be paid ratably to the participating Lenders. Each Lender shall have the right within 10 Business Days after receipt of such written notice pursuant to Section 1.07(d) to elect to participate in providing such Incremental Loans or Incremental Commitment. Any Lender electing to participate shall provide written notice to the Borrower and Administrative Agent of the amount of such Incremental Loans or Commitment in respect of Incremental Loans that it wishes to participate. All Lenders participating in such Incremental Loans or Commitment in respect of Incremental Loans shall be treated equally. The Borrower shall not incur or enter into any documentation in respect of any Incremental Loans or Commitment in respect of Incremental Loans without compliance of the foregoing.

ARTICLE II

REPAYMENT

Section 2.01 Repayment. The Loan Amount shall be paid from time to time as set forth in Section 2.03. The Administrative Agent, on behalf of the Lenders, shall record in its records the amount of the Loans outstanding hereunder, each repayment thereof, and other information it deems appropriate. The Loan Amount so recorded shall be presumptive evidence of the principal amount owing and not repaid on the Loans. The failure so to record any such information or any error in so recording any such information shall not, however, limit or otherwise affect the actual obligations of the Borrower hereunder to repay the Loan Amount, together with all interest accruing thereon, as set forth in this Agreement.

Section 2.02 Interest.

(a) Interest Rates.

(i) Interest Generally. The Loan Amount shall accrue interest from the Closing Date on each day at a per annum rate equal to the Interest Rate for the related Interest Period *plus* the Applicable Margin, which interest in each case shall be due and payable as set forth in clause (b) below.

(ii) Default Interest. Upon and after the occurrence of an Event of Default, and during the continuation thereof, any principal of, or interest on, any Loans outstanding or any fees or other Obligations outstanding payable by the Borrower in connection therewith shall, whether at stated maturity, upon acceleration or otherwise, bear interest, after as well as before judgment, at a rate *per annum* equal to 3.00% *plus* the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section. Notwithstanding the foregoing, but without duplication thereof, if any principal of, interest, premium, fees or any other amounts payable on, the Loans or otherwise hereunder is not paid when due (after giving effect to any grace or cure period), whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate *per annum* equal to 3.00% *plus* the rate otherwise applicable to such Loan as provided in paragraph (a)(i) above.

(b) Interest Payment Dates. Interest accrued on the Loan Amount shall be paid on (i) each Interest Payment Date, (ii) each Prepayment Date, and (iii) the Final Maturity Date, *provided* that interest accrued pursuant to paragraph (a)(ii) above of this Section shall be payable on demand.

(c) LIBOR Notification. The Adjusted Eurodollar Rate is determined by reference to the Three-Month LIBOR Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the "IBA") for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the Adjusted Eurodollar Rate. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. In the event that the London interbank offered rate is no longer available or in certain other circumstances as set forth in Section 4.04 of this Agreement, such Section 4.04 provides a mechanism for determining an alternative rate of interest. The Administrative Agent and the Borrower will endeavor to agree, pursuant to Section 4.04, in advance of any change to the reference rate upon which the Adjusted Eurodollar Rate is based. However (and except for the computation of the rate and the obligations specifically provided in Section 4.04 and elsewhere in this Agreement), the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "Three-Month LIBOR Rate" or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 4.04 will be similar to, or produce the same value or economic equivalence of, the Three-Month LIBOR Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

Section 2.03 Repayments and Prepayments. The Borrower shall, and hereby unconditionally promises to, repay in full the Loan Amount and all other Obligations (excluding contingent Obligations not then due) on the Final Maturity Date. The Borrower:

(a) shall, without requiring the prior consent of the Lenders, the Collateral Agent or the Administrative Agent, on, or prior to, the second (2^{nd}) Business Day following the date on which a Responsible Officer of the Borrower has obtained knowledge of or written notice that the Loan Amount exceeds the Permitted Loan Balance, prepay the Loan Amount so that after giving effect to such prepayment, the Loan Amount does not exceed the Permitted Loan Balance; provided, that the Borrower shall at such time also pay in full all accrued interest on the portion of the Loan Amount so prepaid together with the Make-Whole Amount or Repayment Premium, as applicable, specified in clause (d) below;

(b) may, from time to time, prepay the Loan Amount in whole or in part (subject to Section 4.03) upon two (2) Business Days' prior written notice (which notice may be conditional upon the closing of another transaction) of the proposed prepayment date to the Administrative Agent; *provided* that (i) any such prepayment shall be in a principal amount equal to or greater than $1,000,000 and (ii) the Borrower shall pay in full all accrued interest on the portion of the Loan Amount so prepaid together with the Make-Whole Amount or Repayment Premium, as applicable, specified in clause (d) below; and

(c) shall, without requiring the prior consent of the Lenders, the Collateral Agent or the Administrative Agent, on, or prior to, the second (2nd) Business Day following the date on which the Borrower has received Net Proceeds of any Receivables sold as permitted pursuant to Section 7.03(a), apply such Net Proceeds to prepay the Loan Amount; *provided* that the Borrower shall at such time also pay in full all accrued interest on the portion of the Loan so prepaid together with the Make-Whole Amount or Repayment Premium, as applicable, specified in clause (d) below.

(d) In the event that the Borrower makes any voluntary or mandatory prepayment of all or any portion of the outstanding Loan Amount pursuant to clauses (a), (b) or (c) of this Section 2.03 (a "Prepayment Event"), the Borrower shall pay, (i) if such Prepayment Event occurs prior to the date that is 12 months after the Closing Date, an amount equal to the sum of (x) the amount of interest which would have accrued on the outstanding Loan Amount (assuming the payment of the maximum allowable amount of PIK Interest thereon) subject to the Prepayment Event from the date of prepayment through the date that is 12 months after the Closing Date had such Loan remained outstanding and had been repaid on such date plus (y) the Repayment Premium that would be paid on the 12 month anniversary (4.00%), such amount to be calculated by the Administrative Agent and such calculation to be conclusive absent demonstrable error (the "Make-Whole Amount"); (ii) if such Prepayment Event occurs on or after the 12-month anniversary of the Closing Date but prior to the date that is 24 months after the Closing Date, a prepayment premium equal to 4.00% of the outstanding Loan Amount subject to the Prepayment Event; (iii) if such Prepayment Event occurs on or after the 24-month anniversary of the Closing Date but prior to the date that is 36 months after the Closing Date, a prepayment premium equal to 3.00% of the outstanding Loan Amount subject to the Prepayment Event; (iv) if such Prepayment Event occurs on or after the 36-month anniversary of the Closing Date but prior to the date that is 48 months after the Closing Date, a prepayment premium equal to 2.00% of the outstanding Loan Amount subject to the Prepayment Event; and (v) if such Prepayment Event occurs on or after the 48-month anniversary of the Closing Date, a prepayment premium equal to 1.00% of the outstanding Loan Amount subject to the Prepayment Event (such amounts described in clauses (ii), (iii), (iv) and (v) are herein referred to as the "Repayment Premium").

The Borrower shall inform the Administrative Agent promptly, in writing, upon the discovery of any event that gave rise to a prepayment obligation pursuant to this Section 2.03. The Borrower shall notify the Administrative Agent by 1:00 p.m. (New York City time), two (2) Business Days prior to any prepayment under this Section 2.03.

Section 2.04 Other Payments. In addition to the payment obligations described in Section 2.03 above, at all times, including after the occurrence and continuance of an Event of Default, the Borrower agrees to pay on or prior to each Interest Payment Date all other Required Payments to the Persons entitled thereto subject to available funds resulting from Collections (which for the avoidance of doubt, shall not include any amounts on deposit in the Cash Reserve Account); *provided*, that the Administrative Agent Fee will be paid on the last Interest Payment Date of each calendar quarter, commencing with the Interest Payment Date in June 2020 (subject to available funds resulting from Collections (excluding amounts on deposit in the Cash Reserve Account)); *provided further* that on any Interest Payment Date, the Required Payments set forth in clauses (i) through (x) of the definition thereof shall be paid prior to payment of any other Required Payments or of any amounts payable pursuant to Section 2.02 and Section 2.03 and shall be paid pro rata, and amounts paid pursuant to clause (xii) of the definition of "Required Payments" shall be paid pro rata.

Section 2.05 General Procedures. The Loan Amount shall not be considered reduced by any allocation, setting aside or distribution of any portion of any payment unless such payments shall have been actually delivered to the Administrative Agent for the purpose of paying principal on such Loan Amount. No principal or interest shall be considered paid by any distribution of any portion of any payment if at any time such distribution is rescinded or must otherwise be returned for any reason. No provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum permitted by Applicable Law.

Section 2.06 Characterization of Loan Amount. The parties hereto intend and agree that, for the purposes of all Taxes, the Loan constitutes indebtedness of the Borrower that is secured by the Receivables, all Related Assets, all Collections with respect thereto and all other Collateral (the "Intended Tax Characterization"). Except to the extent otherwise required pursuant to a "determination" (as defined in Section 1313(a) of the Code or any similar provision of state or local tax law), the parties hereto agree to report and otherwise to act for the purposes of all Taxes in a manner consistent with the Intended Tax Characterization.

Section 2.07 Taxes.

(a) Defined Terms. For purposes of this Section 2.07, the term "Applicable Law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower under any Transaction Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of the Borrower or the Administrative Agent) requires the deduction or withholding of any Tax from any such payment by or on behalf of the Borrower or the Administrative Agent, then the Borrower or the Administrative Agent, as applicable, shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Regulatory Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.07) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Regulatory Authority in accordance with Applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Borrower shall indemnify each Recipient, within ten (10) days after written demand therefor accompanied by supporting documentation in reasonable detail, for the full amount of (i) any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.07) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Regulatory Authority and (ii) any Taxes that arise because the Loan is not treated consistently by the Borrower or any of its Affiliates with the Intended Tax Characterization (except to the extent required pursuant to a "determination" (as defined in Section 1313(a) of the Code or any similar provision of state or local tax law)). A certificate as to the amount of such payment or liability, accompanied by supporting documentation in reasonable detail, delivered to the Borrower by a Lender contemporaneously with the demand for payment hereunder (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent demonstrable error.

(e) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Regulatory Authority pursuant to this Section 2.07, the Borrower shall deliver to the applicable Lender and the Administrative Agent the original or a certified copy of a receipt issued by such Regulatory Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the applicable Lender and the Administrative Agent.

(f) Status of the Lenders. (i) Each Lender, if entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Transaction Document, shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as shall permit such payments to be made without withholding or at a reduced rate of withholding. In addition, each Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as shall enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in sub-clauses 2.07(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if, in such Lender's reasonable judgment, such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(i) Without limiting the generality of the foregoing:

(ii) (%5) Any U.S. Lender shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(A) Any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the Borrower or the Administrative Agent) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Transaction Document, executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any

other applicable payments under any Transaction Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(ii) in the case of a Foreign Lender claiming that its extension of credit will generate U.S. effectively connected income, executed copies of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(C) of the Code, (x) a certificate substantially in the form of Exhibit K-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" related to the Borrower as described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E;

(iv) to the extent a Foreign Lender is not the beneficial owner, executed copies of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or IRS Form W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-2 or Exhibit K-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit K-4 on behalf of each such direct and indirect partner; or

(v) for purposes of furnishing the U.S. Tax Compliance Certificate as described in the foregoing clauses (iii) and (iv), if a Foreign Lender (or a foreign Participant) is a Disregarded Entity, the Foreign Lender will submit such certificate based on the status of the Person that is treated for U.S. federal income tax purposes as being the sole owner of such Lender or Participant;

(B) Any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the Borrower or the Administrative Agent) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent) executed copies of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(C) if a payment made to a Lender under any Transaction Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower, the Administrative Agent and the Collateral Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower, the Administrative Agent or the Collateral Agent such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower, the Administrative Agent or the Collateral Agent as may be necessary for the Borrower, the Administrative Agent, and the Collateral Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the Closing Date.

(iii) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(iv) The Administrative Agent and any successor Administrative Agent shall deliver to the Borrower either (i) an executed copy of IRS Form W-9 or (ii) a duly completed and executed copy IRS Form W-8ECI to establish that the Administrative Agent is not subject to withholding Taxes under the Code with respect to amounts payable for the account of the Administrative Agent under any of the Transaction Documents. The Administrative Agent agrees that if such IRS Form W-9 or W-8ECI, as applicable, previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or promptly notify the Borrower in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.07 (including by the payment of

additional amounts pursuant to this Section 2.07), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.07 with respect to the Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Regulatory Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.07(g) (plus any penalties, interest or other charges imposed by the relevant Regulatory Authority) in the event that such indemnified party is required to repay such refund to such Regulatory Authority. Notwithstanding anything to the contrary in this Section 2.07(g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.07(g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section 2.07(g) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.01(g) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Transaction Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Regulatory Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent demonstrable error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Transaction Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (h).

Section 2.08 Survival. Each party's obligations under Section 2.06 and Section 2.07 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Transaction Document. Any such resignation, replacement or assignment shall be in accordance with the terms of this Agreement.

Section 2.09 Fees. The Borrower shall pay the amounts required to be paid in the Fee Letter in the manner and at the times required by the Fee Letter.

ARTICLE III

SETTLEMENTS

Section 3.01 Accounts.

(a) Collection Account. The Borrower has established in its name an account with an account number ending in -0616 (such account, together with any one or more Foreign Receivables Collection Accounts established after the date hereof, individually or collectively as the context requires, the "Collection Account"), which Account is a segregated account maintained at the Account Bank, and shall be subject to an Account Control Agreement reasonably satisfactory to the Collateral Agent. All amounts in the Collection Account shall be held by the Account Bank for the benefit of the Borrower and the Collateral Agent on behalf of the Secured Parties as part of the Collateral.

(b) Cash Reserve Account. On the Closing Date, funds in an amount equal to the Cash Reserve Required Amount, *plus* an additional sum in the amount of $28,127,164.94. in order to satisfy the Permitted Loan Balance as of the Closing Date (the "Escrow Funds"), shall be deposited into an escrow account in the name of the Collateral Agent (the "Escrow Account"). The Borrower has established in its name an account with an account number ending in -3265 at the Account Bank (the "Cash Reserve Account"), which Account is a segregated account maintained at the Account Bank and shall be subject to an Account Control Agreement reasonably satisfactory to the Collateral Agent. Upon execution and delivery of such Account Control Agreement and delivery of a release notice to the Escrow Agent in accordance with the terms of the Escrow Agreement, the Escrow Agent shall release the Escrow Funds into the Cash Reserve Account, which amount will thereafter remain in the Cash Reserve Account at all times, subject to the provisions of this Agreement and the other Transactions Documents.

(c) Permitted Investments. Funds on deposit in the Collection Account and the Cash Reserve Account shall be invested in Permitted Investments selected in writing by the initial Servicer and of which the initial Servicer provides notification (pursuant to standing instructions or otherwise); *provided* that it is understood and agreed that neither the Administrative Agent nor the Collateral Agent shall be liable for any loss arising from such investment in Permitted Investments. Absent such written direction (pursuant to standing instructions or otherwise) from the initial Servicer, funds on deposit in either the Collection

Account or the Cash Reserve Account will remain un-invested (it being understood that the Collection Account and the Cash Reserve Account may be interest-bearing), *provided*, that it is understood and agreed that any Successor Servicer shall not have any liability for not providing any such written direction. All such Permitted Investments shall be held by or on behalf of the Collateral Agent for the benefit of the Borrower and the Secured Parties. All investments of funds on deposit in the Collection Account shall mature so that such funds will be available on the Business Day prior to the next Interest Payment Date. No Permitted Investment shall be sold or otherwise disposed of prior to its scheduled maturity unless the Administrative Agent directs the Collateral Agent in writing to dispose of such Permitted Investment. Funds on deposit in the Collection Account and the Cash Reserve Account shall be treated as owned by the Borrower for all applicable Tax purposes, and all Investment Earnings and losses shall be for the account of Borrower. The Administrative Agent shall cause the deposit of such Investment Earnings credited to the Cash Reserve Account into the Collection Account (to the extent not already on deposit therein) or otherwise at the direction of the Borrower.

Section 3.02 Collection of Moneys and the Collection Account; Collection Account Releases.

(a) Collections. The Borrower shall cause, or direct the Servicer to cause, the deposit of all Collections and all amounts payable pursuant to the IP License Agreement into the Collection Account as required by the terms of the Servicing Agreement and this Section 3.02(a). If, at any time, any of the Borrower, the Servicer or any Affiliate thereof shall receive any Collections or any amounts payable to the Borrower pursuant to the terms of the IP License Agreement, such Person shall hold such Collections and such amounts payable pursuant to the IP License Agreement for the benefit of the Secured Parties and shall, within two (2) Business Days after receipt and identification thereof, deliver such Collections in the form received (endorsed as necessary for transfer) to the Servicer for deposit in the Collection Account; *provided*, *however*, notwithstanding the foregoing, to the extent that Collections in an aggregate amount outstanding at any time not to exceed $100,000 are received by the Originators, such Originators shall deliver such Collections in the form received (endorsed as necessary for transfer) to the Servicer for deposit in the Collection Account as promptly as commercially practicable after receipt and identification thereof.

(b) Collection Account Releases. Upon the terms and subject to the conditions hereinafter set forth, the Borrower may transfer funds from the Collection Account to any other account of the Borrower of any of its Affiliates or for any other purpose so long as the Collection Account Release Conditions are satisfied (each, a "Collection Account Release"). Any amount so transferred shall be free and clear of any Lien hereunder.

(c) Cash Reserve Account Releases. Upon the terms and subject to the conditions hereinafter set forth, the Borrower may request a release of funds from the Cash Reserve Account (each, a "Cash Reserve Account Release") by providing written notice (which may be by email), substantially in the form of Exhibit M (each such request, a "Cash Reserve Account Release Request"), delivered to the Administrative Agent and each Lender no later than 2:00 p.m. (New York City time) at least two (2) Business Days prior to the requested Release Date, which notice shall (A) specify the amount requested to be released, (B) specify the requested Release Date (which shall be a Business Day) and (C) certify that each of the prerequisite conditions for the making of such Release set forth in Section 5.03 (the "Release Conditions") are then satisfied; *provided*, that in determining whether the Release Conditions have been satisfied, the Borrower shall give *pro forma* effect to all Cash Reserve Account Releases and changes in Collateral since the last Interest Payment Date. Upon satisfaction of each of the Release Conditions, on each Release Date the Collateral Agent shall remit to the Borrower in same day funds, by wire transfer to the Borrower's Account not later than 2:00 p.m. (New York City time), an amount equal to the lesser of (x) the applicable Release Amount and (y) the amount of available funds then on deposit in the Cash Reserve Account in excess of the Cash Reserve Account Required Amount. Such may be distributed by the Borrower to SmileDirect free and clear of any Lien hereunder.

Section 3.03 [Reserved].

Section 3.04 Payments and Computations, Etc. (%3) All amounts to be paid or deposited by the Borrower, Servicer, Account Bank or Collateral Agent hereunder shall be made by such Person, as applicable, to the account designated by the Administrative Agent or other applicable Person to which such amount is owed and shall be sent in immediately available funds, no later than 3:00 p.m. (New York time) on the date specified herein. Any payment received later than 3:00 p.m. (New York time) may, in the Administrative Agent's discretion, be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(a) Method of Computation. All computations of interest and fees hereunder shall be calculated on the basis of a year of 360 days (or, in the case of interest accruing by reference to the Base Rate, 365 or 366 days, as applicable), for actual days elapsed. In computing interest on any Loan, the date of the making of such Loan or the first day of an Interest Period applicable to such Loan shall be included, and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan, as the case may be, shall be excluded.

(b) Lender's Reliance. In making the deposits, distributions and calculations required to be made by it hereunder, the Collateral Agent, Administrative Agent and Lenders shall be entitled to rely on information supplied to it by any Credit Party. None of the Collateral Agent, Administrative Agent or Lenders shall in any way be held liable for any incorrect deposits,

distributions or calculations made by it hereunder as a result of any errors contained in, or omissions from, information supplied to it by any Credit Party.

Section 3.05 Obligations with respect to Certain Collection Account Releases; Obligation to Prepare Corrected Monthly Reports and Cash Reserve Account Release Requests. If any Monthly Report or Cash Reserve Account Release Request contains material mistakes, the Borrower shall cause the Servicer to provide a corrected Monthly Report or Cash Reserve Account Release Request, as applicable, within three (3) Business Days after a Responsible Officer of the Borrower becoming first aware or being notified of such mistakes. In the event that (i) any amounts were released to the Borrower from the Cash Reserve Account on any Release Date based on an inaccurate Monthly Report or Cash Reserve Account Release Request or (ii) any amounts were released to the Borrower from the Collection Account on any Release Date when the Collection Account Release Conditions were not satisfied, then in each case, the Borrower and the Servicer each hereby agrees (A) that such amounts which the Borrower was not entitled to receive on such Release Date, constitute proceeds of the Collateral which were improperly received by the Borrower and (B) that the Servicer shall deposit funds into the Collection Account, within two (2) Business Days after a Responsible Officer of the Servicer first becomes aware or has been provided notice of such mistakes, in an amount (such amount, the "Servicer Error Payment") equal to any funds that were released to the Borrower (or at its direction) in reliance on such inaccurate Monthly Report or Cash Reserve Account Release Request, or in error when the Collection Account Release Conditions were not satisfied, as applicable (and that would not have been released to the Borrower (or at its direction) on such Release Date, as applicable, pursuant to an accurate Monthly Report or Cash Reserve Account Release Request or absent such error, as applicable) such that the aggregate amount of funds retained by the Borrower is equal to the aggregate amount of funds that would have been released to the Borrower (or at its direction) had such Monthly Report or Cash Reserve Account Release Request, as applicable, been accurate, or had the Collection Account Release Conditions been satisfied. The Servicer may be reimbursed for any such Servicer Error Payment thereafter, solely pursuant to, and if permitted by, Section 3.02(b) hereof.

ARTICLE IV

FEES AND YIELD PROTECTION

Section 4.01 [Reserved].

Section 4.02 Increased Costs; Capital Adequacy; Replacement of Lenders.

(a) If any Regulatory Change (i) subjects any Affected Party to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of "Excluded Taxes" and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto, (ii) imposes, modifies or deems applicable any reserve, assessment, fee, insurance charge, liquidity, special deposit or similar requirement (other than Taxes) against assets of, deposits with or for the account of, or liabilities of an Affected Party, or credit extended by an Affected Party pursuant to this Agreement (except any such reserve requirement reflected in the Adjusted Eurodollar Rate) or (iii) imposes any other condition (other than Taxes), the result of which pursuant to clauses (i), (ii) and (iii) above is to increase the cost to an Affected Party of performing its obligations under this Agreement, or to reduce the rate of return on an Affected Party's capital as a consequence of its obligations under this Agreement, or to reduce the amount of any sum received or receivable (whether of principal, interest or otherwise) by an Affected Party under this Agreement, or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon written demand by the Administrative Agent or any Lender accompanied by the certificate and supporting documentation described in Section 4.02(c), the Borrower shall pay to the Administrative Agent or such Lender, for the benefit of the relevant Affected Party, such amounts charged to such Affected Party or such amounts to otherwise compensate such Affected Party for such increased cost or such reduction. The term "Regulatory Change" shall mean (i) the adoption after the date hereof (or, if later, the date the relevant Affected Party (or the related Lender) becomes a party hereto) of any Applicable Law (including any Applicable Law regarding capital adequacy or liquidity) or any change therein after the date hereof (or, if later, the date the relevant Affected Party (or the related Lender) becomes a party hereto) or (ii) any change after the date hereof (or, if later, the date the relevant Affected Party (or the related Lender) becomes a party hereto) in the interpretation or administration thereof by any Regulatory Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency; *provided* that notwithstanding anything herein to the contrary, all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to the Basel III Regulation, shall in each case be deemed to be a "Regulatory Change", regardless of the date enacted, adopted or issued.

(b) If any Lender determines that any Regulatory Change affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, such Lender's Commitment or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Regulatory Change (taking into consideration such Lender's policies

and the policies of such Lender's holding company with respect to capital adequacy) or results in the imposition of an internal liquidity charge on the Lender or the Lender's holding company, then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction or charge suffered.

(c) A certificate of the applicable Affected Party setting forth in reasonable detail the basis for and computation of amount or amounts necessary to compensate such Affected Party pursuant to Section 4.02(a) or (b) shall be delivered to a Responsible Officer of the Borrower and shall be conclusive absent demonstrable error. The Borrower shall pay or cause to be paid to such Affected Party the amount shown as due on any such certificate free of demonstrable error within 30 days after receipt thereof.

(d) Failure or delay on the part of any to demand compensation pursuant to this Section shall not constitute a waiver of such Affected Party's right to demand such compensation; *provided* that the Borrower shall not be required to compensate an Affected Party pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Affected Party notifies the Borrower in writing of the Regulatory Change giving rise to such increased costs or reductions and of such Affected Party's demand for compensation therefor; *provided further* that, if the Regulatory Change giving rise to such increased costs or reductions is retroactive, then the 90-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) No Affected Party shall request compensation pursuant to this Section 4.02 unless either (i) it is the general practice of such Affected Party to demand such compensation in securitization facilities to which it is a party or (ii) either it or any Affiliate thereof has issued or is issuing similar request(s) for compensation with respect to securitization facilities with aggregate commitments or aggregate outstanding indebtedness thereunder of at least $1,000,000,000 in the aggregate.

(f) If (i) any Lender (or any Participant holding interests in any Loan owing to such Lender or in any Commitment of such Lender or in any other interest of such Lender under the Transaction Documents) requests compensation under this Section 4.02, or (ii) the Borrower is required to pay any additional amount to or on account of any Lender (or any Participant thereof) pursuant to Section 2.07, (iii) any Lender becomes a Defaulting Lender, (iv) any Lender shall refuse to consent to any waiver, amendment or other modification that would otherwise require such Lender's consent but to which the Required Lenders have consented, or (v) any Lender (1) shall at any time have a long-term credit rating of lower than BBB from S&P, lower than Baa2 from Moody's or lower than the equivalent rating from any other nationally recognized statistical rating organization, or shall at any time not have a long-term credit rating from S&P or Moody's (in each case under this clause (v)(1) regardless of whether any such circumstances existed at the time such Lender became a Lender), (2) is an Ineligible Institution, (3) enters into, or purports to enter into, an assignment or a participation with an Ineligible Institution in violation of this Agreement or (4) has become the subject of a Bail-In Action (or any case or other proceeding in which a Bail-In Action may occur), then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender (and its Related Parties) to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Article IX), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided*, that (x) in the case of an assignment to an assignee which is not a Lender, the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld, conditioned or delayed, (y) such Lender shall have received payment of an amount equal to (i) the outstanding principal of its Loans and participations in the relevant Loans, accrued interest thereon, accrued fees and all other amounts due and payable to it hereunder and (ii) all other Obligations then outstanding and owed to such Lender, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (z) in the case of any such assignment arising under clause (v)(1) above, the assignee (or its parent) shall have a credit rating greater than or equal to BBB from S&P and/or greater than or equal to Baa2 from Moody's; *provided*, that the Borrower shall provide the Administrative Agent in its capacity as Lender a right of first refusal (but not an obligation) to accept the assignment of such Commitment. If such Lender is the Administrative Agent, the Collateral Agent or an Affiliate of either of them, no such assignment shall be effective unless (x) a successor Administrative Agent and Collateral Agent, as applicable, have been appointed and have accepted such appointment pursuant to an instrument of assumption in form and substance reasonably satisfactory to the existing Administrative Agent and Collateral Agent, as applicable, and (y) the existing Administrative Agent and Collateral Agent, as applicable, have been discharged from all duties and obligations hereunder and under each of the other Transaction Documents and all Obligations then outstanding and owed to such Person have been paid in full. Each party hereto agrees that (1) an assignment by a Lender required pursuant to this paragraph may be effected pursuant to an assignment and assumption executed by the Borrower, the Administrative Agent and the assignee, and (2) the Lender required to make such assignment need not be a party thereto in order for such assignment to be effective and shall be deemed to have consented to and be bound by the terms thereof; *provided* that, following the effectiveness of any such assignment, the other parties to such assignment agree to execute and deliver such documents necessary to evidence such assignment as reasonably requested by the applicable Lender, *provided* that any such documents shall be without recourse to or warranty by the parties thereto; *provided, further* that in the case of any such assignment resulting from a Lender that has become the subject of a Bail-In Action (or any case or other proceeding in which a Bail-In Action may occur), then, the assignee shall be deemed to have taken assignment of all

the interests, rights and obligations of the assigning Lender under this Agreement without giving effect to the applicable Bail-In Action on such interests, rights and obligations.

Section 4.03 Funding Indemnification. The Borrower shall indemnify the Lenders for any Breakage Cost related to (i) a proposed Loan if a Loan is not made on the date requested by the Borrower in any Borrowing Request for any reason other than a breach of this Agreement by the Lender claiming indemnity therefor and (ii) any prepayment of the Loan pursuant to Section 2.03.

Section 4.04 Inability to Determine Rates.

(a) If prior to the commencement of any Interest Period:

(i) subject to clause (b) below, the Administrative Agent determines (which determination shall be conclusive absent demonstrable error) that adequate and reasonable means do not exist for ascertaining the Adjusted Eurodollar Rate or the Three-Month LIBOR Rate, as applicable (including because the Three-Month LIBOR Screen Rate is not available or published on a current basis), for such Interest Period; or

(ii) the Administrative Agent is advised by the Required Lenders that the Adjusted Eurodollar Rate or the Three-Month LIBOR Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) specified in the related Borrowing Request for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone, telecopy or electronic mail as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist (which notice the Administrative Agent shall give as promptly as practicable once such circumstances cease to exist, unless such information is publicly available), if any Borrowing Request requests a Loan, such Loan shall be made with reference to the Base Rate.

(b) If at any time the Administrative Agent, after consultation with the Borrower, determines (which determination shall be conclusive absent demonstrable error) that (i) the circumstances set forth in clause (a)(i) have arisen and such circumstances are unlikely to be temporary, (ii) the Three-Month LIBOR Rate is no longer a widely recognized benchmark rate for newly-originated loans in the United States syndicated loan market, (iii) HPS Investment Partners, LLC is currently executing loan facilities that include language similar to that contained in this clause (b), or is amending such facilities to incorporate or adopt a new benchmark interest rate to replace the Three-Month LIBOR Rate, or (iv) the circumstances set forth in clause (a)(i) have not arisen but either (w) the supervisor for the administrator of the Three-Month LIBOR Screen Rate has made a public statement that the administrator of the Three-Month LIBOR Screen Rate is insolvent (and there is no successor administrator that will continue publication of the Three-Month LIBOR Screen Rate), (x) the administrator of the Three-Month LIBOR Screen Rate has made a public statement identifying a specific date after which the Three-Month LIBOR Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the Three-Month LIBOR Screen Rate), (y) the supervisor for the administrator of the Three-Month LIBOR Screen Rate has made a public statement identifying a specific date after which the Three-Month LIBOR Screen Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the Three-Month LIBOR Screen Rate or a Regulatory Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Three-Month LIBOR Screen Rate may no longer be used for determining interest rates for loans, then, in the sole discretion of the Administrative Agent, acting at the direction of the Required Lenders, either (i) the Administrative Agent, acting at the direction of the Required Lenders may elect to convert any Loans then outstanding that are Eurodollar Loans to Base Rate Loans on the first date of the next Interest Period or (ii) the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the Three-Month LIBOR Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable such that, to the extent practicable, the interest payable by the Borrower based on the replacement index will be substantially equivalent to the interest that would be payable based on the Three-Month LIBOR Rate in effect prior to the event(s) giving rise to the use of such replacement index; *provided* that, if such alternate rate of interest as so determined would be less than 1.75%, such rate shall be deemed to be 1.75% for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 12.01, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Required Lenders stating that such Required Lenders object to such amendment.

ARTICLE V

CONDITIONS OF EFFECTIVENESS AND LOANS

Section 5.01 Closing Date Conditions Precedent. The effectiveness of this Agreement and the obligations of the parties hereto are subject to the condition precedent that the Lenders shall have received or waived receipt of the following on or prior to the Closing Date (unless otherwise noted):

(a) a copy of this Agreement and each of the other Transaction Documents identified on the closing list attached as Exhibit E hereto, in each case duly executed by each party thereto, and each other item identified on such closing list (it being understood, however, that no sublicense of IP Assets by SmileDirect or any subsequent sublicensee thereof shall be a condition precedent to the effectiveness of this Agreement);

(b) evidence that the Collection Account (other than any Foreign Receivables Collection Account) and the Cash Reserve Account have been established;

(c) financing statements on Form UCC-1 or amendments thereto naming (i) each Originator as seller/debtor and the Seller as buyer/secured party, (ii) the Seller as seller/debtor and the Borrower as buyer/secured party, and (iii) the Borrower as debtor and the Collateral Agent as secured party, in each case, in proper form for filing in the office in which the filings are necessary or, in the reasonable opinion of the Collateral Agent or the Administrative Agent, desirable under the UCC or any comparable law of all appropriate jurisdictions to perfect the security interest of the Collateral Agent granted pursuant to the Security Agreement;

(d) Intellectual Property Security Agreements substantially in the form of Exhibits A-1, A-2, and A-3 to the Security Agreement, duly executed by the grantors party thereto.

(e) search reports provided in writing by the applicable filing offices, listing all effective financing statements that name any of the Originators, the Seller or the Borrower as debtor and that are filed in the jurisdiction in which any Originator, the Seller or the Borrower, as applicable, is "located" as defined in Section 9-307 of the UCC, together with copies of such financing statements;

(f) to the extent the Borrower has received an invoice therefor at least two (2) Business Days prior to the Closing Date in reasonable detail, evidence that all fees and expenses, including the Closing Payment and any other fees payable pursuant to the Fee Letter, and all reasonable and documented out-of-pocket expenses, due and required to be paid by the Borrower in accordance with the Transaction Documents shall have been paid in full;

(g) usual and customary legal opinions in form and substance reasonably satisfactory to Administrative Agent and its counsel (including, but not limited to, those regarding corporate matters, enforceability, true sale, non-consolidation, the Investment Company Act, the Volcker Rule, security interest perfection and priority (which opinion as to priority may be based solely on lien search results) and a Regulatory Opinion);

(h) since December 31, 2019, there shall not have occurred a Material Adverse Change with respect to any Credit Party, as determined by the Administrative Agent in its sole discretion;

(i) there shall not exist (i) a material adverse change in the credit and lending markets, a material outbreak or escalation of hostilities or a material adverse change in national or international political, financial or economic conditions, in each case which makes it impracticable or financially disadvantageous for the Lenders to provide funding at such time on the terms and in the manner contemplated under this Agreement and the other Transaction Documents, (ii) a general suspension of trading on major stock exchanges, or (iii) a disruption in or moratorium on commercial banking activities or securities settlement services;

(j) the Administrative Agent shall have received confirmation reasonably satisfactory to the Administrative Agent that the U.S. Food and Drug Administration has formally approved the Merchandise underlying the Collateral;

(k) evidence that each of the conditions precedent to the execution, delivery and effectiveness of each of the other Transaction Documents has been or contemporaneously hereunder will be satisfied; and

(l) (i) the Administrative Agent shall have received, (x) at least seven (7) days prior to the Closing Date, all documentation and other information regarding the Credit Parties requested in connection with applicable "know-your-customer" and anti-money laundering rules and regulations, including the Patriot Act, to the extent requested in writing of the Credit Parties at least ten (10) Business Days prior to the Closing Date, and (y) a properly completed and signed IRS Form W-8 or W-9, as applicable, for each Credit Party, and (ii) to the extent the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, any Lender that has requested, in a written notice to the Borrower at least five (5) Business Days prior to the Closing Date, a Beneficial Ownership Certification in relation to the Borrower shall have received such Beneficial Ownership Certification; *provided* that, upon the execution and delivery by such Lender of its signature page to this Agreement, the condition set forth in this clause (ii) shall be deemed to be satisfied.

(m) the representations and warranties of the Credit Parties contained in the Transaction Documents are true, correct and complete in all material respects on and as of such day as though made on and as of such day (unless the same explicitly relates solely to an earlier date);

(n) the Loan Amount shall not exceed the lesser of (i) the Permitted Loan Balance and (ii) $400,000,000 immediately upon giving effect to the making of the Loans and the use of proceeds thereof;

(o) no event has occurred and is continuing, or would result from such Loan upon giving effect to such Loan, that constitutes an Event of Default, an Unmatured Event of Default, a Servicer Termination Event, or an Unmatured Servicer Termination Event;

(p) [Reserved];

(q) the Administrative Agent shall have received a duly executed and completed Borrowing Request, which shall include a data tape regarding all consumer installment plan Receivables initially included in the Adjusted Net Accounts Receivable (other than Receivables originated under SmileDirect's classic "SmilePay" program), including the fields under the heading "Monthly Customer Payment History Tape" listed in Exhibit O hereto;

(r) the Lenders (or their designated affiliates) shall have been issued warrants to purchase common stock of SmileDirectClub, Inc. ("PubCo") in an amount equal to 1% of the fully diluted common stock of PubCo pursuant to warrant agreements in the form attached hereto as Exhibit C;

(s) copies of all filed UCC termination statements and amendments necessary to ensure that the Collateral Agent has a first priority perfected security interest in the Collateral;

(t) evidence that the Previous Financing Facility has been (or substantially contemporaneously will be) repaid in full and terminated in accordance with its terms, and all security interests relating thereto have been (or substantially contemporaneously will be) released.

The funding of the Loan shall be deemed to be an acceptance by the Administrative Agent and the Lenders that the conditions precedent are satisfied and the Agreement is effective.

Section 5.02 [Reserved].

Section 5.03 Conditions Precedent to All Releases. Each Cash Reserve Account Release, including the initial Cash Reserve Account Release, shall be subject to the conditions precedent that on the date of such Cash Reserve Account Release, the following statements shall be true (and shall be true immediately after such Cash Reserve Account Release), and the acceptance by the Borrower of the proceeds of such Cash Reserve Account Release shall be deemed to constitute, as of such Release Date, a confirmation by the Borrower that the following statements remain true:

(a) the representations and warranties of the Credit Parties contained in the Transaction Documents are true, correct and complete in all material respects on and as of such day as though made on and as of such day and shall be deemed to have been made (and must be correct in all material respects) on such day (unless the same explicitly relates solely to an earlier date);

(b) no event has occurred and is continuing, or would result from such Cash Reserve Account Release upon giving effect to such Cash Reserve Account Release that constitutes an Event of Default, an Unmatured Event of Default, a Servicer Termination Event or an Unmatured Servicer Termination Event;

(c) the Loan Amount shall not exceed the Permitted Loan Balance and the amount on deposit in the Cash Reserve Account (including related Permitted Investments) is at least equal to $100,000,000 (in each case, after giving effect to such Cash Reserve Account Release and calculated on a *pro forma* basis as of the date of such proposed Cash Reserve Account Release);

(d) the Administrative Agent shall have received a Permitted Loan Balance Certificate, executed by an Authorized Officer of the Borrower and an Authorized Officer of the Servicer, showing a calculation of each of the Loan Amount and the Permitted Loan Balance both immediately before and upon giving effect to such proposed Cash Reserve Account Release;

(e) the Administrative Agent shall have received a duly executed and completed Cash Reserve Account Release Request;

(f) [Reserved];

(g) the amount remaining on deposit in the Collection Account is at least equal to the Required Collection Account Amount after giving effect to such proposed Cash Reserve Account Release; and

(h) to the extent the Borrower has received an invoice therefor at least one (1) Business Day before the Release Date in reasonable detail, all fees and other amounts (including costs, expenses and indemnified amounts) then due and payable to the Lenders and the Administrative Agent, shall have been paid in full.

Section 5.04 [Reserved].

ARTICLE VI

REPRESENTATIONS AND WARRANTIES

Section 6.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows to the Administrative Agent, the Collateral Agent and the Lenders as of the Closing Date and as of each Release Date:

(a) Organization, Corporate Powers. The Borrower is an entity duly formed, validly existing solely under the laws of the State of its formation, is in good standing under the laws of the State of its formation and is qualified in each state where a property is located if the laws of such state require qualification in order to conduct business of the type conducted by the Borrower, except to the extent that the failure to obtain or maintain any such qualification would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Authority, etc. The Borrower has full trust power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party, and to perform in accordance herewith; the execution, delivery and performance of this Agreement and the other Transaction Documents by the Borrower, and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by the Borrower; each of this Agreement and the other Transaction Documents evidences the valid, binding and enforceable obligation of the Borrower, as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer and other laws limiting the enforceability of creditors' rights and by general principles of equity.

(c) Ability to Perform. The Borrower does not believe, nor does the Borrower have any reason or cause to believe, that it cannot perform its covenants and obligations contained in this Agreement and the other Transaction Documents to which it is a party.

(d) No Consent or Approval Required. No consent, approval, license, registration, authorization or order of any Regulatory Authority is required for the execution, delivery and performance by the Borrower of, or compliance by the Borrower with, this Agreement or the other Transaction Documents to which it is a party, or if required, such consent, approval, license, registration, authorization or order has (or will have) been obtained on or prior to the Closing Date, except for the filing of any UCC financing statements contemplated by the Transaction Documents.

(e) No Proceedings. There are no judgments, proceedings or investigations pending against the Borrower or, to the knowledge of a Responsible Officer of the Borrower, threatened in writing against the Borrower, before any Regulatory Authority: (i) asserting the invalidity of this Agreement or the other Transaction Documents; (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or the other Transaction Documents; or (iii) seeking any determination or ruling that could reasonably be expected to have a Material Adverse Effect.

(f) No Conflicts. Neither the execution and delivery of this Agreement and the other Transaction Documents, nor the fulfillment of or compliance with the terms and conditions of this Agreement and the other Transaction Documents, will conflict with or result in a breach of any of the terms, conditions or provisions of the Borrower's formation documents, or any legal restriction or any material agreement or instrument to which the Borrower is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing.

(g) Solvency. The Borrower is Solvent.

(h) Tax Returns; Tax Status. The Borrower has filed all material tax returns (federal, state, local and foreign) required to be filed by it, such tax returns are true and accurate in all material respects, and the Borrower has timely paid or made adequate provision for the payment of all material Taxes and other material governmental assessments and material governmental charges, except for any such Taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves have been established in accordance with GAAP. The Borrower (i) is, and shall at all relevant times continue to be, a Disregarded Entity that is wholly owned by a U.S. Person and (ii) is not and will not at any relevant time become an association (or publicly traded partnership) taxable as an association for U.S. federal income tax purposes.

(i) No Modification. The Borrower has not amended, or permitted the amendment of, the terms of the Transaction Documents, except as permitted by and in accordance with the Transaction Documents.

(j) Transfer of All Property. Pursuant to (i) each Management Services Agreement, each Originator has (or will have) transferred to the Seller all of such Originator's right, title and interest in the Receivables and Related Assets purported to be transferred to the Seller under such Management Services Agreement; (ii) the Purchase Agreement, the Seller has (or will have) transferred to the Borrower all of the Seller's right, title and interest in the Receivables and Related Assets and the IP Assets purported to be transferred to the Borrower under the Purchase Agreement; and (iii) the Security Agreement, the Borrower has (or will have) pledged to the Collateral Agent, on behalf of the Secured Parties, all of the Borrower's right, title and interest in the Collateral purported to be pledged to the Collateral Agent, on behalf of the Secured Parties, under the Security Agreement.

(k) No Liens. The Borrower has not created, or suffered to exist, any Lien on the Collateral, other than any Lien terminated concurrent with or prior to the transfer pursuant to the Purchase Agreement and any Permitted Liens.

(l) Employee Benefit Plans. Except to the extent the following would not reasonably be expected to have a Material Adverse Effect, (i) each Plan is in compliance with all applicable requirements of ERISA, the Code and other Applicable Law, (ii) no ERISA Event has occurred or is reasonably expected to occur, (iii) the Borrower and each ERISA Affiliate has complied with the Funding Rules with respect to each Pension Plan, and no waiver of the minimum funding requirements under the Funding Rules has been applied for or obtained, (iv) as of the most recent valuation date for any Pension Plan, the funding target attainment percentage (as defined in Section 430 of the Code) is 60% or higher and no facts or circumstances exist that could reasonably be expected to cause the funding target attainment percentage to drop below such threshold as of the most recent valuation date and (v) the Borrower is not, and will not become at any time while any Obligation is outstanding, a Benefit Plan Investor.

(m) Accuracy of Information. Neither this Agreement nor any other Transaction Document to which the Borrower is a party, nor any certificate or written report (including any Monthly Report, as the same may be corrected pursuant to Section 3.05, any Cash Reserve Account Release Request as the same may be corrected pursuant to Section 3.05, and the Beneficial Ownership Certification) furnished to any Lender, the Collateral Agent or the Administrative Agent by or on behalf of the Borrower or any other Credit Party in connection herewith contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein and therein not misleading in any material respect on the date when made or delivered, as applicable, and in light of the circumstances under which such statements were made or delivered.

(n) Compliance with Statutes, etc. The Borrower is in compliance with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Regulatory Authorities in respect of the conduct of its business and the ownership of its property, except such non-compliance that would not reasonably be expected to have a Material Adverse Effect.

(o) Credit and Collection Policies. No changes have been made to the Credit and Collection Policies since the Closing Date, other than Permitted Policy Modifications and those which have been consented to by the Administrative Agent in writing (such consent not to be unreasonably withheld, conditioned or delayed).

(p) Not an Investment Company. The Borrower is not required to register as an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act"). In reaching the conclusion that the Borrower is not required to register as an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act, the Borrower is relying on the exemption from the definition of "investment company" contained in Section 3(c)(5) of the Investment Company Act, although there may be additional exclusions or exemptions available to the Borrower. The Borrower is not a "covered fund" as defined under the Volcker Rule.

(q) Margin Regulations. The use of the Loans will not conflict with or contravene any of Regulations T, U or X promulgated by the Federal Reserve Board from time to time.

(r) Borrower Information. The chief place of business and chief executive office of the Borrower are located at the address of the Borrower referred to in Schedule 12.02, and the offices where the Borrower generally maintains all its books, records and documents relating to the Receivables are located at the addresses specified in Schedule 6.01(r) (or at temporary locations or at such other locations, notified to each Lender in accordance with Section 7.01(f), in jurisdictions where all action necessary to maintain the Collateral Agent's first priority (subject to Permitted Liens) perfected security interest, for the benefit of the Secured Parties, in the Collateral has been taken and completed). The exact legal name of the Borrower is set forth on the signature page hereof. Except as provided on Schedule 6.01(r), the Borrower has not changed its name, changed its corporate structure, changed its jurisdiction of organization, changed its chief place of business/chief executive office or used any name other than its exact legal name at any time during the past five years. The Location of the Borrower is Delaware.

(s) Prior Business Activity. The Borrower has no business activity except as contemplated in this Agreement and the other Transaction Documents and upon the date hereof is not party to any other debt, financing or other material transaction or agreement other than the Transaction Documents and its constitutive documents.

(t) Indebtedness. The Borrower has not incurred, created or assumed any Indebtedness, except for Indebtedness that has been paid in full on or prior to the date hereof and Indebtedness arising under or expressly permitted by this Agreement or the other Transaction Documents.

(u) Ordinary Course of Business. Each payment of interest and principal on the Loan will have been (i) in payment of a debt incurred in the ordinary course of business or financial affairs on the part of the Borrower and (ii) made in the ordinary course of business or financial affairs of the Borrower.

(v) Qualifications. The Borrower possesses all necessary qualifications and licenses to acquire and hold the Receivables and all of its other assets except to the extent that the failure to have such qualifications and licenses would not reasonably be expected to have a Material Adverse Effect.

(w) Material Adverse Change. No Material Adverse Change has occurred since December 31, 2019.

(x) Policies and Procedures. Borrower has implemented and maintains and will continue to maintain in effect and enforce policies and procedures designed to promote and achieve compliance in all material respects by Borrower, its Subsidiaries (if any) and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and Borrower, its Subsidiaries (if any) and their respective officers and employees and, to the knowledge of Borrower, its directors and agents, are in compliance in all material respects with Anti-Corruption Laws and applicable Sanctions.

(y) No Sanctioned Persons. None of (a) any Credit Party, any Subsidiary (if any) or any of their respective directors, officers or employees, or (b) to the knowledge of any such Credit Party or Subsidiary, any agent of such Credit Party or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person.

(z) Use of Proceeds. No Loans, use of proceeds by the Borrower or any Affiliate thereof, or other transaction contemplated by this Agreement or the other Transaction Documents will violate Anti-Corruption Laws or applicable Sanctions.

Section 6.02 Additional Representations and Warranties. The Borrower represents and warrants as follows to the Administrative Agent, the Collateral Agent and the Lenders as of the Closing Date and as of each Interest Payment Date and each Release Date:

(a) Perfected Security Interest. Each Receivable is owned by the Borrower free and clear of any Lien other than a Permitted Lien. All other Collateral is owned by the Borrower free and clear of any Lien other than a Permitted Lien. Except for the filing of the financing statements as described in the Security Agreement, no further action, including any filing or recording of any document, is necessary in order to establish and perfect the first priority security interest of the Collateral Agent, for the benefit of the Secured Parties, in the Collateral as against any third party in any applicable jurisdiction, including, without limitation, any purchaser from, or creditor of, the Borrower. No valid financing statement or other valid instrument similar in effect covering any of the Collateral or any interest therein is on file in any recording office except such as may be filed (i) in connection with any Lien arising solely as the result of any action taken by the Collateral Agent, (ii) in favor of the Collateral Agent, (iii) for which UCC termination statements or partial release statements reasonably satisfactory to the Collateral Agent and the Administrative Agent have been, or substantially contemporaneously with the Closing Date will be, filed (copies of which, along with any other documents necessary to evidence the release all security interests (other than that of the Collateral Agent) in such Receivable, to the extent required for all such prior security interests to be terminated, have been delivered to the Collateral Agent and the Administrative Agent) or (iv) in connection with the release of any Collateral pursuant to the terms of this Agreement. Other than the filing of financing statements described in clauses (i) through (iii) of the immediately preceding sentence and any necessary amendments and continuations thereof, no consent of any other Person (other than consents that have been obtained prior to the date hereof) and no authorization, approval, or other action by, and no notice to or filing with, any Regulatory Authority is required to be made or obtained by any SmileDirect Entity (x) for the pledge by the Borrower of the Collateral pursuant to the Security Agreement or (y) for the perfection or maintenance of the security interest created hereby (including the first priority nature of such security interest).

(b) [Reserved].

(c) Acquisition of Receivables. With respect to each Receivable or IP Asset, such Receivable and IP Asset was acquired (i) by the Borrower from the Seller pursuant to the Purchase Agreement and (ii) by, in the case of each such Receivable, the Seller from an Originator pursuant to a Management Services Agreement, in each case of clause (i) and (ii), for (a) fair market value, fair consideration and reasonably equivalent value and/or (b) as a capital contribution. The Borrower has not purchased any Receivables other than pursuant to the Purchase Agreement.

(d) [Reserved].

(e) No Other Receivables. As of the date of the transfer by the Seller to the Borrower, neither the Seller nor any other Credit Party has title to any Receivable that has not been transferred to the Borrower.

(f) Servicing. Each Receivable is being serviced in accordance with the provisions of the Servicing Agreement.

Section 6.03 [Reserved].

ARTICLE VII

COVENANTS

Section 7.01 Affirmative Covenants of the Borrower. From the date hereof until the Final Payout Date, the Borrower will comply with the following covenants, unless the Required Lenders (or all Lenders in the case of a Fundamental Amendment) shall otherwise consent in writing:

(a) Compliance with Laws, Etc. The Borrower shall comply with all applicable federal, state and local laws, rules, regulations, licensing standards and orders, including those with respect to the Receivables, except to the extent the failure to comply therewith, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Existence. The Borrower shall preserve and maintain its existence as a Delaware statutory trust. The Borrower shall preserve and maintain its rights, franchises and privileges in the jurisdiction of its formation, and qualify and remain qualified in good standing as a foreign organization in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would not reasonably be expected to have a Material Adverse Effect.

(c) Inspections. Upon reasonable prior written notice to a Responsible Officer of the Borrower during regular business hours, permit the Collateral Agent, the Back-Up Servicer and/or the Administrative Agent or any of their agents or representatives (i) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Borrower, the Seller, any Originator or the Servicer relating to the Collateral or the Borrower's acquisition of Receivables, and (ii) to visit the offices and properties of the Borrower, the Seller, any Originator or the Servicer, as applicable, for the purpose of examining such materials described in clause (i) above, and to discuss matters relating to Receivables or the Borrower's, the Seller's, the Originators' or the Servicer's performance under the Transaction Documents with any of the officers, directors or independent public accountants of any Credit Party having knowledge of such matters, in each case with a Responsible Officer of Seller and such Credit Party having a reasonable opportunity to be present during such discussions. Unless an Event of Default or Servicer Termination Event has occurred and is continuing, (i) such inspections shall be limited to two (2) in total for both the Collateral Agent and Administrative Agent per any calendar year and (ii) the Collateral Agent and/or Administrative Agent shall provide at least fifteen (15) Business Days' prior written notice of its request for such an inspection. All reasonable costs and expenses related to any visit and examination pursuant to this Section 7.01(c) shall be borne by the Borrower. Notwithstanding anything to the contrary in this Section 7.01(c), or in any other provision of this Agreement or any other Transaction Document, none of the Borrower, the Seller, any Originator, the Servicer or any Affiliate of any of the foregoing will (x) be required to disclose, permit the inspection, examination or making copies or abstracts of, or discussion of, any document, information or other matter to the extent (i) such disclosure to the Administrative Agent, the Collateral Agent, the Back-Up Servicer or any Lender (or their respective representatives or contractors) is prohibited by any Applicable Law (including, without limitation, the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA)), (ii) is subject to attorney-client privilege or protection as attorney work product with respect to any ongoing matter, litigation or investigation where the Borrower has reasonably determined that it would be harmed if such privilege or protection were lost or (iii) such disclosure would breach a binding confidentiality obligation reasonably entered into in good faith and owed to a Person other than the Parent or any of its Affiliates or (y) disclose any books, records or documents to the Administrative Agent, the Collateral Agent, the Back-Up Servicer or any Lender for which the disclosure thereof is prohibited by HIPAA. If any document, information or other matter is withheld from the Administrative Agent, the Collateral Agent, the Back-Up Servicer or any Lender pursuant to the preceding sentence, then, to the extent possible without violating any Applicable Law or waiving attorney-client privilege or protection as attorney work product, the Borrower shall provide a list of what items have been withheld and the basis therefor, in each case, unless (i) such document or information is (A) an engagement letter or related agreement (or any draft of any of the foregoing) entered into or to be entered into by any SmileDirect Entity in connection with the acquisition by a third-party of any Equity Interests in any SmileDirect Entity or any related board resolutions, board minutes or board materials, but only to the extent specifically related thereto or (B) any commitment letter, fee letter, credit agreement, receivables purchase agreement, repurchase agreement or other financing agreement (or any draft of any of the foregoing) entered into or to be entered into by any SmileDirect Entity in anticipation of replacing this Agreement and the other Transaction Documents or any related board resolutions, board minutes or board materials, but only to the extent specifically related thereto or (ii) access to the applicable document, information or other matter would constitute a conflict of interest, upon the advice of counsel, between the Administrative Agent, the Collateral Agent, the Back-Up Servicer and/or any Lender, on the one hand, and the Borrower and/or

any of its Affiliates, on the other hand, with respect to matters concerning the financing transaction contemplated by this Agreement.

(d) Keeping of Records and Books of Account. The Borrower shall, and shall cause the Servicer to, note on its books and records pertaining to the Receivables that the Receivables have been acquired by the Borrower and pledged to the Collateral Agent, on behalf of the Secured Parties, maintain and implement (or cause to be maintained and implemented) administrative and operating procedures (including, without limitation, an ability to recreate records evidencing the Receivables in the event of the destruction of any originals thereof), and keep and maintain, or cause to be kept and maintained, all documents, books, records and other information reasonably necessary for the collection of the Receivables (including records adequate to permit the daily identification of each new Receivable included in the Collateral from time to time and all Collections of, payments on and adjustments to each existing Receivable).

(e) Performance and Compliance with Contracts. At its expense, the Borrower shall timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the Contracts, the Receivables, the Servicing Agreement, and other Transaction Documents to which the Borrower is a party, the failure to perform or comply with which would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(f) Location. The Borrower shall keep its chief place of business and chief executive office, and the offices where it generally keeps its records concerning the Receivables and all agreements related to such Collateral (and all original documents relating thereto, unless such documents have been delivered to the Servicer, the Collateral Agent, the Administrative Agent or the Collateral Agent or Administrative Agent's designee), at the address(es) of such Person referred to in Schedule 6.01(r) or, upon ten (10) days' prior written notice to the Collateral Agent and the Administrative Agent, at such other locations selected by it with respect to which all actions required to maintain the Collateral Agent's first priority (subject to Permitted Liens) perfected security interest, for the benefit of the Secured Parties, in the Collateral have been taken and completed. The Borrower shall keep its Location at the Location identified in Schedule 6.01(r) or, upon thirty (30) days' prior written notice to the Collateral Agent and the Administrative Agent, at such other Location where all actions required to maintain the Collateral Agent's first priority (subject to Permitted Liens) perfected security interest, for the benefit of the Secured Parties, in the Collateral shall have been taken and completed.

(g) Servicing Agreement, Purchase Agreement and Other Transaction Documents; Enforcement. The Borrower shall maintain in effect the Servicing Agreement (for so long as Receivables are serviced thereunder), the Purchase Agreement and the other Transaction Documents and diligently and promptly enforce its rights and the obligations of the other parties thereunder to the extent that it (i) is in its best interest to do so, as determined by the Borrower in its reasonable discretion and (ii) not adverse to the interests of the Secured Parties.

(h) Servicer Termination Events; Replacement Servicer. If a Servicer Termination Event shall have occurred and is continuing or the Servicing Agreement shall not be in full force and effect for any reason, the Collateral Agent (acting at the direction of the Required Lenders) shall have the right to remove the Servicer, or cause and direct the Borrower to remove the Receivables from servicing by the Servicer, pursuant to the terms of the Servicing Agreement. To the extent requested in writing by the Collateral Agent or Administrative Agent during the continuation of a Servicer Termination Event, the Borrower shall, and the Borrower shall direct the Servicer to, take any actions reasonably requested by the Collateral Agent or the Administrative Agent in order to facilitate the transition of servicing rights and all required records and information to the Back-Up Servicer, pursuant to the Back-Up Servicing Agreement.

(i) Insurance. The Borrower shall direct the Servicer to maintain in effect insurance in such liability and amounts and with such deductibles as are customary in the industry, as reasonably determined by the Borrower, and provide prompt notice to the Collateral Agent and the Administrative Agent of any changes in such insurance if such changes would be material and adverse to the Lenders.

(j) Further Assurances. The Borrower shall from time to time upon the request of the Administrative Agent or the Collateral Agent, at the Borrower's sole expense, promptly execute, acknowledge and deliver such further documents and do such other acts and things consistent with the terms of the Transaction Documents as the Administrative Agent or the Collateral Agent may reasonably request in order to effect fully the purposes of the Transaction Documents.

(k) Separate Business. Except as contemplated or provided herein or in the other Transaction Documents, the Borrower shall at all times:

(i) (y) maintain and prepare financial reports, books and records and bank accounts separate from those of the other Credit Parties, its other Affiliates and any other Person or entity, except that consolidated financial statements and tax returns are permitted, and (z) not permit any Affiliate or any other Person independent access to the Borrower's bank accounts;

(ii) not commingle the Borrower's funds and other assets with those of any other Credit Party, any other Affiliate or any other Person or entity (other than any such commingling expressly permitted by this Agreement and/or the other Transaction Documents);

(iii) file its own tax returns, if any, as may be required under Applicable Law, to the extent not part of a consolidated group filing a consolidated return or returns and not treated as a division or a disregarded entity for tax purposes of another taxpayer, and pay any U.S. federal and material state, local and foreign Taxes required to be paid by it under Applicable Law, other than taxes being contested in good faith by appropriate action with respect to which adequate reserves have been established in accordance with GAAP;

(iv) conduct the Borrower's business in its own name and hold all of the Borrower's assets in its own name and in such a manner that it will not be costly or difficult to segregate, ascertain or identify the Borrower's individual assets from those of the other Credit Parties, any other Affiliate or any other Person;

(v) remain Solvent and pay its debts and liabilities (including employment and overhead expenses) from its assets as the same become due, after giving effect to grace and cure periods; *provided*, *however*, that, notwithstanding any provision of this Agreement or any other Transaction Document to the contrary, (i) no Affiliate of the Borrower shall (A) be required to make any additional capital contributions to the Borrower or (B) have any liability with respect to any Receivable solely as a result of any changes in general economic conditions or movements in interest rates and (ii) the Borrower shall comply with the terms of clause (xxii) below;

(vi) do all things necessary to observe procedural trust formalities (including the separateness provisions contained in the Borrower's organizational documents), and preserve the Borrower's existence as a single-purpose, bankruptcy-remote entity;

(vii) enter into transactions with Affiliates only if each such transaction is commercially reasonable and on substantially similar terms as a transaction that would be entered into on an arm's-length basis with a Person other than an Affiliate of the Borrower;

(viii) compensate each of its consultants and agents from its own funds for services provided to it and pay from its own assets all of its obligations of any kind incurred;

(ix) not (y) acquire or hold securities of any Affiliate or (z) buy any evidence of Indebtedness issued by any other Person or entity, other than Receivables;

(x) allocate fairly and reasonably and pay from its own funds the cost of (y) any overhead expenses (including paying for any office space) shared with any Affiliate of the Borrower and (z) any services (such as asset management, legal and accounting) that are provided jointly to the Borrower and one or more of its Affiliates;

(xi) maintain and utilize separate invoices and checks bearing its own name;

(xii) except as arising under or expressly permitted by this Agreement or any other Transaction Documents, not incur, create or assume any Indebtedness and not make any loans or advances to, or pledge its assets for the benefit of, any other Person or entity, including, without limitation, any other Credit Party or any other Affiliate;

(xiii) be, and at all times hold itself out to the public as, a legal entity separate and distinct from any other Person;

(xiv) to the extent known by the Borrower or the Seller, correct any misunderstanding regarding the separate identity of the Borrower;

(xv) not identify the Borrower as a division of any of its Affiliates or any other entity;

(xvi) not engage, directly or indirectly, in any business other than the actions required or permitted to be performed under Section 2.03 of the Trust Agreement;

(xvii) not amend, modify or otherwise change its organizational documents, or suffer the same to be amended, modified or otherwise changed in any manner without the prior written consent of the Required Lenders (such consent not to be unreasonably withheld, conditioned or delayed);

(xviii) not guarantee any obligation of any Person, including any Affiliate or become obligated for the debts of any other Person or hold out its credit as being available to pay the obligations of any other Person;

(xix) to the fullest extent permitted by law, not engage in any dissolution, division, liquidation, consolidation, merger, sale or other transfer of any of its assets outside the ordinary course of the Borrower's business;

(xx) not form, acquire or hold any subsidiary (whether corporate, partnership, limited liability company or other) or own any Equity Interest in any other entity, other than Permitted Investments;

(xxi) not own any material asset or material property other than the Collateral and incidental personal property necessary for the ownership or operation of the Borrower and/or the Collateral; and

(xxii) conduct its business and activities in all material respects in compliance with the assumptions contained in and material to the legal opinions of Foley & Lardner LLP dated on or about the Closing Date relating to true sale and substantive consolidation issues (the "Bankruptcy Opinions").

The Borrower hereby acknowledges that each Lender is entering into the transactions contemplated by this Agreement in reliance upon the Borrower's identity as a legal entity that is separate from the other Credit Parties.

(l) Deposit of Collections. The Borrower shall, and shall instruct the Seller and the Servicer to, deposit (or cause to be deposited) into the Collection Account (i) all Collections and (ii) all payments received pursuant to the IP License Agreement, in each case, in accordance with the Servicing Agreement.

(m) Protection and Perfection of Collateral. The Borrower will promptly execute and deliver at the Borrower's expense, all further instruments and documents, and take all further action necessary, or that the Collateral Agent or the Administrative Agent may reasonably request consistent with the terms of this Agreement and the other Transaction Documents, in order to maintain the Collateral Agent's first priority (subject to Permitted Liens) perfected security interest in the Collateral for the benefit of the Secured Parties, and to enable the Collateral Agent, on behalf of the Secured Parties, to exercise or enforce any of its rights and remedies hereunder or under any other Transaction Document pursuant to the terms hereof and thereof. Without limiting the generality of the foregoing, the Borrower will and will instruct the Servicer to: (i) authorize and file such financing statements, or amendments (including continuation statements) thereto or assignments thereof, and such other instruments or notices, as may be necessary or appropriate (or as the Collateral Agent or the Administrative Agent may reasonably request); and (ii) mark its master data processing records relating to such Collateral with a numeric code or other appropriate designation evidencing that the Collateral Agent, for the benefit of the Secured Parties, has acquired an interest therein as provided in this Agreement. If the Borrower or the Seller fail to perform any of their respective agreements or obligations under this Section 7.01, the Collateral Agent and/or the Administrative Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the reasonable and documented out-of-pocket expenses of the Collateral Agent and/or the Administrative Agent incurred in connection therewith shall be payable by the Borrower promptly after the Collateral Agent and/or Administrative Agent's demand therefor. For purposes of enabling the Collateral Agent, on behalf of the Secured Parties, to exercise its rights described in the preceding sentence and elsewhere in this Agreement, the Borrower and the Seller hereby authorize, and irrevocably grant a power of attorney, coupled with an interest, exercisable only after the occurrence of an Event of Default (unless such Event of Default has been waived in accordance with the terms of this Agreement), to the Collateral Agent and its successors and permitted assigns to take any and all steps in the Borrower's or the Seller's name and on behalf of the Borrower or the Seller necessary or desirable (and in accordance with Applicable Law), in the determination of the Collateral Agent (at the direction of the Administrative Agent), to collect all amounts due under any and all Receivables and other Collateral, including, without limitation, (i) endorsing the Receivables to the Collateral Agent or its designee, such that the Administrative Agent or such designee becomes the holder of the Receivables and has the rights and powers of a holder under Applicable Law, (ii) endorsing the Borrower's name on checks and other instruments representing Collections and (iii) enforcing such Receivables and other Collateral.

(n) Notice of Material Events. The Borrower shall inform the Collateral Agent and the Administrative Agent (who shall inform the Back-Up Servicer) promptly (but in any event within three (3) Business Days (or, in the case of clause (i)(G) below, ten (10) Business Days) after a Responsible Officer of the Borrower has knowledge of the occurrence of such event) in writing of the occurrence of any of the following:

(i) the occurrence of (A) [Reserved], (B) [Reserved], (C) an Event of Default, (D) an Unmatured Event of Default, (F) a Servicer Termination Event, (E) an Unmatured Servicer Termination Event or (G) a Regulatory Event or Competitor Regulatory Event that could reasonably be expected to materially and adversely affect the brokering, underwriting, origination, collection or servicing of the Receivables and/or the related RISCs (unless notice of the occurrence of such Regulatory Event or Competitor Regulatory Event is publicly available), it being understood that the Borrower shall be deemed to have satisfied its obligations under this clause (G) if it has used commercially reasonable efforts to provide such notice;

(ii) any event or circumstance, including the submission of any claim or the initiation or threat in writing of any legal process, litigation or administrative or judicial investigation, or rule making or disciplinary proceeding, in each case

affecting a SmileDirect Entity, that would reasonably be expected to have a Material Adverse Effect;

(iii) the commencement of any proceedings by or against any Credit Party under any applicable bankruptcy, reorganization, liquidation, rehabilitation, insolvency or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, trustee or similar official shall have been appointed or requested for any Credit Party or any of their respective assets;

(iv) (A) any Credit Party that is not under regulatory supervision on the Closing Date being placed under regulatory supervision, (B) any license, permit, charter, registration or approval material to the conduct of any Credit Party's business being suspended, revoked or not obtained, or (C) any Credit Party being ordered by a Regulatory Authority to cease and desist any practice, procedure or policy employed by such Credit Party in the conduct of its business, and such cessation would reasonably be expected to have a Material Adverse Effect; and

(v) the receipt by the Borrower or any of its Affiliates of any subpoena or request for information (a subpoena or similar request for information being referred to herein as a "Request") from any federal, state or local government entity, agency, self-regulatory body or officer thereof, except for (x) routine Requests for information received in the ordinary course of the Borrower's or any of its Affiliates business, (y) Requests with respect to a single RISC so long as class action status has not been obtained and is not being sought in connection therewith or (z) any Request from any state board of dentistry that could not reasonably be expected to have a Material Adverse Effect; *provided* that, the exceptions set forth in clauses (x), (y) and (z) shall not apply to any Requests (i) received from the Consumer Financial Protection Bureau or any financial self-regulatory body (including any securities or commodities exchange or the Financial Industry Regulatory Authority, Inc.) or (ii) received from any Regulatory Authority relating to the marketing activity or alleged unfair practices of the Borrower or any of its Affiliates, unless such Request relates solely to five or fewer RISCs for which class action status has not been obtained and is not being sought in connection therewith.

(vi) the occurrence of any ERISA Event.

(o) Actions with respect to Bankruptcy Petitions. The Borrower hereby agrees that it will timely object to all proceedings of the type described in clause (a) of the definition of "Event of Bankruptcy" instituted against it.

(p) Adequate Capital. The Borrower shall at all times maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations; *provided*, *however*, that, notwithstanding any provision of this Agreement or any other Transaction Document to the contrary, (i) no Affiliate of the Borrower shall (A) be required to make any additional capital contributions to the Borrower or (B) have any liability with respect to any Receivable solely as a result of any changes in general economic conditions or movements in interest rates and (ii) the Borrower shall comply with the terms of Section 7.01(k)(xxii).

(q) Written Policies and Procedures. The Servicer (so long as the Servicer is an Affiliate of the Borrower) shall at all times have in place and be in compliance in all material respects with the written policies and procedures set forth in the Credit and Collection Policies.

(r) Beneficial Ownership Certification. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of any change in the information provided in the Beneficial Ownership Certification delivered to such Lender that would result in a change to the list of beneficial owners identified in such certification.

(s) Tax Returns; Tax Status. The Borrower shall file all material tax returns (federal, state, local and foreign) required to be filed by it, such tax returns shall be true and accurate in all material respects, and the Borrower shall timely pay or make adequate provision for the payment of all material Taxes and other material governmental assessments and material governmental charges, except for any such Taxes, assessments or charges that are being contested in good faith by appropriate action and with respect to which adequate reserves have been established in accordance with GAAP. The Borrower will remain and take such actions as needed to ensure that it will (i) remain a Disregarded Entity that is wholly owned by a U.S. Person and (ii) not become an association taxable as a corporation or a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

(t) Account Control Agreement. The Cash Reserve Account shall be subject to the full dominion of the Collateral Agent and to the extent that the Collection Account or the Cash Reserve Account is not maintained with the Collateral Agent, such account shall be subject to the Account Control Agreement, and the Borrower shall not create or suffer to exist any Lien (other than Permitted Liens) with respect to the funds on deposit therein. The Borrower shall not maintain any accounts other than the Collection Account and the Cash Reserve Account and in connection with Permitted Investments.

(u) Invalid Liens, Etc. The Borrower shall use commercially reasonable efforts to amend or terminate any invalid Lien upon or with respect to any Receivable or other Collateral, or any interest therein, such that after giving effect to such amendment or termination, such invalid Lien no longer covers any Receivable or other Collateral.

Section 7.02 Reporting Requirements. From the date hereof until the Final Payout Date, the Borrower (or the Seller or the Servicer on behalf of the Borrower) shall furnish to the Administrative Agent and Collateral Agent (who shall furnish to the Back-Up Servicer):

(a) Monthly Report. At least two Business Days prior to each Interest Payment Date, a Permitted Loan Balance Certificate and an updated Schedule of Receivables in electronic form, which shall include a monthly data tape reflecting, with respect to all consumer installment plan Receivables included in the Adjusted Net Accounts Receivable, the applicable fields set forth under the heading "Monthly Customer Payment History Tape" in Exhibit O and shall include a listing of all Identified Receivables, if any.

(b) Monthly Compliance Certificate; Monthly Financial Statement. No later than thirty (30) days after the end of each month after the Closing Date, an officer's certificate of the Borrower and SmileDirect certifying to the Authorized Officer's knowledge that no Event of Default under Sections 8.02(i), (n), (t) or (u) has occurred, which certificate shall include (i) supporting financial calculations with respect thereto, (ii) copies of the internally prepared unaudited consolidated financial statements of Parent prepared in accordance with GAAP (other than the absence of footnotes and subject to year-end adjustments) accompanied by a certificate of the chief financial officer of Parent certifying that such copies are true and complete copies of the financial statements and that such information fairly presents, in all material respects, the consolidated financial condition of Parent as of the date thereof and (iii) certain key performance indicators of Parent and its subsidiaries, in the form set forth in Schedule 7.02, which certificate shall be substantially in the form attached hereto as Exhibit L.

(c) Quarterly Financial Statements. As soon as available and in any event within forty-five (45) days after the end of each of the first three fiscal quarters of each fiscal year of Parent, copies of the consolidated financial statements of Parent prepared in accordance with GAAP accompanied by a certificate of the chief financial officer of Parent certifying that such copies are true and complete copies of the financial statements and that such information fairly presents, in all material respects, the consolidated financial condition of Parent as of the date thereof.

(d) Annual Financial Statements; Compliance Certificate. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Parent, copies of the audited consolidated financial statements of Parent prepared in accordance with GAAP, accompanied by an auditor's report, without (x) a "going concern" or like qualification or exception (other than related solely to (i) the occurrence of any upcoming maturity date hereunder occurring within one year from the date such report is delivered and/or (ii) any potential inability to satisfy any financial maintenance covenant on a future date or in a future period) or (y) a qualification as to the scope of the audit (excluding references regarding audits performed by other auditors as contemplated by AU Section 543, *Part of Audit Performed by Other Independent Auditors* (or any successor or similar standard under GAAP)), of Ernst & Young LLP or another public accounting firm approved by the Administrative Agent (such approval not to be unreasonably withheld, conditioned or delayed), any management letters prepared by said accountants and a certificate of the chief financial officer of Parent certifying that such copies are true and complete copies of the financial statements, auditor's report and management letters and that such information fairly presents, in all material respects, the consolidated financial condition of Parent as of the date thereof.

(e) Agreed Upon Procedures. On or before June 30 of each year, commencing June 30, 2021, the Borrower will furnish to the Administrative Agent, which shall not be an expense of any Secured Party, a customary agreed upon procedures report to be substantially consistent in scope with that certain Structured Finance Audit Scope dated February 2020, from FTI Consulting, Inc. or similar professional services field examination firm of recognized national standing selected by the Borrower that is acceptable to the Required Lenders in their reasonable discretion, addressed to the Collateral Agent, the Administrative Agent and the Lenders, performing such procedures as the Required Lenders in their reasonable discretion may request.

(f) Litigation. As soon as practical and in any event within three (3) Business Days after a Responsible Officer of the Borrower has knowledge thereof, written notice of any litigation, investigation or proceeding against a Credit Party and/or the Collateral that would reasonably be expected to have a Material Adverse Effect.

(g) Changes in Law. If changes in any law, rule or regulation of the United States or any state or local jurisdiction become effective that would reasonably be expected to have a Material Adverse Effect on any Credit Party or any material portion of the Receivables, written notice thereof to the Collateral Agent and the Administrative Agent as soon as practical and in any event within three (3) Business Days after a Responsible Officer of the Borrower has knowledge thereof.

(h) Financial Statements and Annual Compliance Audit of the Servicer. Copies of all reports (including audited financial statements, SSAE 16 reports and annual compliance audit reports, as applicable) and other documents delivered to the Borrower by the Servicer pursuant to the Servicing Agreement no later than three (3) Business Days after the date such reports have been delivered to the Borrower pursuant to the terms of the Servicing Agreement.

(i) Books and Records. Upon request of the Administrative Agent (such request not to be made more than twice during any calendar year unless (i) an Event of Default or Servicer Termination Event has occurred during such calendar year or (ii) such request is being made in connection with any litigation, investigation or proceeding, any internal compliance or credit review or any inquiry by any Regulatory Authority), copies of all books and records of the Borrower and the Servicer relating to the Receivables or other Collateral.

(j) Know Your Customer Regulations. All information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act and the Beneficial Ownership Regulation.

(k) Credit and Collection Policies. Within forty-five (45) days after the end of each fiscal quarter of each fiscal year of Parent, a copy of the Credit and Collection Policies to the extent they have been amended during such fiscal quarter.

(l) Further Assurances. Promptly, from time to time, such other information, documents, records or reports, to the extent in a Credit Party's possession or otherwise readily available to a Credit Party without undue burden or expense, respecting the Collateral or the condition or operations, financial or otherwise, of the Borrower or any other Credit Party as the Collateral Agent or the Administrative Agent may from time to time reasonably request.

(m) Budgets. As soon as practicable and in any event no later than ninety (90) days after the end of each Fiscal Year (commencing with the Fiscal Year beginning January 1, 2021) detailed consolidated quarterly budgets of the Parent and its subsidiaries for such fiscal year, including a description of underlying assumptions with respect thereto.

Section 7.03 Negative Covenants of the Borrower. From the date hereof until the Final Payout Date, the Borrower shall not, without the prior written consent of the Required Lenders (or all Lenders in the case of a Fundamental Amendment):

(a) Sales, Liens, Etc. Except as otherwise provided in this Agreement, the Servicing Agreement and the IP License Agreement, sell, assign (by operation of law or otherwise) or otherwise dispose of (including, without limitation, any effective transfer or other disposition as a result of a division of the Borrower or the Servicer), or create or suffer to exist any valid Lien (other than a Permitted Lien) upon or with respect to, any Receivable or other Collateral, or any interest therein, or any account to which any Collections of or payments on any Receivables or other Collateral are sent, or any right to receive income or proceeds from or in respect of any of the foregoing; *provided* that, the Borrower may:

(i) sell or otherwise dispose of Receivables with an aggregate Principal Balance for the term of the Loan not to exceed an amount equal to 10% of the aggregate principal amount of Loans and Incremental Loans made from time to time, so long as (w) no Event of Default, Unmatured Event of Default, Servicer Termination Event, Unmatured Servicer Termination Event, Seller Default or Unmatured Seller Default has occurred and is continuing on the date of such sale or disposition, (x) upon giving effect to such sale or disposition, the Permitted Loan Balance is satisfied on a *pro forma* basis, (y) such sale or disposition is made for cash consideration at least equal to 80% of the Principal Balance of the Receivables subject to such sale or disposition and (z) the Net Proceeds of such sale or disposition are applied in accordance with Section 2.03(c); *provided*, *that*, the Borrower shall not adversely select any Receivables to be subject to sale or disposition and shall ensure that such Receivables constitute a representative sample of the Receivables included in the Adjusted Net Receivables Balance, taking into account for such purpose, the credit quality of each Obligor, the Receivables Balance of each Receivable, the origination date and the remaining term to maturity of the related Receivables.

(ii) sell or otherwise dispose of IP Assets that are no longer used or useful in the conduct of SmileDirect's business, including, without limitation, the abandonment of IP Assets determined in good faith by SmileDirect to be no longer economically practicable or commercially reasonable to maintain or useful or necessary in the operation of its Business; *provided* that such sale or disposition is to a third party who is not an Affiliate of SmileDirect;

(iii) license IP Assets to its Affiliates pursuant to the IP License Agreement;

(iv) sell or otherwise dispose of Foreign Receivables so long as (x) no Event of Default, Unmatured Event of Default, Servicer Termination Event, Unmatured Servicer Termination Event, Seller Default or Unmatured Seller Default has occurred and is continuing on the date the agreement, if any, to sell or otherwise dispose of such Receivables is entered into (or, if there is no such agreement, on the date of such sale or disposition), and (y) upon giving effect to such sale or disposition, the Permitted Loan Balance is satisfied on a *pro forma* basis; and

(v) sell or otherwise dispose of Receivables (and the Related Assets in respect thereof) that have been written off as uncollectible in accordance with GAAP and/or are otherwise not included in Adjusted Net Accounts Receivable.

(b) Extension; Termination; Waiver; Amendment and Other Modification. Except as expressly permitted in accordance with the terms of the Transaction Documents and as may be required by Applicable Law: (i) extend, terminate, waive, amend or

otherwise modify the terms of any Receivable, (ii) terminate, waive, amend or otherwise modify the terms of or exercise any consent or approval rights under any Transaction Document to which it is a party (other than with the Required Lenders' consent, or, in the case of any Fundamental Amendment, with the consent of all Lenders), (iii) terminate the appointment of the Servicer under the Servicing Agreement or (iv) take or consent to (or permit the Servicer to take or consent to) any other action that materially impairs the rights of Borrower or any Secured Party to the Collateral or modify, in a manner adverse in any material respect to any Secured Party, the right of such Secured Party to demand or receive payment under any of the Transaction Documents.

(c) Change in Business. Make any change in the character of its business.

(d) Consolidation, Mergers, etc. To the fullest extent permitted by law, dissolve, liquidate, divide into, merge into, or consolidate with, one or more corporations or other entities, or, except as otherwise expressly permitted by the Transaction Documents, be a party to any transaction involving the transfer (including, without limitation, any effective transfer or other disposition as a result of a division of the Borrower) of any portion of its assets, revenues or properties to or with any corporation or other Person.

(e) Servicer Limitations. The Borrower shall not permit, and shall not permit the Servicer to permit, any Receivables to be serviced by any servicer other than the Servicer or pursuant to any servicing agreement other than the Servicing Agreement; *provided*, however, that this clause (e) shall not prohibit (i) the Collateral Agent from transferring servicing of any Receivable to a Successor Primary Servicer pursuant to the Back-Up Servicing Agreement as contemplated hereby, or (ii) the Servicer from delegating its servicing responsibilities to a sub-servicer, subject to the terms and conditions of the Servicing Agreement.

(f) Payment Instructions. Change, or permit any Originator, the Seller or the Servicer to change, payment instructions to any Obligor other than in accordance with the Servicing Agreement, this Agreement and/or the other Transaction Documents.

(g) ERISA. Become a Benefit Plan Investor.

(h) Borrower's Legal Status. The Borrower shall not change its name, type of organization, jurisdiction of organization or legal structure.

(i) Borrower's Business. The Borrower shall not, (i) Guarantee any obligation of any Person, including any Affiliate; (ii) own assets or engage, directly or indirectly, in any business other than the ownership of the assets contemplated by, and actions required or permitted to be performed under, the Transaction Documents; (iii) incur, create or assume any Indebtedness not arising under or expressly permitted by this Agreement or any other Transaction Document; (iv) make or permit to remain outstanding any loan or advance to, or own or acquire any stock or securities of, any Person, except that the Borrower may acquire Receivables, may invest in those investments permitted under the Transaction Documents and may make any advance required or expressly permitted to be made pursuant to any provision of the Transaction Documents and permit the same to remain outstanding in accordance with such provisions; (v) to the fullest extent permitted by law, engage in any dissolution, division, liquidation, consolidation, merger, asset sale or transfer of ownership interests other than sales of Receivables, to the extent permitted under Section 7.03(d), other transfers and sales expressly permitted by the Transaction Documents, investing in Permitted Investments pursuant to this Agreement and the other Transaction Documents and such other activities as are expressly permitted under this Agreement and the other Transaction Documents; or (vi) form, acquire or hold any subsidiary (whether corporate, partnership, limited liability company or other).

(j) No Dividends or Distributions. The Borrower will not make (i) any dividend or other distribution, direct or indirect, on account of the beneficial interests or any other Equity Interests of the Borrower now or hereafter outstanding, or (ii) any redemption, retirement, purchase or other acquisition for value, direct or indirect, of the beneficial interests or any other Equity Interests of the Borrower now or hereafter outstanding; *provided*, however, that this Section 7.03(j) shall not prohibit (i) dividends or distributions from funds released to the Borrower pursuant to Section 3.02(b) or (c) or after the Final Payout Date or (ii) sales, purchases or reassignments, as applicable, of Receivables and other Collateral as permitted by the Transaction Documents.

(k) Netting of Servicing Compensation. The Borrower shall not permit, and shall not permit the Servicer to permit, the netting against any Collections of Servicing Compensation for any Collection Period in excess of the Senior Servicing Compensation for such Collection Period.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES; SET-OFF

Section 8.01 Events of Default. The following events shall be "Events of Default" hereunder:

(a) Non-Payment. Any Credit Party shall fail to pay in full in immediately available funds (i) all interest, fees and other charges and obligations (other than any Loan Amount) when due and payable under the Transaction Documents, which failure remains unremedied in excess of two (2) Business Days, (ii) any payment or deposit of principal of the Loan Amount required to be made by it under the Transaction Documents (including any prepayment pursuant to Section 2.03) when due or (iii) on the Final Maturity Date, the Loan Amount, together with all other Obligations (other than contingent amounts not then due) and other amounts then owing by the Credit Parties under the Transaction Documents, unless, in the case of each of the foregoing clauses (ii) and (iii), the Borrower (A) notifies the Administrative Agent on the date such payment or deposit is due that the failure to make such payment or deposit was caused solely by an error or omission of an administrative or operational nature on the part of the transmitting financial institution, (B) demonstrates to the reasonable satisfaction of the Administrative Agent that funds were available to Borrower to enable it to make such payment or deposit when due and (C) makes such payment or deposit within one (1) Business Day after the date such payment or deposit was due.

(b) Breach of Representations. Any representation or warranty made or deemed to be made by any Credit Party under this Agreement or any other Transaction Document to which it is a party or in any other certificate, written information or report delivered pursuant hereto or thereto shall prove to have been false or incorrect in any material respect when made, unless such breach, if able to be remedied, has been remedied within ten (10) Business Days after a Responsible Officer of any Credit Party first obtains knowledge or receives written notice thereof.

(c) Breach of Certain Covenants. The Borrower or any other Credit Party, as applicable, shall fail to perform or observe any term, covenant or agreement contained in Section 7.01(b), (f), (g), (k) or in Section 7.03.

(d) Other Breaches Under the Transaction Documents. Any Credit Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement or any other Transaction Document to which it is a party, and such failure (solely to the extent capable of being remedied) shall remain unremedied for ten (10) Business Days after a Responsible Officer of any Credit Party first receives written notice or obtains knowledge thereof.

(e) Event of Bankruptcy. An Event of Bankruptcy shall have occurred with respect to any SmileDirect Entity (excluding Affiliates of Parent which are both (x) organized outside of the United States and (y) not Credit Parties).

(f) Tax; ERISA. (i) The Internal Revenue Service shall file notice of a lien securing obligations in excess of $1,000,000 pursuant to Section 6321 of the Code with regard to any of the assets of any Credit Party, (ii) the Pension Benefit Guaranty Corporation shall, or shall indicate its intention to, file notice of a lien securing obligations in excess of $1,000,000 pursuant to Section 4068 of ERISA, or a contribution failure occurs sufficient to give rise to a lien securing obligations in excess of $1,000,000 pursuant to Section 303(k) of ERISA or Section 430(k) of the Code, with regard to any of the assets of any Credit Party, and in each case, such lien shall not have been released within ten (10) Business Days, or (iii) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect.

(g) Adverse Claims. The Collateral Agent shall fail to have a valid, perfected first priority Lien (subject to Permitted Liens) on any material portion of the Collateral, for the benefit of the Secured Parties.

(h) Change of Control. A Change of Control shall occur.

(i) Loan Balance Deficiency. If at any time the Loan Amount exceeds the Permitted Loan Balance and shall remain in excess thereof for two (2) Business Days.

(j) Material Adverse Change. The occurrence of any event which has resulted in a Material Adverse Change.

(k) Judgments. (i) One or more judgments for the payment of money shall be rendered against the Borrower or (ii) one or more final and non-appealable judgments for the payment of money in an aggregate amount in excess of $3,000,000 (excluding any judgments to the extent covered by insurance or subject to third-party indemnification and promptly paid) shall be rendered against any other Credit Party and remain unpaid and unstayed for a period of sixty (60) days.

(l) Regulatory Event. The occurrence of a Regulatory Event.

(m) [Reserved].

(n) Cash Reserve Account. The amount on deposit in the Cash Reserve Account (including related Permitted Investments) is less than $100,000,000.

(o) Credit and Collection Policies. The Credit and Collection Policies shall have been modified, other than with respect to Permitted Policy Modifications, without the prior written approval of the Administrative Agent (not to be unreasonably withheld, conditioned or delayed).

(p) Investment Company. The Borrower shall be required to register as an "investment company," or shall be controlled by an entity required to be registered as an "investment company" under the Investment Company Act.

(q) Unenforceable. Any material provision of this Agreement or any other Transaction Document shall cease to be in full force and effect (other than in accordance with its terms) or the Borrower, the Servicer, the Seller or Parent shall so state in writing.

(r) Cross Default. (i) Any SmileDirect Entity or any of their respective Subsidiaries, individually or in the aggregate, shall fail to pay any principal of or premium or interest on any of its Indebtedness (excluding Capital Lease Obligations) that is outstanding in a principal amount of at least $15,000,000 in the aggregate when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement, mortgage, indenture or instrument relating to such Indebtedness (whether or not such failure shall have been waived under the related agreement) or (ii) any such Indebtedness (as referred to in clause (i) of this paragraph) shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Indebtedness shall be required to be made or the commitment of any lender thereunder terminated, in each case before the stated maturity thereof; *provided*, *however*, that none of the following shall constitute an Event of Default under clause (r)(ii) above: (A) secured Indebtedness becoming due as a result of the voluntary sale or transfer of, or any casualty, condemnation or similar event with respect to, the property or assets securing such Indebtedness, (B) mandatory prepayment requirements arising from the receipt of net cash proceeds from debt, dispositions (including casualty losses, governmental takings and other involuntary dispositions), equity issuances or excess cash flow or (C) any voluntary prepayment, redemption or other satisfaction of debt that becomes mandatory in accordance with the terms of such debt solely as the result of the delivery of a prepayment, redemption or similar notice with respect to such prepayment, redemption or other satisfaction.

(s) [Reserved].

(t) Liquidity. As of the last day of any calendar month, as determined as of such date in accordance with GAAP, the amount of unencumbered Cash and Cash Equivalents (which for the purposes hereof may include Cash and Cash Equivalents in the Cash Reserve Account and related Permitted Investments) of Parent, its Consolidated Subsidiaries and, without duplication, the Originators, shall be less than $100,000,000.

(u) Leverage Ratio Covenant. (i) Any Indebtedness secured by a Lien is incurred by Parent, any of its Consolidated Subsidiaries, or, without duplication, any Originator, such that, upon giving effect to such incurrence, the Leverage Ratio of Parent, its Consolidated Subsidiaries and, without duplication, the Originators, exceeds 6.00 to 1.00 as of any date during the period beginning on the date hereof and ending on the last day of the fiscal quarter ended December 31, 2021 or (ii) the Leverage Ratio of Parent, its Consolidated Subsidiaries and, without duplication, the Originators shall exceed, as of the last day of and for any fiscal quarter set forth below, the ratio set forth opposite such fiscal quarter in the table below (the "Leverage Ratio Covenant"):

Fiscal Quarter Ended	**Leverage Ratio**
March 31, 2022	6.00:1.00
June 30, 2022	6.00:1.00
September 30, 2022	6.00:1.00
December 31, 2022	6.00:1.00
March 31, 2023	5.00:1.00
June 30, 2023	5.00:1.00
September 30, 2023	5.00:1.00
December 31, 2023	5.00:1.00
March 31, 2024 and each Test Period thereafter	4.00:1.00

(v) Servicer Termination Event. The occurrence of a Servicer Termination Event, other than any Servicer Termination Event (x) solely related to the performance or non-performance of the Sub-Servicer if cured by the Servicer within ten (10) Business Days following the Servicer obtaining knowledge or receiving written notice thereof or (y) solely related to the financial condition of the Sub-Servicer.

Section 8.02 Remedies upon an Event of Default.

(a) Optional Acceleration. Upon the occurrence of an Event of Default (other than an Event of Default described in Section 8.01(e) with respect to any SmileDirect Entity), the Collateral Agent may, with the prior written consent of, and shall, at the direction of, the Required Lenders, by written notice to a Responsible Officer of the Borrower, declare that the Final Maturity Date has occurred and upon any such declaration, the date of such notice shall be deemed to be the Final Maturity Date and the Loan Amount shall be immediately due and payable, together with all accrued interest thereon and all other Obligations, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(b) Automatic Acceleration. Upon the occurrence of an Event of Default described in Section 8.01(e) with respect to any SmileDirect Entity, the Final Maturity Date shall occur automatically upon the date of such occurrence and the unpaid Loan Amount shall automatically become due and payable, together with all accrued interest thereon and all other Obligations, without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Borrower.

(c) Additional Remedies. Following any acceleration of the unpaid Loan Amount pursuant to this Section 8.02, the Collateral Agent, with the prior written consent of or at the direction of the Required Lenders, shall have, in addition to all other rights and remedies under this Agreement or otherwise, all other rights and remedies provided under the UCC of each applicable jurisdiction and other Applicable Laws to a secured party, which rights shall be cumulative, including, without limitation, the right to foreclose upon the Collateral and sell all or any portion thereof at public or private sale (and the Borrower agrees that, to the extent that notice of such sale is required, written notice ten (10) days prior to such sale shall be adequate and reasonable notice for all purposes).

(d) Disposition of Collateral. Upon the occurrence and during the continuation of an Event of Default, subject to any applicable cure period, and if the Collateral Agent (at the direction of the Required Lenders) exercises its foreclosure rights with respect to the Collateral, the Borrower agrees to deliver, or cause the delivery of, each item of Collateral to the Collateral Agent on demand. Without limiting the generality of the foregoing, the Borrower agrees that, upon the occurrence and during the continuation of an Event of Default, if the Collateral Agent (at the direction of the Required Lenders) exercises its foreclosure rights with respect to the Collateral, the Collateral Agent shall have the right, subject to the mandatory requirements of Applicable Law, to sell or otherwise dispose of all or any part of the Collateral at a public or private sale, for cash, upon credit or for future delivery, as the Collateral Agent (at the direction of the Required Lenders) shall deem appropriate. Any purchaser that has purchased any Collateral pursuant to any such sale shall hold the property sold absolutely free from any claim or right on the part of the Borrower, and the Borrower hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which the Borrower now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(e) Setoff. Upon the occurrence and during the continuance of an Event of Default, regardless of the other means of obtaining payment of any of the obligations of the Borrower hereunder or under any other Transaction Document, each of the Lenders and any other Secured Party is hereby authorized at any time and from time to time, without prior notice (but with notice promptly thereafter) to the Borrower (any such prior notice being expressly waived by the Borrower) and to the fullest extent permitted by law, to set off and apply deposits (other than those held in an agency or fiduciary capacity or otherwise for the benefit of a third party) and other sums against the obligations of the Borrower due under this Agreement and the other Transaction Documents, whether or not such Lender or the other Secured Parties shall have made any demand under this Agreement or the other Transaction Documents. No Credit Party shall be entitled to exercise any right of setoff with respect to amounts owed by it to any Lender or any other Secured Party under this Agreement or any other Transaction Document. For the avoidance of doubt, and notwithstanding anything herein to the contrary, Servicer and/or Sub-Servicer may exercise rights of setoff expressly permitted under the Servicing Agreement and/or the Service Provider Agreement (as defined in the Servicing Agreement), as applicable.

Section 8.03 Equity Cure Right.

In the event that an Event of Default would otherwise arise in respect of any financial covenant set forth in Section 8.01(i), but not, for the avoidance of doubt, any financial covenant set forth in Section 8.01(t) or Section 8.01(u), until the expiration of the fifth (5th) Business Day after the date on which financial statements are required to be delivered with respect to the applicable calendar month hereunder, the Parent shall have the right to issue Equity Interests for cash or otherwise receive cash contributions to the capital of the Parent, contribute the proceeds thereof to SmileDirect, which shall be further contributed to the Borrower and the amount of the proceeds thereof will be applied by the Borrower to either (i) prepay the Loans in accordance with Section 2.03(a) hereof or (ii) remain on deposit in the Cash Reserve Account and, in each case the Permitted

Loan Balance shall be recalculated after giving effect to the foregoing clauses (i) or (ii), as applicable to compliance with Section 8.01(i) hereof at such time (and thereafter as necessary) (the "Cure Right"); provided that (a) such proceeds are actually received by SmileDirect no later than five (5) Business Days after such date on which the Loan Amount first exceeded the Permitted Loan Balance, (b) no amounts in excess of the amounts necessary to cure the Event(s) of Default that would otherwise have arisen shall be permitted to be taken into account for purposes of determining compliance with Section 8.01(i), but nothing in this Section 8.03 limits the right of any Credit Party to receive a contribution of additional cash that does not conflict with any other provision of the Transaction Documents; (c) the Cure Right shall not be exercised more than four (4) times during the term of this Agreement; and (d) the aggregate amount of all Cure Right proceeds during the term of this Agreement shall not exceed $25,000,000. Notwithstanding any provision of this Agreement to the contrary, if, after giving effect to the foregoing, there shall be no non-compliance with Section 8.01(i) for the applicable calendar month, no Event of Default shall be deemed to have arisen under such Section as of the relevant date of determination, with the same effect as though there had been no failure to comply on such date, and the applicable Event of Default that otherwise would have occurred shall be deemed cured for purposes of this Agreement.

ARTICLE IX

ASSIGNMENT OF LENDERS' INTERESTS

Section 9.01 Assignments. (%3) This Agreement and each Lender's rights and obligations herein (including the Loans) shall be assignable, in whole or in part, by such Lender and its successors and permitted assigns, provided that any such successors and assigns have obtained the written consent of the Administrative Agent and the Borrower (not to be unreasonably withheld, conditioned or delayed) prior to any such assignment unless such assignment is to a Lender or an Affiliate of a Lender; *provided*, however, that (i) no such assignment shall be for less than the lesser of $5,000,000 and the assigning Lender's Percentage of the Loan Amount, (ii) [Reserved], (iii) such assignment shall be of a uniform, and not a varying, percentage of all of the assigning Lender's rights and obligations in respect of the Loan Amount and Commitment hereunder and (iv) no consent of the Borrower shall be required if any Event of Default has occurred and is continuing. Each assignor may, subject to the restrictions set forth in this Section 9.01(a) and Section 12.14, in connection with a prospective assignment (other than to a Disqualified Institution), disclose to the applicable prospective assignee any information relating to the Credit Parties or the Collateral furnished to such assignor by or on behalf of the Credit Parties, the Collateral Agent, the Administrative Agent or another Lender. Unless the prospective assignee is a Lender or an Affiliate of a Lender, the assigning Lender shall cause the prospective assignee to enter into a confidentiality agreement substantially the same in applicable substance as Section 12.13 of this Agreement or otherwise reasonably acceptable to the Borrower and to which the Borrower or an Affiliate thereof is a party or with respect to which the Borrower or an Affiliate thereof is a third-party beneficiary.

(a) The Borrower may not assign its rights or, except as otherwise expressly provided herein, delegate its obligations hereunder or any interest herein without the prior written consent of the Lenders.

(b) Without limiting any other rights that may be available under Applicable Law, the rights of any Lender may be enforced through it or by its agents and no Lender shall be responsible or liable for the actions of such agents selected with due care.

(c) Each Lender may, without the consent of any Person, sell participations to one or more banks or other entities other than Ineligible Institutions (each, a "Participant") in all or a portion of its rights and obligations hereunder (including the outstanding Loans); provided that following the sale of a participation under this Agreement (i) the obligations of such Lender shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower shall continue to deal solely and directly with the Administrative Agent or such Lender, as appropriate, in connection with such Lender's rights and obligations under this Agreement and (iv) such Participant will not be entitled to receive any payment under Sections 2.07, 4.02 or 10.01, in excess of the payments such Lender would have been entitled to receive absent such participation unless the entitlement to a greater amount results from a Regulatory Change after the date the Participant acquired the participation) or in excess of the payments demanded generally by such Participant from other similarly situated borrowers under similar circumstances. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.07 the Participant complies with Section 2.07(f) as though it were a Lender (it being understood that the documentation required under Section 2.07(f) shall be delivered to the participating Lender).

(d) The following provisions shall apply to Disqualified Institutions, notwithstanding any provision of this Agreement or any other Transaction Document to the contrary:

(i) No assignment or participation shall be made to any Person that was a Disqualified Institution as of the date (the "Trade Date") on which the assigning or participating Lender entered into a binding agreement to sell and assign or grant a participation in all or a portion of its rights and obligations under this Agreement to such Person (unless the Borrower has consented to such assignment or participation in writing in its sole and absolute discretion, in which case such Person will not be considered a Disqualified Institution for the purpose of such assignment or participation). For the

avoidance of doubt, with respect to any assignee or participant that becomes a Disqualified Institution after the applicable Trade Date (including as a result of the delivery of a notice pursuant to, and/or the expiration of the notice period referred to in, the definition of "Disqualified Institution"), such assignee or participant shall not retroactively be disqualified from becoming a Lender or Participant. Any assignment or participation in violation of this clause (i) shall not be void, but the other provisions of this clause (e) shall apply.

(ii) If any assignment or participation is made to any Disqualified Institution without the Borrower's prior written consent in violation of clause (i) above, or if any Person becomes a Disqualified Institution after the applicable Trade Date, the Borrower may, at its sole expense and effort, upon notice to the applicable Disqualified Institution and the Administrative Agent, require such Disqualified Institution to assign, without recourse (in accordance with and subject to the restrictions contained in this Section 9.01), all of its interest, rights and obligations under this Agreement to one or more Persons (other than an Ineligible Institution) at the lesser of (x) the principal amount thereof and (y) the amount that such Disqualified Institution paid to acquire such interests, rights and obligations, in each case plus accrued interest, accrued fees and all other amounts (other than principal amounts) payable to it hereunder.

(iii) Notwithstanding anything to the contrary contained in this Agreement, (A) Disqualified Institutions to whom an assignment or participation is made in violation of clause (i) above will not have the right to (x) receive information, reports or other materials provided to Lenders by the Borrower, the Administrative Agent or any other Lender, (y) attend or participate in meetings attended by the Lenders (or any of them) and the Administrative Agent, or (z) access any electronic site established for the Lenders or confidential communications from counsel to or financial advisors of the Administrative Agent or the Lenders and (B) for purposes of any consent to any amendment, waiver or modification of, or any action under, and for the purpose of any direction to the Administrative Agent or any Lender to undertake any action (or refrain from taking any action) under this Agreement or any other Transaction Document, each Disqualified Institution will be deemed to have consented in the same proportion as the Lenders that are not Disqualified Institutions consented to such matter.

(iv) The Administrative Agent shall not be responsible or have any liability for, or have any duty to ascertain, inquire into, monitor or enforce, compliance with the provisions hereof relating to Ineligible Institutions or Disqualified Institutions. Without limiting the generality of the foregoing, the Administrative Agent shall not (x) be obligated to ascertain, monitor or inquire as to whether any Lender or Participant or prospective Lender or Participant is an Ineligible Institution or Disqualified Institution or (y) have any liability with respect to or arising out of any assignment or participation of Loans, or disclosure of confidential information, by any other Person to any Ineligible Institution or Disqualified Institution.

(e) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain a copy of each Assignment and Acceptance delivered to it and a register (the "Register") on which it will record the name and address of each Lender (including any assignees), the principal amounts (and stated interest) owing to each Lender under this Agreement, and any other information necessary to ensure that the Loans are maintained "in registered form" within the meaning of Treasury regulations section 5f.103-1(c) and Proposed Treasury regulations section 1.163-5(b) (or any amended or successor version). The entries in the Register will be conclusive absent demonstrable error, and the Borrower, the Collateral Agent, the Administrative Agent and the Lenders will treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Administrative Agent shall update the Register promptly upon receiving an executed Assignment and Acceptance, and no such assignment shall be effective until reflected in the Register. The Register shall be available for inspection by the Borrower, the Collateral Agent and each Lender, at any reasonable time and from time to time upon reasonable prior written notice.

(f) In the event that any Lender sells a participation of its rights and obligations hereunder, such Lender shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register (the "Participant Register") on which it will record the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in such rights and obligations, and any other information necessary to ensure that the Loans are maintained "in registered form" within the meaning of Treasury regulations section 5f.103-1(c). The entries in the Participant Register will be conclusive absent demonstrable error, and such Lender will treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement. Such Lender shall update the Participant Register promptly upon a sale of a participation of such Lender's rights and obligations hereunder, and no such sale of a participation shall be effective until reflected in the Participant Register. Such Lender will not have any obligation to disclose all or any portion of the Participant Register to any Person except (i) that it will notify the Borrower of such participation, and (ii) to the extent that such disclosure is necessary to establish that the Loans are maintained "in registered form" within the meaning of Treasury regulations section 5f.103-1(c). For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

Section 9.02 Rights of Assignee. Upon the assignment by any Lender in accordance with Section 9.01, the assignee receiving such assignment shall have all of the rights of such Lender with respect to the Transaction Documents and the

Collateral (or such portion thereof as has been assigned), and all of the obligations of such Lender, including without limitation, under Sections 2.07, 9.01(d) and 12.13.

Section 9.03 Evidence of Assignment. Any assignment of any Lender's rights and obligations hereunder, and the Loans (or any portion thereof) to any Person shall be evidenced by an Assignment and Acceptance. The Administrative Agent shall receive a fee in the amount of $3,500 payable by the assignee upon the effective date of each transfer or assignment (unless waived in writing in the sole discretion of the Administrative Agent) along with all "know your customer" documents requested by the Administrative Agent pursuant to anti-money laundering rules and regulations.

Section 9.04 Pledge; Federal Reserve. Notwithstanding any other provision of this Agreement to the contrary, any Lender may at any time pledge or grant a security interest in all or any portion of its rights (including, without limitation, any interest it has in any Loans and any rights to payment on such Loans or interest thereon) under this Agreement to secure obligations of such Lender or an Affiliate of such Lender to a Federal Reserve Bank without notice to or consent of the Borrower or any other party hereto; *provided*, that no such pledge or grant of a security interest shall release such Lender from any of its obligations hereunder, or substitute any such pledgee or grantee for such Lender as a party hereto.

Section 9.05 Patriot Act. Each Lender that is subject to the requirements of the Patriot Act hereby notifies each Credit Party that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies such Credit Party, which information includes the name and address of such Credit Party and other information that will allow such Lender to identify such Credit Party in accordance with the Patriot Act.

ARTICLE X

INDEMNIFICATION

Section 10.01 Indemnities.

(a) Indemnity by Borrower. Without limiting any other rights that any such Person may have hereunder or under Applicable Law (including, without limitation, the right to recover damages for breach of contract), the Borrower hereby agrees to indemnify the Collateral Agent, Administrative Agent, the Back-Up Servicer each Lender, each other Secured Party, their Affiliates, and all successors and permitted transferees, participants and assigns and all officers, directors, stockholders, members, employees, advisors, representatives and agents of any of the foregoing (each an "Indemnified Party") from and against any and all reasonable and documented damages, losses, claims, liabilities and related costs and expenses, including reasonable and documented attorneys' fees and disbursements of one primary firm of counsel for all Indemnified Parties, and, if necessary, one local firm of counsel in each relevant jurisdiction and special counsel and, in the event of any actual or potential conflict of interest, one additional firm of counsel for each Lender subject to such conflict (all of the foregoing being collectively referred to as "Indemnified Amounts") awarded against or incurred by any of them arising out of or relating to the Transaction Documents (including any failure of the Borrower to enforce its rights under the Transaction Documents and the obligations of the other parties under the Transaction Documents) or the use of proceeds of the Loans or in respect of any Receivable; *excluding*, *however*, (v) Indemnified Taxes, (w) Excluded Taxes (other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim), (x) Indemnified Amounts resulting from a dispute solely among Lenders so long as such dispute does not (i) involve a claim against the Administrative Agent or the Collateral Agent and (ii) arise as a result of any action, inaction, representation or misrepresentation of, or information provided, or that was failed to be provided, by or on behalf of, any SmileDirect Entity or the Sub-Servicer, (y) Indemnified Amounts resulting from a dispute solely among one or more of the Administrative Agent, the Collateral Agent and/or the Lenders so long as (i) such dispute does not arise as a result of any action, inaction, representation or misrepresentation of, or information provided, or that was failed to be provided, by or on behalf of, any SmileDirect Entity or the Sub-Servicer and (ii) a court of competent jurisdiction has determined by a final and non-appealable judgment that the Indemnified Amounts have resulted directly and solely from the gross negligence or willful misconduct of the Administrative Agent or the Collateral Agent and (z) Indemnified Amounts to the extent determined by a final and non-appealable judgment of a court of competent jurisdiction to have resulted directly and solely from the bad faith, gross negligence, willful misconduct or material breach in bad faith of the express obligations under this Agreement on the part of such Indemnified Party. Notwithstanding the foregoing, each Indemnified Party shall promptly repay to the Borrower any and all amounts previously paid by the Borrower pursuant to the foregoing indemnification provisions to the extent such Indemnified Party is found by a final, non-appealable judgment of a court of competent jurisdiction not to be entitled to indemnification hereunder as contemplated by the immediately preceding sentence.

Any amounts subject to the indemnification provisions of this Section 10.01(a) shall be paid by the Borrower to the related Indemnified Party on the Interest Payment Date that is at least five (5) Business Days immediately following demand therefor accompanied by reasonable supporting documentation and calculations in reasonable detail with respect to such amounts. An Indemnified Party need not demand payment from the Seller pursuant to the Purchase Agreement prior to seeking indemnification pursuant to this clause (a), nor shall any demand against the Seller provide a defense for the Borrower against payment hereunder except to the extent all such Indemnified Amounts have been satisfied in full.

(b) Settlements. No Indemnifying Party shall, without the prior written consent of all Indemnified Parties that are party thereto (which consent shall not be unreasonably withheld, conditioned or delayed), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding for which indemnification may be sought hereunder (a "Proceeding"), unless such settlement, compromise or consent includes an unconditional release of all such Indemnified Parties from all liability arising out of such claim, action or proceeding, and which settlement in each case must not include any admission of fault or liability adverse to any Indemnified Party other than the payment of money damages by the Indemnifying Party. Each Indemnified Party who is not directly a party to this Agreement is an express third party beneficiary of this Agreement.

(c) Notice. In case any Proceeding is instituted involving any Indemnified Party for which indemnification is to be sought hereunder by such Indemnified Party, then such Indemnified Party will endeavor to notify the Indemnifying Party reasonably promptly following such Indemnified Party's (x) receipt of actual knowledge of the commencement of any such Proceeding and (y) good faith determination that indemnification pursuant to this Agreement will be sought by such Indemnified Party; *provided*, *however*, that (i) the failure to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability that it may have to such Indemnified Parties pursuant to this Section 10.01 or from any liability that it may have to such Indemnified Parties other than pursuant to this Section 10.01, except to the extent that the Indemnifying Party's rights and defense of such matter are materially and adversely prejudiced by such failure and (ii) no such notice shall be required to be delivered to the extent that such Indemnified Party believes reasonably and in good faith that such notice is not permitted by any applicable law, rule, regulation, court order, directive from any governmental authority or contractual obligation.

ARTICLE XI

[RESERVED]

ARTICLE XII

MISCELLANEOUS

Section 12.01 Amendments, Etc. Except as otherwise contemplated in this Section or elsewhere in this Agreement (including in Sections 4.02 and 4.04 hereof), no amendment or waiver of any provision of this Agreement or termination hereof nor any consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by each of the Borrower, the Required Lenders, the Collateral Agent and the Administrative Agent. Notwithstanding the foregoing, no Fundamental Amendment to this Agreement or any other Transaction Document shall in any event be effective unless the same shall be in writing and signed by each of the Borrower, each Lender directly affected thereby, the Collateral Agent and the Administrative Agent. No amendment of any provision of any Transaction Document shall require any Lender to make a Loan hereunder or modify its Commitment without such Lender's prior written consent. Any amendment which directly affects the rights, duties, immunities or liabilities of the Trustee shall require the Trustee's prior written consent. The Borrower and the Administrative Agent may without the consent of the Required Lenders (or any of the Lenders) amend this Agreement and/or the other Transaction Documents to cure any ambiguity, omission, defect or inconsistency.

Section 12.02 Notices, Etc. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including communication by facsimile copy or e-mail) and mailed, delivered by nationally recognized overnight courier service, transmitted or delivered by hand, as to each party hereto, at its address set forth on Schedule 12.02 hereto (or with respect to Lenders after the Closing Date, as set forth in the Assignment and Acceptance (or such other instrument(s) or document(s) delivered pursuant to Section 9.03) or any amendment or supplement hereto so long as a copy thereof shall have been provided to the Borrower contemporaneously with, or promptly after, the execution thereof) or at such other address as shall be designated by such party in a written notice to the other parties hereto. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the specified facsimile number, (ii) if given by e-mail, when sent to the specified e-mail address and an appropriate confirmation is received, (iii) if given by mail, five (5) Business Days after being deposited in the United States mails, first class postage prepaid (except that notices and communications by mail pursuant to Article I or notices of Events of Default, Unmatured Events of Default or Servicer Termination Events shall not be effective until received), (iv) if given by nationally recognized courier guaranteeing overnight delivery, the Business Day following such day after such communication is delivered to such courier or (v) if by hand delivery, when delivered at the address specified pursuant to this Section 12.02; *provided*, that, (A) if such notice is delivered pursuant to clause (i) or clause (ii) other than during the normal business hours of the recipient, then such notice shall not be effective prior to the open of business of the recipient on the next succeeding Business Day, and (B) if such notice is delivered pursuant to clauses (iii) through (v), such notice to the applicable Credit Party shall only be effective if delivered to a Responsible Officer of the applicable Credit Party. Notwithstanding the foregoing, with respect to any Transaction Document, any recipient may upon reasonable prior written notice to each other party hereto designate what it deems to be appropriate confirmation (which appropriate confirmation must be commercially reasonable) and that notification by e-mail to it shall not be effective without such confirmation.

Section 12.03 No Waiver; Remedies. No failure on the part of the Borrower, any Lender, any Affected Party, any Indemnified Party, the Collateral Agent or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof (unless waived in writing); nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 12.04 Binding Effect; Survival. This Agreement shall be binding upon and inure to the benefit of the Borrower, the other Credit Parties, the Collateral Agent, the Administrative Agent and the Lenders, and their respective successors and permitted assigns, and the provisions of Section 4.02, Section 4.03, and Article X shall inure to the benefit of the Affected Parties and the Indemnified Parties, respectively, and their respective successors and permitted assigns; *provided*, however, nothing in the foregoing shall be deemed to authorize any assignment not permitted by Section 9.01. This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Final Payout Date. With the exception of Article I, Article II (other than Sections 2.03, 2.06 and 2.07), Article III, Article IV (other than Section 4.02 and 4.03), Article V, Article VI, Article VII, Article VIII and Article IX, the provisions of this Agreement shall survive the Final Payout Date.

Section 12.05 Deliveries Due on Non-Business Days. If any document, statement, notice, report or payment shall be due under this Agreement or any other Transaction Document on a day that is not a Business Day, the date of required delivery or payment shall automatically be extended to the next succeeding Business Day, notwithstanding any provision hereof or any other Transaction Document to the contrary.

Section 12.06 Costs and Expenses. In addition to its obligations under Article X, the Borrower agrees to pay within five (5) Business Days of demand therefor accompanied by invoices in reasonable detail and reasonable supporting documentation: all reasonable and documented out-of-pocket costs and expenses incurred by the Collateral Agent, the Administrative Agent, any Lender and their Affiliates in connection with the negotiation, preparation, execution and delivery of, this Agreement, and any amendment or waiver to, or enforcement with respect to, this Agreement and the other Transaction Documents, including (i) the reasonable and documented attorneys' fees and disbursements of one primary firm of counsel for all such Persons, and, if necessary, one local firm of counsel in each relevant jurisdiction and special counsel and, in the event of any actual or potential conflict of interest, one additional firm of counsel for each Lender subject to such conflict, incurred in connection with any of the foregoing or in advising such Persons as to their respective rights and remedies under any of the Transaction Documents, (ii) all reasonable and documented out-of-pocket expenses (including reasonable and documented fees and expenses of independent accountants), incurred in connection with any review of the Borrower's books and records pursuant to and in accordance with the terms of this Agreement, including pursuant to Section 7.01(c), subject to the limits set forth in Section 7.01(c), (iii) documented out-of-pocket expenses incurred in enforcing indemnification rights under the Transaction Documents and (iv) documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Loans hereunder (it being understood that, in the case of each of the foregoing clauses (ii), (iii) and (iv), attorneys' fees and disbursements reimbursable thereunder shall be subject to the same limitations as apply under clause (i) above).

Section 12.07 Captions and Cross References. The various captions (including, without limitation, the table of contents) in this Agreement are provided solely for convenience of reference and shall not affect the meaning or interpretation of any provision of this Agreement. Unless otherwise indicated, references in this Agreement to any Section, Appendix, Schedule or Exhibit are to such Section of or Appendix, Schedule or Exhibit to this Agreement, as the case may be, and references in any Section, subsection, or clause to any subsection, clause or subclause are to such subsection, clause or subclause of such Section, subsection or clause.

Section 12.08 Integration. This Agreement and the other Transaction Documents, contain a final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire understanding among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.

Section 12.09 Governing Law. THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS, INCLUDING THE RIGHTS AND DUTIES OF THE PARTIES HERETO, AND ANY CLAIM, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES), EXCEPT, AS TO ANY TRANSACTION DOCUMENT, AS EXPRESSLY SET FORTH THEREIN AND EXCEPT TO THE EXTENT THAT THE CREATION, PERFECTION OR PRIORITY OF THE INTERESTS OF THE SECURED PARTIES IN THE COLLATERAL IS GOVERNED BY THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 12.10 Waiver Of Jury Trial; Submission to Jurisdiction. EACH OF THE PARTIES HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS AGREEMENT, ANY OTHER TRANSACTION DOCUMENT OR ANY AMENDMENT, INSTRUMENT OR DOCUMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR ARISING FROM ANY BANKING OR OTHER RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE COLLATERAL AGENT, THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY INDEMNIFIED PARTY IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT IN ANY COURT REFERRED TO IN THE PREVIOUS PARAGRAPH. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 12.02. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

Section 12.11 Execution in Counterparts; Severability. This Agreement may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 12.12 No Insolvency; No Recourse Against Other Parties. The obligations of each Lender, the Administrative Agent, the Collateral Agent, the Borrower, the Seller, the Servicer and any other party hereto under any Transaction Document are solely the corporate, limited liability company, trust or partnership obligations of such Person, and no recourse shall be had for such obligations against any Affiliate, director, officer, member, manager, partner, beneficiary, trustee, employee, attorney or agent of any such Person.

Section 12.13 Confidentiality. (%3) Each of the Collateral Agent, the Administrative Agent and the Lenders agree to maintain the confidentiality of the Confidential Information, except that Confidential Information may be disclosed (a) to its Affiliates, its Related Parties, its limited partners and investors and its financing sources (excluding limited partners, investors and financing sources that are Disqualified Institutions) on a need-to-know basis solely in connection with their performance of the Transaction Documents (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential); (b) to the extent required or requested by any Regulatory Authority purporting to have jurisdiction over such Person or its Related Parties, provided that any disclosure under this clause (b) shall be limited to the portion of the Confidential Information as may be required or requested by such Regulatory Authority; (c) to the extent required by Applicable Laws or by any subpoena or similar legal process, provided that any disclosure under this clause (c) shall be limited to the portion of the Confidential Information as may be required or requested under Applicable Law; (d) to any other party hereto; (e) in connection with the exercise of any remedies in accordance with the terms of this Agreement or under any other Transaction Document or any action or proceeding relating to this Agreement or any other Transaction Document or the enforcement of rights hereunder or thereunder; (f) if the recipient is a qualified assignee or participant pursuant to Article IX (that, in each case, is not a Disqualified Institution), subject to an agreement containing provisions substantially the same as those of this Section 12.14 (and to which the Borrower and

SmileDirect shall each be an express third party beneficiary), to (i) any permitted assignee of or Participant in, or any prospective permitted assignee of or Participant in, any of its rights and obligations under this Agreement for use solely in connection with the Transaction Documents and transactions contemplated thereby, or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other similar transaction under which payments are to be made to such party by reference to the Borrower and its obligations, this Agreement or payments hereunder; (g) on a confidential basis to any Rating Agency in connection with rating the Borrower or its Indebtedness or the Transactions; (h) with the written consent of the Borrower; (i) to the extent such Confidential Information (x) becomes publicly available other than as a result of a breach of this Section 12.13, or (y) becomes available to the Collateral Agent, the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source, that is not actually known to be bound by a confidentiality obligation in favor of any of the Credit Parties, other than the Borrower, any other Credit Party, any SmileDirect Entity and any of their respective Affiliates or Related Parties. It is understood and agreed that the Collateral Agent, the Administrative Agent and the Lenders shall be responsible for the breach by their respective Affiliates and Related Parties of the confidentiality obligations set forth herein.

(a) The Borrower agrees that it shall not (and shall ensure that Parent and Parent's controlled Affiliates and Related Parties shall not) disclose to any Person or entity the specific pricing and/or fees, advance rate or eligibility criteria provided by any Lender and Affiliates of any Lender or the amount or terms of any fees or other amounts payable to any Lender or any Affiliate of any Lender in connection with the Transaction, other than on an aggregate basis in any financial statements, financial information and financial computations and calculations (collectively, the "Product Information"), except

(i) to its and its Affiliates' employees, officers, directors, advisors, representatives, accountants, legal counsel and agents (collectively, the "Borrower Representatives"),

(ii) to the extent any Credit Party or any Affiliate or their counsel thereof reasonably deems necessary in order to comply with any requirement of Applicable Law or any Regulatory Authority,

(iii) to any nationally recognized statistical rating organization for the purpose of assisting in the negotiation, completion, administration and evaluation of the Transaction or in compliance with Rule 17g-5 under the Exchange Act (or to any other rating agency in compliance with any similar rule or regulation in any relevant jurisdiction),

(iv) to its and its Affiliates' regulators,

(v) to the Collateral Agent and/or the Administrative Agent,

(vi) to any potential acquirer, subject to customary confidentiality arrangements that include terms which are substantially similar to the applicable terms of this Section 12.13, or

(vii) with the prior written consent of such Lender.

"Product Information" shall not include, however, information that is or becomes available as a result of disclosure by a Lender or an Affiliate of a Lender or that is or becomes a matter of general public knowledge or that has heretofore been or is hereafter published in any source generally available to the public other than as a result of a disclosure by the Borrower or Parent (or Parent's controlled Affiliates or Related Parties) in violation of this Section 12.13. The Borrower will be responsible for any failure of any Borrower Representative to comply with the provisions of this Section 12.13.

(b) Each party hereto agrees not to use the name of any other party hereto in any press release or marketing materials without the prior written consent of such other party; *provided* that the foregoing shall not apply to any documents that any party reasonably determines are required by Applicable Law to include such other party's name and to be filed with the SEC or any other Regulatory Authority so long as the disclosing party has, to the extent reasonably practicable, given such other party the opportunity to review the form and content of such proposed filing in advance.

(c) The parties hereto shall also adhere to the following requirements (and any substantially similar Applicable Law in foreign jurisdictions) regarding the confidentiality and security of Obligor Information and Contract Files:

(i) Definitions:

(1) "Obligor Information" means (i) information that meets the definition of non-public personally identifiable information as defined in Title V of the Gramm-Leach-Bliley Act of 1999 and implementing regulations and (ii) any other sensitive or any personally identifiable information or records in any form (oral, written, graphic, electronic, machine-readable, or otherwise) relating to an Obligor, including, but not limited to: an Obligor's name, address, telephone number, social security number, driver's license or other government identifier, and biometric information; the fact that the Obligor has a relationship with the Servicer, the Borrower or any of their respective Affiliates; and any other data of or regarding an Obligor, the use, access or protection of which is regulated under any Privacy Requirement.

(2) "Information Security Program" means written policies and procedures adopted and maintained (i) to ensure the security and confidentiality of Obligor Information; (ii) to protect against any anticipated threats or hazards to the security or integrity of the Obligor Information; (iii) to protect against unauthorized access to or use of the Obligor Information that could result in substantial harm or inconvenience to any Obligor, (iv) to ensure the proper disposal of such Obligor Information and (v) that fully comply with the applicable provisions of the Privacy Requirements.

(3) "Privacy Requirements" means (i) Title V of the Gramm-Leach-Bliley Act, 15 U.S.C. 6801 et seq.; (ii) federal regulations implementing such act and codified at 12 CFR Parts 40, 216 and 332 and 16 C.F.R. Part 313; (iii) Interagency Guidelines Establishing Standards For Safeguarding Customer Information and codified at 12 C.F.R. Parts 30, 168, 208, 211, 225, 263, 308 and 364, and 16 C.F.R. Part 314; and (iv) other applicable federal, state and local laws, rules, regulations, and orders relating to the privacy and security of Obligor Information.

(ii) Access to Obligor Information. Notwithstanding anything to the contrary contained herein, the Borrower shall have no obligation to provide the Collateral Agent, the Administrative Agent or any Lender with Obligor Information, nor shall the Collateral Agent, the Administrative Agent nor any Affiliate thereof, request to receive any such Obligor Information; *provided*, *however*, if any Lender, the Collateral Agent or the Administrative Agent affirmatively elects in writing to receive Obligor Information for Receivables, prior to any delivery of Obligor Information, such Lender, the Collateral Agent or Administrative Agent shall provide to the Borrower evidence reasonably acceptable to the Borrower that such party has an Information Security Program reasonably acceptable to the Borrower and each such Lender, the Collateral Agent and the Administrative Agent shall maintain such information in accordance with Applicable Law.

(iii) Unauthorized Access to Obligor Information. In the event the Borrower, the Collateral Agent, the Administrative Agent or any Lender knows or reasonably believes that it has received access to Obligor Information without having so requested such access, the Borrower, the Collateral Agent, the Administrative Agent or such Lender, as applicable, shall promptly return any such Obligor Information and take reasonable precautions to maintain and safeguard the confidentiality of such Obligor Information while in the possession of the Borrower, the Collateral Agent, the Administrative Agent or such Lender, as applicable, and prior to its return.

Section 12.14 Limitation of Liability. No claim may be made by any party hereto, any of their respective Affiliates, or any other Person against any party hereto or its Affiliates, directors, officers, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each party hereto hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

Section 12.15 No Advisory or Fiduciary Responsibility. The Borrower acknowledges and agrees that: (i) the Transaction is an arm's-length commercial transaction between the Credit Parties, on the one hand, and the Lenders, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the Transaction; (ii) in connection with the Transaction each Lender is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary of the Borrower, any other Credit Party or any of their respective Affiliates; (iii) no Lender has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Borrower, any other Credit Party or any of their respective Affiliates with respect to the Transaction or the process leading thereto (irrespective of whether such Lender has advised or is currently advising any Credit Party on other matters) and no Lender has any obligation to the Borrower, any other Credit Party or any of their respective Affiliates with respect to the Transaction except the obligations expressly set forth in the Transaction Documents; (iv) each Lender and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Credit Parties and their Affiliates and such Lender has no obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) no Lender has provided any legal, accounting, regulatory or tax advice with respect to the Transaction and the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate. Each of the Borrower and each other Credit Party hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with the transactions contemplated by the Transaction Documents.

Section 12.16 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Transaction Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Transaction Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Transaction Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

Each Lender confirms, as of the Closing Date (or, if later, the date upon which such Lender becomes a party to this Agreement) that, unless notified otherwise in writing by such Lender to the Administrative Agent and the Borrower, such Lender is not an EEA Financial Institution.

Section 12.17 Third Party Beneficiary. The parties hereto acknowledge and agree that Wilmington Trust, National Association, as Trustee, is an intended third party beneficiary of this Agreement with respect to Section 12.01.

ARTICLE XIII

THE COLLATERAL AGENT

Section 13.01 Appointment. HPS Investment Partners, LLC ("HPS") is hereby appointed by the other parties hereto as the Collateral Agent, and accepts such appointment.

Section 13.02 Limitation of Liability. Notwithstanding anything contained herein to the contrary, this Agreement has been executed by HPS not in its individual capacity, but solely as the Collateral Agent, and in no event shall HPS have any liability for the representations, warranties, covenants, agreements or other obligations of the other parties hereto or in any of the certificates, notices or agreements delivered pursuant hereto, as to all of which recourse shall be had solely to the assets of the party responsible therefor.

Section 13.03 Certain Matters Affecting the Collateral Agent. Notwithstanding anything herein to the contrary, the parties hereto agree with respect to HPS, in its capacity as the Collateral Agent, that:

(a) It undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and each of the other Transaction Documents to which it is a party. It shall not have any duties or responsibilities except those expressly set forth in this Agreement and each of the other Transaction Documents to which it is a party, nor shall it have any fiduciary obligation to any party thereto. No implied covenant or obligation shall be read into this Agreement or any of the other Transaction Documents against it. Without limiting the foregoing, following the occurrence of an Event of Default (which has not been cured or waived), the Collateral Agent shall exercise the rights and powers vested in the Collateral Agent and as specifically directed by the Administrative Agent and/or Required Lenders, as applicable, pursuant to this Agreement and each of the other Transaction Documents to which it is a party.

(b) It shall not be liable for any error of judgment made reasonably and in good faith by one or more of its officers, unless it shall be conclusively determined by the final judgment of a court of competent jurisdiction not subject to appeal or review that it was grossly negligent in ascertaining the pertinent facts or acted with willful misconduct.

(c) It, or its officers, directors, employees or agents, shall not be liable with respect to any action taken or omitted to be taken by it reasonably and in good faith in accordance with any direction given or certificate or other document delivered to it under this Agreement. It may in good faith conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to it which conform to the requirements of this Agreement.

(d) None of the provisions of this Agreement shall require it to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(e) It may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document reasonably and in good faith believed by it to be genuine and to have been signed or presented by the proper party or parties.

(f) Whenever in the administration of the provisions of this Agreement it shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action to be taken hereunder, such matter may, in the absence of willful misconduct, gross negligence or bad faith on its part, be deemed to be conclusively proved and established by a certificate delivered to it hereunder and such certificate, in the absence of gross negligence, willful misconduct or bad faith on its part, shall be full warrant to it for any action taken, suffered or omitted by it under the provisions of this Agreement.

(g) It may consult with counsel and the advice or any opinion of counsel selected by it reasonably and in good faith shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder reasonably, in good faith and in accordance with such advice or opinion of counsel.

(h) It shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, entitlement order, approval or other paper or document.

(i) Except as provided expressly hereunder or under the other Transaction Documents to which it is party, it shall have no obligation to invest and reinvest any cash held in any of the accounts hereunder in the absence of a timely and specific written investment direction (which may include standing instructions) pursuant to the terms of this Agreement. In no event shall it be liable for the selection of investments or for investment losses incurred thereon. It shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of another party to timely provide a written investment direction pursuant to the terms of this Agreement or under the other Transaction Documents to which it is party.

(j) It may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed, except as expressly provided in Section 12.13.

(k) Any corporation or entity into which it may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which it shall be a party, or any corporation or entity succeeding to its business shall be its successor hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

(l) In no event shall it be liable for special, indirect or consequential loss or damage of any kind whatsoever (including, but not limited to, lost profits), even if it has been advised of the likelihood of such loss or damage and regardless of the form of action.

(m) In no event shall it be liable for any failure or delay in the performance of its obligations under this Agreement or any related documents because of circumstances beyond its control, including, but not limited to, a failure, termination, or suspension of a clearing house, securities depositary, settlement system or central payment system in any applicable part of the world or acts of God, flood, war (whether declared or undeclared), civil or military disturbances or hostilities, nuclear or natural catastrophes, political unrest, explosion, severe weather or accident, earthquake, terrorism, fire, riot, labor disturbances, strikes or work stoppages for any reason, embargo, government action (other than such action applicable as a result of its own creditworthiness or regulatory status), including any laws, ordinances, regulations or the like (whether domestic, federal, state, county or municipal or foreign) which delay, restrict or prohibit the providing of the services contemplated by this Agreement or any other Transaction Documents, or the unavailability of communications or computer facilities, the failure of equipment or interruption of communications or computer facilities, or the unavailability of the Federal Reserve Bank wire or other wire or communication facility, or any other causes beyond its control whether or not of the same class or kind as specified above.

(n) The rights, privileges, protections, immunities and benefits given to it under this Agreement are extended to and shall be enforceable by HPS in each of its capacities hereunder and the other Transaction Documents (including but not limited to any future or successor capacities), and each agent, custodian, co-trustee and other Person employed by it to act hereunder.

(o) The Collateral Agent shall not be charged with knowledge of any Event of Default unless a Responsible Officer of the Collateral Agent obtains actual knowledge of such event or a Responsible Officer of the Collateral Agent receives written notice of such event.

Section 13.04 Indemnification. The Borrower and the initial Servicer agree, jointly and severally, to reimburse and indemnify the Collateral Agent and its officers, directors, employees, representatives and agents from and against, and reimburse such Persons for any and all reasonable and documented claims, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, injuries (to person, property, or natural resources), stamp or other similar taxes, reasonable and documented costs and expenses including but not limited to reasonable and documented attorneys' and agents' fees and expenses of one primary firm of counsel for the Collateral Agent, and, if necessary, one local firm of counsel in each relevant jurisdiction and special counsel and, in the event of any actual or potential conflict of interest, one additional firm of counsel for each

applicable Person subject to such conflict or disbursements of any kind and nature whatsoever, regardless of the merit, which may be imposed on, incurred by or demanded, claimed or asserted against such Person in any way directly or indirectly relating to or arising out of this Agreement or any other document delivered in connection herewith or the transactions contemplated hereby, or the enforcement of any of the terms hereof or of any such other documents, including without limitation all reasonable and documented costs associated with claims for damages to persons or property, and reasonable and documented attorneys' and consultants' fees and expenses and court costs, *provided*, that neither the Borrower nor the initial Servicer shall be liable for any of the foregoing to the extent arising from (v) Indemnified Taxes, (w) Excluded Taxes, (x) indemnified amounts resulting from a dispute solely among Lenders so long as such dispute does not (i) involve a claim against the Collateral Agent and (ii) arise as a result of any action, inaction, representation or misrepresentation of, or information provided, or that was failed to be provided, by or on behalf of, any SmileDirect Entity or the Sub-Servicer, (y) Indemnified Amounts resulting from a dispute solely among one or more of the Administrative Agent, the Collateral Agent and/or the Lenders so long as (i) such dispute does not arise as a result of any action, inaction, representation or misrepresentation of, or information provided, or that was failed to be provided, by or on behalf of, any SmileDirect Entity or the Sub-Servicer and (ii) a court of competent jurisdiction has determined by a final and non-appealable judgment that the Indemnified Amounts have resulted directly and solely from the gross negligence or willful misconduct of the Collateral Agent and (z) indemnified amounts to the extent determined by a final and non-appealable judgment of a court of competent jurisdiction to have resulted directly and solely from the bad faith, gross negligence, willful misconduct or material breach in bad faith of the express obligations under this Agreement on the part of the Collateral Agent. The provisions of this Section 13.04 shall survive the termination of this Agreement or any related agreement or the earlier of the resignation or removal of the Collateral Agent. Notwithstanding the foregoing, the Collateral Agent and any other Person indemnified pursuant to this Section 13.04 shall promptly repay to the Borrower and/or the Servicer any and all amounts previously paid by the Borrower and/or the Servicer, as applicable, pursuant to the foregoing indemnification provisions to the extent such Person is found by a final, non-appealable judgment of a court of competent jurisdiction not to be entitled to indemnification hereunder as contemplated by the immediately preceding sentence. No Indemnifying Party shall, without the prior written consent of all of the foregoing indemnified persons that are party thereto (which consent shall not be unreasonably withheld, conditioned or delayed), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding for which indemnification may be sought hereunder, unless such settlement, compromise or consent includes an unconditional release of all such indemnified persons from all liability arising out of such claim, action or proceeding, and which settlement in each case must not include any admission of fault or liability adverse to any such indemnified person other than the payment of money damages by the Indemnifying Party. No Indemnifying Party shall be liable for any settlement of any such claim, action or proceeding effectuated without its consent (which consent shall not be unreasonably withheld, conditioned or delayed). Each such indemnified person who is not directly a party to this Agreement is an express third party beneficiary of this Agreement. In case any such claim, action or proceeding is instituted involving any such indemnified person for which indemnification is to be sought hereunder by such indemnified person, then such indemnified person will promptly notify the Indemnifying Party of the commencement of any such claim, action or proceeding; provided, however, that the failure to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability that it may have to such indemnified persons pursuant to this Section 13.04 or from any liability that it may have to such indemnified persons other than pursuant to this Section 13.04, except to the extent that the Indemnifying Party is materially prejudiced by such failure.

Section 13.05 Successors. The Collateral Agent may resign at any time by giving at least thirty (30) days' prior written notice thereof to the other parties hereto; *provided*, that no such resignation shall become effective until a successor to such Person has been appointed hereunder. The Collateral Agent may be removed at any time for cause by written notice received by such Person from the Administrative Agent or the Required Lenders. Upon any such resignation or removal, the Administrative Agent (with the consent of the Required Lenders and, unless (i) an Event of Default has occurred and is continuing or (ii) such successor Collateral Agent is Wilmington Trust, National Association, the Borrower) shall have the right to appoint a successor Collateral Agent. If no successor shall have been so appointed and shall have accepted such appointment within thirty (30) days after the exiting Person's giving notice of resignation or receipt of notice of removal, then the exiting Person may petition a court of competent jurisdiction to appoint a successor to such Person. Notwithstanding the foregoing, any successor Collateral Agent shall comply with the requirements of Section 26(a)(1) of the Investment Company Act and otherwise comply with the requirements of Section 3(a)(7)(a)(4) of the Rules promulgated under the Investment Company Act. Upon the acceptance of any appointment as the Collateral Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the exiting Collateral Agent, and the exiting Person shall be discharged from its duties and obligations hereunder; *provided*, however, that the exiting Collateral Agent shall, at the Borrower's expense, promptly execute and deliver all further instruments and documents, and to take all further actions, that may be necessary or desirable, or that the Administrative Agent or the successor Collateral Agent may reasonably request, to perfect, protect or more fully evidence the security interest granted to the successor Collateral Agent pursuant to this Agreement or any other Transaction Document. After any exiting Collateral Agent's resignation hereunder, the provisions of this Article XIII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Collateral Agent hereunder.

Section 13.06 Duties of the Collateral Agent. Notwithstanding anything in this Agreement to the contrary, the Collateral Agent shall not have any duty or responsibility in respect of (i) any recording, filing, or depositing of this Agreement or any other agreement or instrument, monitoring or filing any financing statement or continuation statement evidencing a security interest,

the maintenance of any such recording, filing or depositing or to any re-recording, re-filing or re-depositing of any thereof, or otherwise monitoring the perfection, continuation or perfection or the sufficiency or validity of any security interest in or related to any lien or collateral. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which the Collateral Agent accords its own property.

ARTICLE XIV

THE ADMINISTRATIVE AGENT

Section 14.01 Authorization and Action. Each Lender hereby irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and, to the extent applicable, the other Transaction Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, subject to the terms hereof. The Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Transaction Documents, or any fiduciary relationship with any Secured Party, and no implied covenants, functions, responsibilities, duties or obligations or liabilities on the part of the Administrative Agent shall be read into this Agreement or any other Transaction Document to which the Administrative Agent is a party (if any) as duties on its part to be performed or observed. The Administrative Agent shall not have or be construed to have any other duties or responsibilities in respect of this Agreement and the transactions contemplated hereby. As to any matters not expressly provided for by this Agreement or the other Transaction Documents, the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written instructions of the Required Lenders; *provided* that the Administrative Agent shall not be required to take any action which exposes the Administrative Agent, in its judgment, to personal liability or which is contrary to this Agreement, the other Transaction Documents or Applicable Law, or would be, in its judgment, contrary to its duties hereunder, under any other Transaction Document or under Applicable Law. Each Lender agrees that in any instance in which the Transaction Documents provide that the Administrative Agent's consent may not be unreasonably withheld, provide for the exercise of the Administrative Agent's reasonable discretion, or provide to a similar effect, it shall not in its instructions (or, by refusing to provide instruction) to the Administrative Agent withhold its consent or exercise its discretion in an unreasonable manner.

Section 14.02 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and each other Transaction Document by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with due care.

Section 14.03 Agent's Reliance, Etc. (%3) Neither the Administrative Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any of the other Transaction Documents, except for its or their own bad faith, gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent: (i) may consult with legal counsel (including, without limitation, counsel for the Credit Parties or any of their Affiliates) and independent public accountants and other experts selected by it with due care and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Secured Party or any other Person and shall not be responsible to any Secured Party or any Person for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the other Transaction Documents by any other Person; (iii) shall not have any duty to monitor, ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement, the other Transaction Documents or any related documents on the part of the Borrower or any other Person or to inspect the property (including the books and records) of the Credit Parties; (iv) shall not be responsible to any Secured Party or any other Person for the due execution (other than by it), legality, validity, enforceability, genuineness, sufficiency or value of any Collateral, this Agreement, the other Transaction Documents or any other instrument or document furnished pursuant hereto or thereto or for the validity, perfection, priority or enforceability of the Liens on the Collateral; and (v) shall incur no liability under or in respect of this Agreement or any other Transaction Document by relying on, acting upon (or by refraining from action in reliance on) any notice, consent, certificate, instruction or waiver, report, statement, opinion, direction or other instrument or writing (which may be delivered by email if acceptable to it) reasonably and in good faith believed by it to be genuine and reasonably and in good faith believed by it to be signed or sent by the proper party or parties. The Administrative Agent shall not have any liability to any Credit Party, the Collateral Agent or any Lender or any other Person for any Credit Party's, the Collateral Agent's or any Lender's, as the case may be, performance of, or failure to perform, any of their respective obligations and duties under this Agreement or any other Transaction Document.

(a) The Administrative Agent shall be entitled to assume the due authority of any signatory and genuineness of any signature appearing on any instrument or document it may receive. The Administrative Agent shall not be liable for any action taken in good faith and reasonably believed by it to be within the powers conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed, or omitted to be taken by it by reason of the lack of direction or instruction

required hereby for such action (including without limitation for refusing to exercise discretion or for withholding its consent in the absence of its receipt of, or resulting from a failure, delay or refusal on the part of the Required Lenders to provide, written instruction to exercise such discretion or grant such consent from the Required Lenders, as applicable). The Administrative Agent shall not be liable for any error of judgment made reasonably and in good faith unless it shall be proven by a court of competent jurisdiction that the Administrative Agent was grossly negligent in ascertaining the relevant facts. Nothing herein or in any Transaction Documents shall obligate the Administrative Agent to advance, expend or risk its own funds, or to take any action which in its reasonable judgment may cause it to incur any expense or financial or other liability for which it is not adequately indemnified. The Administrative Agent shall not be liable for any indirect, special or consequential damages (included but not limited to lost profits) whatsoever, even if it has been informed of the likelihood thereof and regardless of the form of action. The Administrative Agent shall not be charged with knowledge or notice of any matter unless actually known to a responsible officer of the Administrative Agent, or unless and to the extent written notice of such matter is received by the Administrative Agent at its address in accordance with Section 12.02. Any permissive grant of power to the Administrative Agent hereunder shall not be construed to be a duty to act. The Administrative Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, entitlement order, approval or other paper or document. The Administrative Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it, reasonably and in good faith, or for any reasonable, good faith mistakes of fact or law, or for anything that it may do or refrain from doing in connection herewith except in the case of its willful misconduct, bad faith or grossly negligent performance or omission of its duties.

(b) The Administrative Agent shall not be responsible or liable for delays or failures in performance resulting from acts beyond its control. Such acts shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations imposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes or other disasters.

Section 14.04 Indemnification. Each of the Lenders agrees to indemnify and hold the Administrative Agent harmless (to the extent not reimbursed by or on behalf of the Credit Parties) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any other Transaction Document or any action taken or omitted by the Administrative Agent under this Agreement or any other Transaction Document, in each case, to the extent that Borrower or any Credit Party is required to and does not indemnify the Administrative Agent pursuant to the Transaction Documents; *provided* that no Lender shall be liable to the Administrative Agent for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. The rights of the Administrative Agent and obligations of the Lenders under or pursuant to this Section 14.04 shall survive the termination of this Agreement, and the earlier removal or resignation of the Administrative Agent hereunder.

Section 14.05 Successor Administrative Agent. The Administrative Agent may resign at any time by giving at least thirty (30) days' prior written notice thereof to the other parties hereto; *provided*, that no such resignation shall become effective until a successor to such Person has been appointed hereunder. Upon any such resignation or removal, the Required Lenders shall have the right, with the Borrower's prior written consent (unless (i) an Event of Default has occurred and is continuing or (ii) such successor Administrative Agent is Wilmington Trust, National Association), to appoint a successor Administrative Agent. If no successor shall have been so appointed and shall have accepted such appointment within thirty (30) days after the exiting Administrative Agent's giving notice of resignation or receipt of notice of removal, then the exiting Administrative Agent may petition a court of competent jurisdiction to appoint a successor to such Administrative Agent. Upon the acceptance of any appointment as the Administrative Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the exiting Administrative Agent, and the exiting Administrative Agent shall be discharged from its duties and obligations hereunder. After any exiting Administrative Agent's resignation hereunder, the provisions of this Article XIV shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Administrative Agent hereunder.

Section 14.06 Administrative Agent's Capacity as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any other Affiliate thereof as if it were not the Administrative Agent hereunder. The Administrative Agent, in its capacity as Administrative Agent, shall not, by virtue of its acting in any such other capacities, be deemed to have duties or responsibilities hereunder or be held to a standard of care in connection with the performance of its duties as Administrative Agent other than as expressly provided in this Agreement. The Administrative Agent may act as Administrative Agent without regard to and without additional duties or liabilities arising from its role as such administrator or agent or arising from its acting in any such other capacity. None of the provisions to this Agreement shall require the Administrative Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the

performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

Section 14.07 Delivery of Notices and Reports. Promptly upon receipt thereof, the Administrative Agent shall distribute all notices and reports received by it pursuant to this Agreement to each Lender at the address for such Lender specified in the related Assignment and Acceptance.

Section 14.08 Certain ERISA Matters.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments or this Agreement,

(ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of Loans, the Commitments and this Agreement,

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Borrower or any other Credit Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Transaction Document or any documents related hereto or thereto).

Section 14.09 Trustee Limitation of Liability. The parties hereto are put on notice and hereby acknowledge and agree that (a) this Agreement is executed and delivered by Wilmington Trust, National Association, not individually or personally but solely as Trustee of the Borrower, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Trustee and the Borrower is made and intended not as personal representations, undertakings and agreements by Wilmington Trust, National Association, but is made and intended for the purpose of binding only the Borrower, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust, National Association, individually or personally, to perform any covenant either expressed or implied contained herein of the Trustee or the Borrower, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto, (d) Wilmington Trust, National Association has made no investigation as to the accuracy or completeness of any representations and warranties made by the Trustee or the Borrower in this Agreement and (e) under no circumstances shall Wilmington Trust, National Association be personally liable for the payment of any indebtedness or expenses of the Trustee or the Borrower or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Trustee or the Borrower under this Agreement or any other related documents.

Section 14.10 Post-Closing Covenant. The Borrower shall (i) cause the Account Control Agreements entered into in accordance with Section 3.01 and the Sub-Servicer Account Control Agreement to be executed and delivered to the Administrative Agent within forty-five (45) days of the Closing Date (as may be reasonably extended in the sole discretion of the Administrative Agent), (ii) cause the true contribution opinion delivered pursuant to Section 5.01(g) to be delivered to the Administrative Agent within 10 Business Days of the Closing Date and (iii) use commercially reasonable efforts to file all appropriate documentation to effectuate and perfect the grant of a security interest with respect to the Intellectual Property in the IP Perfection Jurisdictions other than the United States within sixty (60) days of the Closing Date, and if despite such commercially reasonable efforts, the Borrower is unable to do so within such sixty (60) day period, in any event, the Borrower will complete such filings as soon as practicable thereafter, but in any event within six (6) months following the Closing Date (it being understood that, notwithstanding any provision hereof or of any other Transaction Document to the contrary, there shall be no obligation to perfect the grant of a security interest with respect to any Intellectual Property in any Foreign IP Jurisdiction).

[SIGNATURES BEGIN ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

SDC U.S. SMILEPAY SPV, as Borrower

By: Wilmington Trust, National Association, not in its individual capacity, but solely as Trustee

By: /s/ Cynthia L. Major

Name: Cynthia L. Major

Title: Banking Officer

SMILEDIRECTCLUB, LLC, as Seller and initial Servicer

By: /s/ Steve Katzman

Name: Steve Katzman

Title: Chief Operating Officer

HPS INVESTMENT PARTNERS, LLC, as the Administrative Agent

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

HPS INVESTMENT PARTNERS, LLC, as the Collateral Agent

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

HPS SPECIALTY LOAN FUND V, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

HPS SPECIALTY LOAN FUND V-L, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

SPECIALTY LOAN FUND 2016, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

SPECIALTY LOAN ONTARIO FUND 2016, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

CST SPECIALTY LOAN FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

MORENO STREET DIRECT LENDING FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

SPECIALTY LOAN VG FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

HPS DPT DIRECT LENDING FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

AIGUILLES ROUGES SECTOR B INVESTMENT FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

FALCON CREDIT FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

RELIANCE STANDARD LIFE INSURANCE COMPANY, as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

PHILADELPHIA INDEMNITY INSURANCE COMPANY, as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

TMD-DL HOLDINGS, LLC, as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

SPECIALTY LOAN FUND – CX – 2, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

CACTUS DIRECT LENDING FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

PRIVATE LOAN OPPORTUNITIES FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

RED CEDAR FUND 2016, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

PRESIDIO LOAN FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

SANDLAPPER CREDIT FUND, L.P., as a Lender

By: /s/ Vikas Keswani

Name: Vikas Keswani

Title: Managing Director

HPS SPECIAL SITUATIONS OPPORTUNITY FUND, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Andersen Fisher

Name: Andersen Fisher

Title: Managing Director

MP 2019 HOLDINGS MASTER, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Shant Babikian

Name: Shant Babikian

Title: Managing Director

MP 2019 ONSHORE HOLDINGS MASTER, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Shant Babikian

Name: Shant Babikian

Title: Managing Director

MP 2019 AP HOLDINGS MASTER, L.P., as a Lender

By: HPS Investment Partners, LLC, its investment manager

By: /s/ Shant Babikian

Name: Shant Babikian

Title: Managing Director

APPENDIX A

DEFINITIONS

This is Appendix A to the Loan Agreement, dated as of May 12, 2020, by and among SDC U.S. SmilePay SPV, as the Borrower, SmileDirectClub, LLC, as the Seller and the initial Servicer, the financial institutions from time to time a party thereto as Lenders, and HPS Investment Partners, LLC, as Collateral Agent and Administrative Agent (as amended, restated, supplemented and/or otherwise modified from time to time, the "Agreement"). Each reference in this Appendix A to any Section, the Preamble, Appendix or Exhibit refers to such Section of or Appendix, Preamble or Exhibit to this Agreement.

A. Defined Terms. As used in this Agreement, the following terms have the meanings indicated below (such definitions to be applicable to both the singular and plural forms of such terms):

"Acceptable Collateral Arrangements" means, with respect to any Foreign Receivable, each of the following, in each case, in form and substance acceptable to the Administrative Agent in its sole discretion, (i) one or more receivables sale and purchase agreements, (ii) one or more servicing agreements, (iii) all necessary or advisable local law perfection documentation and filings, (iv) legal and/or accounting, as applicable, opinions and/or memoranda addressing matters including tax, insolvency, true sale, regulatory matters, perfection and such other matters as the Administrative Agent may require and (v) such other documents, filings, diligence materials and written advice of applicable advisers as the Administrative Agent may require.

2 "Account Bank" means (a) with respect to the Collection Account established pursuant to Section 3.01(a), JPMorgan Chase Bank, N.A. or another financial institution selected by the Borrower and reasonably acceptable to Collateral Agent and the Required Lenders, (b) with respect to any Foreign Receivables Collection Account, the depository institution holding such account, which shall be a financial institution selected by the Borrower and reasonably acceptable to Collateral Agent and the Required Lenders and (c) with respect to the Cash Reserve Account, Bank of America, N.A. or another financial institution selected by the Borrower and reasonably acceptable to Collateral Agent and the Required Lenders.

3 "Account Bank Fees" means the fees payable to the Account Bank in connection with the Account Control Agreement.

4 "Account Control Agreement" means any account control agreement with respect to the accounts entered into pursuant to Section 3.01.

5 "Adjusted Eurodollar Rate" means, on any day with respect to any Interest Period, an interest rate per annum equal to the quotient, expressed as a percentage and rounded upwards, if necessary, to the nearest six decimal places, obtained by dividing (a) the Three-Month LIBOR Rate by (b) 100% *minus* the Eurodollar Reserve Percentage; *provided*, that if the Adjusted Eurodollar Rate as so determined would be less than 1.75%, such rate shall be deemed to be 1.75% for the purposes of this Agreement.

6 "Adjusted Net Accounts Receivable" means, as of any date of determination, the Net Accounts Receivable of the Borrower as of such date, less (a) the VantageScore Reduction Amount as of such date, less (b) the amount of the Net Accounts Receivable as of such date attributable to Excluded Foreign Receivables as of such date.

7 "Adjustment Collection Period" means, with respect to any Collection Period in which the Closing Date or a Quarterly Adjustment has occurred, any of the Collection Periods following such Collection Period and prior to the next Quarterly Adjustment during which the Specified Receivables Charge-Off Ratio exceeds 2.1%; provided that, for the purposes of this definition any portion of a Collection Period during which a Quarterly Adjustment occurs and that occurs prior to such Quarterly Adjustment shall be deemed to be an Adjustment Collection Period.

8 "Administration Agreement" means the Amended and Restated Administration Agreement, dated as of the Closing Date, between the Administrator and the Borrower, as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time.

9 "Administrative Agent" means HPS Investment Partners, LLC and its permitted successors and assigns in such capacity.

10 "Administrative Agent Fees" means, for any Collection Period, (i) with respect to the initial Administrative Agent, $125,000 annually, payable quarterly in arrears for so long as the initial Administrative Agent acts in such capacity hereunder and (ii) with respect to any successor Administrative Agent, such fees as are agreed upon in a separate fee letter between such successor Administrative Agent and the Borrower, with the consent of the Required Lenders.

11 "Administrator" means SmileDirect and its permitted successors and assigns in such capacity under the Administration Agreement.

12 "Affected Party" means each Lender and any permitted assignee of such Lender.

13 "Affiliate" means when used with respect to a Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with, such Person. For purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

14 "Aggregate Foreign Receivables Cap" means, as of any date of determination, the greater of (x) $75,000,000 and (y) the amount determined by the Administrative Agent in its sole discretion after completion of legal and business due diligence and completion of internal credit approvals, in each case, with respect to the applicable Foreign Receivables and taking into account, among other things, the credit quality and historical performance of the applicable Foreign Receivables compared to Receivables originated in the United States.

15 "Agreement" has the meaning set forth in the first paragraph of this Appendix.

16 "Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to any Credit Party from time to time concerning or relating to bribery or corruption.

17 "Applicable Law" means any federal, state or local constitution, statute, treaty, rule, regulation, ordinance or similar legal requirement applicable to the Contracts, the Receivables, the Loans or any party hereto, including but not limited to (i) the Federal Truth-in-Lending Act (and Regulation Z of the CFPB); (ii) the Equal Credit Opportunity Act and Regulation B of the CFPB; (iii) the Federal Trade Commission Act; (iv) all applicable state and federal securities laws; (v) all applicable licensing, disclosure and usury laws; (vi) the Privacy Requirements and all other applicable legal requirements relating to privacy and protection of information that identifies or can be used to identify individuals; (vii) the Fair Credit Reporting Act; (viii) the Electronic Signatures in Global and National Commerce Act and any other applicable laws relating to the electronic execution of documents and instruments; (ix) the Electronic Funds Transfer Act; (x) all applicable anti-money laundering laws, including, without limitation, the Patriot Act, the Bank Secrecy Act, the Foreign Assets Control Act, and the laws and regulations of the United States government that impose limitations on U.S. trade, including sanctions, rules and regulations administered by the U.S. Treasury Department's Office of Anti-Boycott Compliance and Bureau of Export Administration and the U.S. State Department's Office of Defense Trade Controls and any similar laws; (xi) the Telephone Consumer Protection Act; (xii) the Fair Debt Collection Practices Act; (xiii) the Health Insurance Portability and Accountability Act of 1996 and (xiv) all amendments to and rules and regulations promulgated under the foregoing.

18 "Applicable Margin" means, as of any date of determination, a percentage per annum equal to (i) in the case of Eurodollar Loans 10.75%, of which up to 325 basis points thereof may be payable in kind by adding such amount to the aggregate principal amount of the Loans outstanding hereunder on the Interest Payment Date (any such interest paid in kind, "PIK Interest"), with the remainder paid in cash and (ii) in the case of Base Rate Loans, 9.75%, of which up to 325 basis points thereof may be paid in PIK Interest, with the remainder paid in cash.

19 The Borrower shall be deemed to have elected to make a payment of PIK Interest for any Interest Payment Date in the maximum amount permitted, unless the Borrower shall have delivered a notice (a "Cash Interest Notice") to the Administrative Agent no later than the day that is five (5) Business Days prior to the last day of such Interest Period (or such shorter period as the Required Lenders shall so agree), which notice sets forth the dollar amount and basis points of interest being paid as cash interest and PIK Interest (if any) for such Interest Payment Date. All PIK Interest shall constitute principal and a portion of the Loan Amount for all purposes hereunder.

20 "Assignment and Acceptance" means an Assignment and Acceptance Agreement in substantially the form and substance of Exhibit G attached hereto, or such other form as is acceptable to the Administrative Agent.

21 "Authorized Officer" means, with respect to any Credit Party, any of the chief executive officer, president, chief financial officer, managing director, treasurer, comptroller, general counsel, vice president or other officer of similar or higher rank of such Credit Party, who is acting in its capacity as an officer of such Credit Party and authorized to act on behalf of such Credit Party pursuant to the Transaction Documents and who is identified on the incumbency certificate delivered by such Credit Party to the Administrative Agent on the Closing Date (as any such incumbency certificate may be modified or supplemented by such Credit Party from time to time thereafter and delivered to the Administrative Agent). For such purpose, an Authorized Officer of the Administrator or of the Trustee shall constitute an Authorized Officer of the Borrower.

22 "Average VantageScore" means, as of any date of determination, the weighted average VantageScore of the Specified Receivables in the Cohort originated in the Collection Period ending immediately prior to such date of determination and in each of the eleven Collection Periods immediately preceding such Collection Period (weighted by reference to the Receivables Balances thereof as of origination).

23 "Back-Up Servicer" means FTI Consulting, Inc., in its capacity as initial Back-Up Servicer under the Back-Up Servicing Agreement.

24 "Back-Up Servicer Cap" means, collectively, with respect to each calendar year and all payments made pursuant to Section 2.04 during such calendar year to the Back-Up Servicer, (A) to the extent the Back-Up Servicer has solely performed "Cold Back-Up Servicing Duties" during such calendar year under and as defined in the Back-Up Servicing Agreement, (i) $250,000 with respect to all payments made in respect of indemnification payments to the Back-Up Servicer, in its capacity as Back-Up Servicer and (ii) $8,000 (or such higher amount as may be approved by the Collateral Agent) with respect to all payments made in respect of expenses (including legal fees and expenses) and boarding fees and (B) otherwise, (i) $250,000 with respect to all payments made in respect of indemnification payments to the Back-Up Servicer, in its capacity as Back-Up

Servicer, (ii) $80,000 (or such higher amount as may be approved by the Collateral Agent) with respect to all payments made in respect of transition fees, expenses (including legal fees and expenses) and boarding fees, and (iii) $250,000 with respect to all payments made in respect of indemnification payments made to the Back-Up Servicer, in its capacity as Successor Primary Servicer.

25 "Back-Up Servicing Agreement" means the Back-Up Servicing and Consulting Agreement, dated as of the Closing Date, between the Borrower, the Back-Up Servicer, the Servicer and the Collateral Agent.

26 "Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

27 "Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

28 "Bankruptcy Code" means 11 U.S.C. §101, et. seq., as amended from time to time, and any successor statute thereto.

29 "Bankruptcy Opinions" has the meaning set forth in Section 7.01(k)(xxii).

30 "Base Rate" means, for any day, a rate per annum determined by the Administrative Agent equal to the greater of (i) the Prime Rate and (ii) the Federal Funds Rate plus 0.50% as of such day; *provided*, that if the Base Rate as so determined would be less than 2.75%, such rate shall be deemed to be 2.75% for the purposes of this Agreement.

31 "Base Rate Loan" means any Loan bearing interest at a rate determined by reference to the Base Rate pursuant to the terms of this Agreement.

32 "Basel III Regulation" means, with respect to any Affected Party, any rule, regulation or guideline binding upon such Affected Party and arising directly or indirectly from (a) any of the following documents prepared by the Basel Committee on Banking Supervision of the Bank of International Settlements: (i) Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring (December 2010), (ii) Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems (June 2011), (iii) Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools (January 2013), or (iv) any document (other than those that are merely proposed) supplementing, clarifying or otherwise relating to any of the foregoing, or (b) any accord, treaty, statute, law, rule, regulation, guideline or pronouncement (whether or not having the force of law, but excluding those that have been merely proposed) of any Regulatory Authority implementing, furthering or complementing any of the principles set forth in the foregoing documents of strengthening capital and liquidity, in each case as from time to time amended, restated, supplemented or otherwise modified. Without limiting the generality of the foregoing, "Basel III Regulation" shall include the CRR and any law, regulation, standard, guideline, directive or other publication supplementing or otherwise modifying the CRR.

33 "Beneficial Ownership Certification" means a certification regarding beneficial ownership or control as required by the Beneficial Ownership Regulation.

34 "Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

35 "Benefit Plan" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan."

36 "Benefit Plan Investor" means (i) any "employee benefit plan" (as defined in Section 3(3) of Title I of ERISA) that is subject to the fiduciary responsibility provisions of Title I of ERISA, (ii) any "plan" as defined in Section 4975(e) of the Code that is subject to Section 4975 of the Code, (iii) any entity whose underlying assets include "plan assets" (within the meaning of the regulation of the United States Department of Labor at 29 C.F.R. § 2510.3-101 (as modified by Section 3(42) of ERISA)), or (iv) any plan or entity that is subject to any law that is similar to the provisions of Section 406 of ERISA or Section 4975 of the Code that would be violated by the Transactions.

37 "Borrower" has the meaning set forth in the Preamble.

38 "Borrower Representatives" has the meaning set forth in Section 12.13(b)(i).

39 "Borrower's Account" means the Borrower's bank account, as may be designated by the Borrower from time to time by notice to the Administrative Agent and the Lenders in writing.

40 "Borrowing Request" has the meaning set forth in Section 1.02(a).

41 "Breakage Costs" means, with respect to a failure by the Borrower for any reason other than a breach of this Agreement by the Lender claiming indemnity therefor (a "Breaching Lender"), to borrow any proposed Loan on the date specified in a Borrowing Request (including as a result of the Borrower's failure to satisfy any conditions precedent to such borrowing), the resulting reasonable and documented out-of-pocket loss, cost or expense actually incurred by any Lender (other

than a Breaching Lender), including any loss, cost or expense incurred in liquidating or employing deposits from third parties; *provided*, *however*, that (a) such Lender shall use commercially reasonable efforts to minimize such loss or expense and shall have delivered to the Borrower contemporaneously with a request for payment a certificate in reasonable detail as to the amount and computation of such loss or expense and (b) the losses, costs or expenses shall not exceed the amount such Lender would have expected to receive as interest on such Loan at the interest rate on such Loan which would have been payable by the Borrower if the Borrower had borrowed such proposed Loan for a period from the date of the proposed Loan to the next Interest Payment Date.

42 "Business Day" means any day other than: (a) a Saturday or Sunday; (b) a legal or federal holiday; and (c) a day on which banking and savings and loan institutions in New York, New York or the State of Delaware are required or authorized by law or Regulatory Authority to be closed for business, *provided*, that when used with respect to the determination of any Three-Month LIBOR Rate or any notice with respect thereto, Business Day shall exclude any such day which is not also a day for trading by and between banks in Dollar deposits in the London interbank market.

43 "Calendar Quarter" means, with respect to a particular year, the three (3) calendar months from and including January 1st to March 31st, April 1st to June 30th, July 1st to September 30th and October 1st to December 31st.

44 "Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP as in effect on December 14, 2018 (without giving effect to the future phase-in of any changes to GAAP contemplated by any amendment to GAAP adopted as of such date) and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP as in effect on December 14, 2018 (without giving effect to any such phase-in).

45 "Cash" means such coin or currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

46 "Cash Equivalents" means (a) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed or insured by the U.S. federal government or any agency thereof, (b) certificates of deposit and eurodollar time deposits with maturities of ninety (90) days or less from the date of acquisition and overnight bank deposits of the Administrative Agent or of any commercial bank having capital and surplus in excess of $500,000,000, (c) repurchase obligations of the Administrative Agent or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than seven (7) days with respect to securities issued or fully guaranteed or insured by the U.S. federal government, (d) commercial paper of a domestic issuer rated at least A-1 or the equivalent thereof by S&P or P-1 or the equivalent thereof by Moody's and in either case maturing within ninety (90) days after the day of acquisition, (e) securities with maturities of ninety (90) days or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's, (f) securities with maturities of ninety (90) days or less from the date of acquisition backed by standby letters of credit issued by the Administrative Agent or any commercial bank satisfying the requirements of clause (b) of this definition or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

47 "Cash Reserve Account" has the meaning set forth in Section 3.01(b).

48 "Cash Reserve Account Release" has the meaning set forth in Section 3.02(c).

49 "Cash Reserve Account Release Request" has the meaning set forth in Section 3.02(c).

50 "Cash Reserve Required Amount" means $100,000,000, together with any other amounts on deposit in the Cash Reserve Account (and related Permitted Investments) from time to time required to satisfy the Permitted Loan Balance.

51 "Charged-Off Receivable" means, at any time of determination, any Receivable (a) in which any payment or part thereof remains unpaid for more than one hundred twenty (120) days after the original due date for such payment, (b) which, consistent with the Credit and Collection Policies, should be written off the Borrower's or the Servicer's books as uncollectable or (c) for which the Obligor thereon has died or is subject to any Event of Bankruptcy.

52 "CFPB" means the Bureau of Consumer Financial Protection, an agency of the United States.

53 "Change of Control" means the occurrence of any of the following:

(a) Parent.

(i) The sale of all or substantially all of the assets, property or business of Parent and its subsidiaries, taken as a whole (in one or a series of related transactions) to any person other than one or more Permitted Holders (and/or Persons Controlled by one or more Permitted Holders) or as expressly permitted by any of the Transaction Documents; or

(ii) any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date hereof) (in each case, other than the Permitted Holders) acting in concert shall have acquired "beneficial ownership," directly or indirectly, of, or shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of, or control over, the Equity Interests of Parent representing greater than fifty percent (50%) or more of the combined Equity Interests of Parent;

(b) SmileDirect. The failure of Parent to directly or indirectly through its Subsidiaries own at least 51 % of the Equity Interests of SmileDirect or failure to control the majority voting power of the board of directors (or similar governing body) of SmileDirect; or

(c) Borrower. The failure of SmileDirect to directly own 100% of the Equity Interests of the Borrower free and clear of any Lien (other than Permitted Liens).

54 "Closing Date" means May 12, 2020, which is the date of funding of the Loans.

55 "Closing Payment" has the meaning set forth in the Fee Letter.

56 "Code" means the Internal Revenue Code of 1986, as amended.

57 "Cohort" means all of the Specified Receivables included in the Net Accounts Receivables of the Borrower originated in a single Collection Period.

58 "Collateral" has the meaning set forth in the Security Agreement.

59 "Collateral Agent" means HPS Investment Partners, LLC and its permitted successors and assigns in such capacity.

60 "Collateral Agent Fees" means, for any Collection Period, (i) with respect to the initial Collateral Agent, $0 and (ii) with respect to any successor Collateral Agent, such fees as are agreed upon in a separate fee letter between such successor Collateral Agent and the Borrower, with the consent of the Required Lenders.

61 "Collection Account" has the meaning set forth in Section 3.01(a).

62 "Collection Account Release" has the meaning set forth in Section 3.02(b).

63 "Collection Account Release Conditions" means conditions that will be satisfied if (i) no event has occurred and is continuing, or would result from such Collection Account Release upon giving effect to such Collection Account Release, that constitutes an Event of Default or a Servicer Termination Event, (ii) the Loan Amount does not exceed the Permitted Loan Balance, (iii) the amount on deposit in the Cash Reserve Account (including related Permitted Investments) is at least equal to the Cash Reserve Required Amount (in each case, after giving effect to such Release) and (iv) no Required Payments are accrued and unpaid as of such date and the Borrower reasonably believes that an amount equal to the Required Collection Account Amount will be on deposit in the Collection Account as of the next succeeding Interest Payment Date.

64 "Collection Period" means: (i) initially, the period commencing on the Closing Date and ending on May 31, 2020 and (ii) thereafter, each calendar month.

65 "Collections" has the meaning set forth in the Purchase Agreement.

66 "Commitment" means, with respect to each Lender, the dollar amount set forth in Exhibit J with respect to such Lender, as such Commitment may be amended from time to time including pursuant to an Assignment and Acceptance.

67 "Competitor" means each of the entities listed on Schedule 9.01 hereto.

68 "Competitor Regulatory Event" means (a) the commencement by written notice by any Regulatory Authority of any inquiry or investigation (which, for the avoidance of doubt, excludes any normally scheduled or ordinary course audit, examination or inquiry by any Competitor's regulators), legal action or similar adversarial proceeding, against any Competitor or any third-party engaged by any Competitor involved in the brokering, underwriting, origination, collection or servicing of any contract or receivable challenging its authority, respectively, to broker, hold, own, pledge, service, collect or enforce any receivable or contract evidencing such receivable or otherwise alleging any material non-compliance by any such Competitor or such third-party with applicable laws related to brokering, holding, owning, pledging, collecting, servicing or enforcing such receivable or such contract related to such receivable and that would reasonably be expected to materially and adversely affect such Competitor or (b) the entry or issuance of any stay, order, judgment, cease and desist order, injunction, temporary restraining order, or other judicial or non-judicial sanction (other than the imposition of a monetary fine) against any Competitor or any third-party engaged by any Competitor involved in the brokering, underwriting, origination, collection or servicing of any receivable or contract by any Regulatory Authority related in any way to the brokering, originating, holding, pledging, collecting, servicing or enforcing of any receivable or contract evidencing such receivable and that would reasonably be expected to materially and adversely affect such Competitor.

69 "Confidential Information" means all information, including but not limited to, records, documents, technology, software, and financial and business information, or data related to a party's products (including the discovery, invention, research, improvement, development, manufacture, or sale thereof), processes, or general business operations (including sales, costs, profits, pricing methods, organization, employee or customer lists and process), whether oral or written or communicated via electronic media, disclosed or made available by one party (or its Related Party) to the other party (or its Related Party) or to which such other party (or its Related Party) is given access pursuant to this Agreement by the disclosing party, and any information obtained through access to any information assets or information systems (including computers, networks, voicemails, etc.) that if not otherwise described above is of such a nature that a reasonable person would believe it to be confidential. Confidential Information includes any information that meets the definition of non-public personally identifiable information regarding a Borrower as defined by Title V of the Gramm-Leach-Bliley Act of 1999 and implementing regulations and any substantial equivalent thereof under foreign Applicable Law. Confidential Information does not include information that (1) is generally available to the public other than as a result of a breach of a confidentiality obligation, (2) has become publicly known not due to the fault of the receiving party, (3) was otherwise known by or available to, the receiving party prior to entering into this Agreement without any obligations of confidentiality attached thereto or (4) becomes available to the receiving party on a non-confidential basis from a Person other than a party to this Agreement (or its Related Party) who is not known by the receiving party to be bound by a confidentiality agreement or otherwise prohibited from transmitting the information to the receiving party.

70 "Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

71 "Consolidated Subsidiary" means, with respect to any Person, any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or other entity, which would be consolidated with such Person for purposes of such Person's consolidated financial statements if such financial statements were prepared in accordance with GAAP.

72 "Contract File" has the meaning specified in the Purchase Agreement.

73 "Contracts" means, with respect to any Receivable, the RISC or other agreement in respect of such Receivable acquired by the Borrower and/or the Trustee, which includes with respect to each such Contract all right, title and interest with respect to such Contract, as a holder of both the beneficial and legal title thereto, including (i) all Contract Files, (ii) all obligations evidenced by the Contract Files, including the right to receive payment of all amounts due thereunder, (iii) all other rights, interests, benefits, proceeds, remedies and claims in favor or for the benefit of the holder of such Contract (or its successors or assigns) arising from or relating to such Contract, to the extent acquired by the Borrower and/or the Trustee, and (iv) all proceeds of the foregoing.

74 "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

75 "Covenant EBITDA" means, as to any fiscal quarter, an amount as determined according to the calculation set forth opposite such fiscal quarter in the table below:

Fiscal Quarter Ended	**Covenant EBITDA**
March 31, 2020	Cumulative EBITDA for the preceding four fiscal quarters ended March 31, 2020
June 30, 2020	Cumulative EBITDA for the preceding four fiscal quarters ended June 30, 2020
September 30, 2020	Cumulative EBITDA for the preceding four fiscal quarters ended September 30, 2020
December 31, 2020	Cumulative EBITDA for the preceding four fiscal quarters ended December 31, 2020
March 31, 2021	Cumulative EBITDA for the preceding four fiscal quarters ended March 31, 2021
June 30, 2021	Cumulative EBITDA for the preceding four fiscal quarters ended June 30, 2021
September 30, 2021	Cumulative EBITDA for the preceding four fiscal quarters ended September 30, 2021

December 31, 2021	Cumulative EBITDA for the preceding four fiscal quarters ended December 31, 2021
March 31, 2022	Product of (x) EBITDA for the quarter ending March 31, 2022 and (y) 4.00
June 30, 2022	Product of (x) cumulative EBITDA for the preceding two fiscal quarters ended June 30, 2022 and (y) 2.00
September 30, 2022	Product of (x) cumulative EBITDA for the preceding three fiscal quarters ended September 30, 2022 and (y) 1.33
December 31, 2022 and each fiscal quarter thereafter	Cumulative EBITDA for the preceding four fiscal quarters then ended

76 "Credit and Collection Policies" means the Seller's and the Servicer's credit and collection policy or policies relating to Contracts and Receivables and referred to in Exhibit A to the Servicing Agreement, as any such policy may be amended, restated, replaced, supplemented and/or otherwise modified from time to time in accordance with this Agreement and the Servicing Agreement; *provided*, *however*, if the Servicer is any Person other than the initial Servicer, "Credit and Collection Policies" shall refer to the collection policies of such Servicer as they relate to receivables of a similar nature to the Receivables.

77 "Credit Party" means each of the Borrower, the Originators, Parent, the initial Servicer, the Seller and any Affiliate of any of the foregoing that shall be or shall become party to any of the Transaction Documents.

78 "Cure Right" has the meaning set forth in Section 8.03.

79 "DBRS" means DBRS, Inc.

80 "Deemed Inclusion End Date" means the date that is six months following the Closing Date.

81 "Defaulting Lender" means any Lender, as determined by the Administrative Agent, that has (a) within three (3) Business Days of the date required to be funded or paid failed to (i) fund its Percentage of any Loan or (ii) pay over to the Administrative Agent or any Lender any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) notified the Borrower, the Administrative Agent or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement (unless such writing or public statement states that such position is based on such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) failed, within three (3) Business Days after written request by the Administrative Agent, to provide a certification in writing from an authorized officer of such Lender that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon the Administrative Agent's receipt of such certification in form and substance reasonably satisfactory to it), (d) otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, unless the subject of a good faith dispute, (e) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian, appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a direct or indirect parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment and/or (f) become the subject of a Bail-In Action; *provided*, that a Lender shall not become a Defaulting Lender solely as the result of (x) the acquisition or maintenance of an ownership interest in such Lender or a Person controlling such Lender or (y) the exercise of control over a Lender or a Person controlling such Lender, in each case, by a governmental authority or an instrumentality thereof.

82 "Disqualified Institution" means on any date, any Person that is a Competitor, it being understood that the Servicer, by notice to the Administrative Agent and the Lenders after the Closing Date, shall be permitted to supplement from time to time in writing the list of Persons that are Disqualified Institutions to the extent that the Persons added by such supplements are (i) primarily engaged in operations related to the dental industry and competitors of the Parent and/or any of its Subsidiaries and (ii) not banks or other financial institutions, and each such supplement shall become effective five (5) Business Days after delivery thereof to the Administrative Agent and the Lenders (unless reasonably objected to by the Administrative Agent in a written notice received by the Servicer or Borrower before such supplement becomes effective), provided that no such supplement or change in the scope of the definitions of "Competitors" or "Disqualified Institutions" shall retroactively disqualify

any otherwise permitted assignment or participation pursuant to this Agreement with respect to the interests so assigned or participated.

83 "Disregarded Entity" means an entity that is disregarded as separate from its owner for U.S. federal income tax purposes within the meaning of U.S. Treasury regulations section 301.7701-3 (or any successor thereto).

84 "EBITDA" means, with respect to any specified Person for any period, the net income (loss) of such Person and its subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, *plus*, without duplication:

(a) total interest expense, and, to the extent not reflected in such total interest expense, any losses on hedging obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, net of interest income and gains on such hedging obligations or such derivative instruments; *plus*

(b) provision for taxes based on income or profits of such Person and its subsidiaries for such period, to the extent that such provision for taxes was deducted in computing consolidated net income (loss) of such Person for such period; *plus*

(c) depreciation and amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its subsidiaries for such period to the extent that such depreciation and amortization were deducted in computing consolidated net income (loss) of such Person for such period; *plus*

(d) all non-cash losses, expenses and charges (including, without limitation, (i) non-cash equity compensation expense (including deferred non-cash compensation expense, loss or charge), (ii) other non-cash expenses, losses or charges arising from the sale or issuances of Equity Interests, stock options, stock appreciation rights or similar arrangements to directors or employees of such Person and (iii) foreign currency losses), to the extent that such expenses, losses or charges were deducted in computing consolidated net income (loss) of such Person for such period; *plus*

(e) all "below the line" items deducted in the calculation of net income (loss) on such Person's consolidated statement of operations; *provided*, *however*, that the aggregate amount added back pursuant to this clause (e) for any period shall in no event exceed an amount equal to 7.5% of EBITDA for such period before giving effect to this clause (e); *plus*

(f) all unusual and/or infrequently recurring cash costs, expenses, charges, losses and other items deducted in the calculation of net income (loss), including, without limitation, such costs, expenses, charges, losses and other items relating to casualties and condemnation events, restructurings (including severance costs and expenses), discontinued operations, acquisitions, dispositions, investments, the issuance of equity in capital market transactions and/or the incurrence, issuance, repayment or other satisfaction of Indebtedness); *provided*, *however*, that the aggregate amount added back pursuant to this clause (f) for any period shall in no event exceed an amount equal to 12.5% of EBITDA for such period before giving effect to this clause (f).

85 "EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

86 "EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

87 "EEA Resolution Authority" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

88 "Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

89 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

90 "ERISA Affiliate" means (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Borrower, (ii) any partnership or other trade or business (whether or not incorporated) under common control (within the meaning of Section 414(c) of the Code) with the Borrower, (iii) any member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Borrower or (iv) any trade or business (whether or not incorporated) which, together with the Borrower, would be treated as a single employer under Section 4001 of ERISA.

91 "ERISA Event" means (a) any "reportable event," as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Pension Plan (other than an event for which the 30-day notice period is waived); (b) the determination that any Pension Plan is considered an at-risk plan or that any Multiemployer Plan is endangered or is in critical status within the meaning of Sections 430 or 432 of the Code or Sections 303 or 305 of ERISA, as applicable; (c) the incurrence

by the Borrower or any ERISA Affiliate of any liability under Title IV of ERISA, other than for PBGC premiums not yet due; (d) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Pension Plan or to appoint a trustee to administer any Pension Plan or the occurrence of any event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan; (e) the appointment of a trustee to administer any Pension Plan; (f) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which such entity was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or the cessation of operations by the Borrower or any ERISA Affiliate that would be treated as a withdrawal from a Pension Plan under Section 4062(e) of ERISA; (g) the partial or complete withdrawal by the Borrower or any ERISA Affiliate from any Multiemployer Plan or a notification that a Multiemployer Plan is insolvent, or (h) the taking of any action to terminate any Pension Plan under Section 4041 or 4041A of ERISA.

92 "Escrow Agreement" means that certain Escrow Agreement, dated as of May 12, 2020, by and among Cortland Capital Market Services LLC, as Escrow Agent, and HPS Investment Partners, LLC, as Collateral Agent.

93 "EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

94 "Eurodollar Disruption Event" means with respect to a Lender's Percentage of the Loan Amount as to which interest accrues or is to accrue at a rate based upon the Adjusted Eurodollar Rate, (i) a determination made reasonably and in good faith by such Lender that it would be contrary to law or to the directive of any central bank or other Regulatory Authority (whether or not having the force of law) to obtain U.S. Dollars in the London interbank market to make, fund or maintain such Percentage of the Loan Amount, (ii) the inability of such Lender to obtain timely information for purposes of determining the Adjusted Eurodollar Rate, (iii) a determination made reasonably and in good faith by such Lender that the rate at which deposits of U.S. Dollars are being offered to such Lender in the London interbank market does not accurately reflect the cost to such Lender of making, funding or maintaining any portion of the Loan Amount or (iv) the inability of such Lender to obtain U.S. Dollars in the London interbank market to make, fund or maintain any portion of the Loan Amount.

95 "Eurodollar Loan" means any Loan bearing interest at a rate determined by reference to the Adjusted Eurodollar Rate.

96 "Eurodollar Reserve Percentage" means, on any day, the applicable reserve percentage (expressed as a decimal) prescribed by the Federal Reserve Board for determining reserve requirements for "Eurocurrency Liabilities" pursuant to Regulation D or any other applicable regulation of the Federal Reserve Board that prescribes reserve requirements applicable to "Eurocurrency Liabilities" as presently defined in Regulation D.

97 "Event of Bankruptcy" means an event that shall be deemed to have occurred with respect to a Person if either:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, conservator, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts and, in the case of any Person other than an Obligor or the Borrower, such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of thirty (30) consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, conservator, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail to, or admit in writing its inability to, pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to authorize any of the foregoing.

98 "Event of Default" has the meaning set forth in Section 8.01.

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

100 "Excluded Foreign Receivables" means, as of any date of determination, the portion of Net Accounts Receivable of the Borrower as of such date attributable to Foreign Receivables that, without duplication, (i) are originated in any jurisdiction other than a Permitted Foreign Jurisdiction, (ii) are Unperfected Foreign Receivables with an aggregate outstanding principal balance (if denominated in a foreign currency, the US dollar equivalent thereof) in excess of the Unperfected Foreign Receivables Cap or (iii) have an aggregate outstanding principal balance (if denominated in a foreign currency, the US dollar equivalent thereof) in excess of the Aggregate Foreign Receivables Cap. For the avoidance of doubt, at no time shall the aggregate outstanding principal balance of Foreign Receivables included in the Net Accounts Receivables exceed the Aggregate Foreign Receivables Cap.

101 "Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Lender being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender under any Transaction Document pursuant to a law in effect on the date on which (i) such Lender acquires an interest in a Loan or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.07, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.07(f) and (d) any withholding Taxes imposed under FATCA.

102 "Family Member" means, with respect to any individual, any other individual having a relationship by blood (to the second degree of consanguinity), marriage (including former spouses), domestic partnership (including former domestic partners) or adoption to such individual.

103 "Family Trust" means, with respect to any individual, trusts or other estate planning vehicles established for the benefit of such individual or Family Members of such individual and in respect of which such individual or a Family Member of such individual serves as trustee or in a similar capacity and has sole control.

104 "FATCA" means Sections 1471 through 1474 of the Code as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Regulatory Authorities and implementing such Sections of the Code.

105 "Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/1000th of 1.00%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided*, that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (adjusted, if necessary, to the nearest 1/1000 of 1%) charged to the Administrative Agent or its Affiliates on such day on such transactions by three federal funds brokers as determined by it reasonably and in good faith.

106 "Federal Reserve Bank of New York's Website" means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

107 "Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any successor thereto or to the functions thereof.

108 "Fee Letter" means that certain fee letter, dated as of the Closing Date, by and among the Borrower, the Administrative Agent and the initial Lender.

109 "Final Maturity Date" means the earlier of (i) the fifth (5th) anniversary of the Closing Date and (ii) the date (a) declared as such in accordance with the terms of this Agreement, following the occurrence (unless waived in accordance with the terms of this Agreement) of an Event of Default pursuant to Section 8.02(a) or (b) automatically determined as such pursuant to Section 8.02(b).

110 "Final Payout Date" means the date on which all principal of and interest on the Loan Amount shall have been paid in full, all other Secured Obligations (excluding contingent Secured Obligations for which no claim has been made) shall have been paid and satisfied in full and the Commitments have been terminated.

111 "Fitch" means Fitch, Inc.

112 "Foreign IP Jurisdictions" means any jurisdiction that does not constitute an IP Perfection Jurisdiction.

113 "Foreign Lender" means a Lender that is not a U.S. Person.

114 "Foreign Receivables" means any Receivables that (i) are originated in a jurisdiction other than the United States of America, (ii) the payee thereof is a person that is not domiciled in the United States of America, (iii) which is governed by the law of any jurisdiction other than the United States of America or (iv) are denominated in a currency other than U.S. Dollars.

115 "Foreign Receivables Collection Account" means any segregated account established by the Borrower with an Account Bank outside of the United States for the purpose of holding Collections relating to Foreign Receivables, *provided* that, on any date more than six months after the Closing Date, such account is subject to Acceptable Collateral Arrangements.

116 "Fundamental Amendment" means any amendment, modification, waiver or supplement of or to this Agreement or any other Transaction Document that would (a) increase the term of this Agreement or change the Final Maturity Date, (b) extend the date fixed for the payment of principal of or interest on the Loan or any fee hereunder, (c) reduce the amount of any such payment of principal or the principal amount of the Loan, (d) reduce the rate at which interest is payable thereon (other than default interest) or any fee is payable hereunder, (e) release any material portion of the Collateral, except in connection with transactions permitted hereunder or under any Transaction Document, (f) alter the terms of Sections 8.01, 8.02, 9.01, or 12.01, (g) modify the definition of the terms "Fundamental Amendment," "Required Lenders," or any defined term used in any such definition in a manner that would change the meaning of such above-specified defined terms or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision hereof, (h) release any Credit Party (other than any Originator for which each of the following are then satisfied: (i) no Receivables originated by such Originator are then outstanding, (ii) such Originator is not currently in default in any material respects on its obligations under any Transaction Document and (iii) no amounts are currently owing by such Originator to any Person under any Transaction Document), (i) terminate or remove the Seller's obligations to provide indemnification to the Borrower (or its assignees) pursuant to the Purchase Agreement, (j) change the currency required for payments of Obligations under this Agreement, (k) amend or waive any condition in Section 5.02 or Section 5.03, or (l) amend Article I or otherwise impose any obligation on any Lender to make any Loan. For the avoidance of doubt, any amendment or waiver with respect to any Unmatured Event of Default, any Event of Default or the application of any default rate of interest, in each case, shall not constitute a Fundamental Amendment.

117 "Funding Rules" means the requirements relating to the minimum required contributions (including any installment payments) to Pension Plans and Multiemployer Plans, as applicable, and set forth in Sections 412, 430, 431, 432 and 436 of the Code and Sections 302, 303, 304 and 305 of ERISA.

118 "GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time.

119 "Gross-to-Net Receivables Percentage" means, with respect to any date of determination, (i) occurring during the Collection Period in which the Closing Date occurs, 85.6%, (ii) occurring during a Collection Period during which a Quarterly Adjustment has occurred and that follows the date of such Quarterly Adjustment, the related Quarterly Adjustment Percentage and (iii) occurring in any Adjustment Collection Period, the Quarterly Adjustment Percentage with respect to the prior Quarterly Adjustment less the product of (x) 0.50% and (y) the number of such Adjustment Collection Periods.

120 "Guarantee" of or by any Person (the "guarantor") means, without duplication, any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such indebtedness or obligation. For the avoidance of doubt the term "Guarantee" shall not include any product warranties extended in the ordinary course of business.

121 "Guaranty" means the Guaranty, dated as of the Closing Date, by the Parent and the Seller in favor of the Collateral Agent, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

122 "HFD" means Healthcare Finance Direct, LLC, a California limited liability company.

123 "Identified Receivable" means, as of any date of determination, each Receivable designated as an Identified Receivable in the most recent Schedule of Receivables delivered on or prior to such date, it being understood that, in all cases, sufficient Receivables shall be treated as Identified Receivables in order to result in an Average VantageScore of at least 620.

124 "Incremental Amendment" shall have the meaning assigned to such term in Section 1.07(a).

125 "Incremental Loan" shall have the meaning assigned to such term in Section 1.07(a).

126 "Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person (excluding obligations under leases, whether giving rise to Capital Lease Obligations or otherwise, which shall in no event constitute "Indebtedness"), (e) all indebtedness of others secured by any mortgage, encumbrance, lien, pledge, charge or security interests of any kind on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid under letters of credit and similar instruments, (h) all obligations, contingent or otherwise, of

such Person in respect of bankers' acceptances, (i) all net obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (j) all obligations, contingent or otherwise, of such Person to risk participate in loans, letters or credit or other extensions of credit, including the obligation to fund a collateral or participation account or otherwise provide collateral to secure a risk participation obligation and (k) the amount of obligations outstanding under the legal documents entered into as part of any Securitization Transaction. For the avoidance of doubt, the Obligations shall be deemed to be Indebtedness with respect to the Borrower. The Indebtedness of any Person shall include the indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except (other than with respect to Securitization Transaction Attributed Indebtedness) to the extent the terms of such indebtedness provide that such Person is not liable therefor. Notwithstanding the foregoing, "Indebtedness" shall in no event include payment obligations relating to the redemption of equity interests of Align Technology, Inc.

127 "Indemnified Amounts" has the meaning set forth in Section 10.01(a).

128 "Indemnified Party" has the meaning set forth in Section 10.01(a).

129 "Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Credit Party under any Transaction Document and (b) to the extent not otherwise described in (a), Other Taxes.

130 "Indemnifying Party" means the Borrower, pursuant to Section 10.01(A) or the Borrower and the initial Servicer, pursuant to Section 13.04, as applicable.

131 "Ineligible Institution" means (a) a natural person, (b) a Defaulting Lender or any Person as to which such Defaulting Lender is, directly or indirectly, a subsidiary, (c) the Borrower, any of its Subsidiaries or any of its Affiliates, (d) a company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person or relative(s) thereof, (e) a Disqualified Institution or (f) a Sanctioned Person.

132 "Intended Tax Characterization" has the meaning set forth in Section 2.05.

133 "Interest Payment Date" means the date which is the fifteenth (15th) day of every calendar month, beginning on June 15, 2020; provided that if such fifteenth (15th) day is not a Business Day, the Interest Payment Date will be the first Business Day immediately following such fifteenth (15th) day.

134 "Interest Period" means, with respect to each Loan, (i) initially, the period from the initial Borrowing Date to the first subsequent Interest Payment Date, and (ii) thereafter, each monthly period from an Interest Payment Date to the next succeeding Interest Payment Date.

135 "Interest Rate" means, the Adjusted Eurodollar Rate with respect to the related Interest Period; *provided* that, at all times during the continuation of a Eurodollar Disruption Event, the Interest Rate that would otherwise have been calculated by reference to the Adjusted Eurodollar Rate shall be the Base Rate.

136 "Interpolated Rate" means, at any time, for any Interest Period, the rate *per annum* (rounded to the same number of decimal places as the Three-Month LIBOR Screen Rate) determined reasonably and in good faith by the Administrative Agent (which determination shall be conclusive and binding absent demonstrable error) to be equal to the rate that results from interpolating on a linear basis between: (a) the Three-Month LIBOR Screen Rate (for the longest period for which the Three-Month LIBOR Screen Rate is available) that is shorter than the Impacted Interest Period; and (b) the Three-Month LIBOR Screen Rate for the shortest period (for which that Three-Month LIBOR Screen Rate is available) that exceeds the Impacted Interest Period, in each case, at such time.

137 "Investment Company Act" has the meaning set forth in Section 6.01(p).

138 "Investment Earnings" means all interest and earnings (net of losses and investment expenses) accrued on funds on deposit in the Collection Account or the Cash Reserve Account.

139 "IP Assets" has the meaning set forth in the Purchase Agreement.

140 "IP License Agreement" means that certain Intellectual Property License Agreement dated as of the Closing Date between the Borrower and SmileDirect, as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time.

141 "IP Perfection Jurisdictions" means the United States, Canada, European Union, United Kingdom and Hong Kong.

142 "IRS" means the United States Internal Revenue Service.

143 "Lender" means each financial institution listed on the signature pages hereto as a Lender, and any other Person that becomes a party hereto pursuant to an Assignment and Acceptance in accordance with the terms hereof.

144 "Leverage Ratio" means, with respect to any Person, as of any date of determination, a fraction, (i) the numerator of which is an amount equal to (A) the total Indebtedness of such Person and its Consolidated Subsidiaries on such date, and (ii) the denominator of which is the Covenant EBITDA of such Person and its Consolidated Subsidiaries on such date.

145 "Lien" means any security interest, lien, charge, pledge or encumbrance of any kind other than tax liens, mechanics' or materialmen's liens, judicial liens and any other liens that may attach by operation of law.

146 "Liquidation Proceeds" means cash proceeds, if any, received in connection with any sale, liquidation, disposition or other realization of value on a Defaulted Receivable, net of any recovery fees.

147 "Loan Amount" at any time means the sum of (a) the aggregate amount disbursed to the Borrower by the Lenders in connection with the funding of the Loans pursuant to this Agreement, plus (b) the amount of any PIK Interest less (c) any payments made by the Borrower and actually received by or on behalf of the Lenders and required to be applied to reduce the principal balance of the Loans in accordance with Section 2.03; *provided, however*, that if the Loan Amount shall have been reduced, pursuant to clause (b) above by any distribution, and thereafter all or a portion of such distribution is rescinded or must otherwise be returned for any reason, the Loan Amount shall be increased by the amount of such rescinded or returned distribution as though it had not been made.

148 "Loans" has the meaning set forth in Section 1.01.

149 "Location" means, with respect to any Person, the location within the meaning of Section 9-307 of the UCC as in effect in the State of New York from time to time.

150 "Make-Whole Amount" has the meaning assigned to such term in Section 2.03(d).

151 "Management Services Agreement" means each amended and restated management services agreement or substantially similar agreement entered into between an Originator and the Seller, as each such agreement is amended, restated, supplemented and/or otherwise modified from time to time.

152 "Material Adverse Change" means the occurrence of an event or a change in circumstances that had or would reasonably be expected to have a Material Adverse Effect.

153 "Material Adverse Effect" means

(a) relative to any occurrence of whatever nature (including any adverse determination in any litigation, arbitration or governmental investigation or proceeding, and after taking into account insurance coverage and effective indemnification with respect to such occurrence), a material adverse effect on:

(i) the assets, business, operations, prospects, property or financial or other condition of (x) the Borrower or (y) the other Credit Parties, taken as a whole, excluding, for the avoidance of doubt, changes or effects disclosed in SEC filings made by SmileDirectClub, Inc. on Forms 10-K, 10-Q and/or 8-K prior to the Closing Date, including, without limitation, such disclosed changes or effects directly arising out of or otherwise directly relating to the impact of the COVID-19 pandemic; or

(ii) the ability of any Credit Party to perform in any material respects its obligations under this Agreement or any other Transaction Document; or

(b) a material adverse effect on (i) the legality, validity, binding effect, collectability, enforceability or performance of any material portion of the Receivables or (ii) the status, perfection, enforceability or priority of the Collateral Agent's security interest in any material portion of the Receivables; or

(c) a material adverse effect on the rights and remedies of any Secured Party under the Transaction Documents or associated with its respective interest in the Collateral.

154 "Merchandise" means direct-to-patient plastic dental aligners and any related goods and services as are rendered to patients in connection with the sale and distribution of such aligners.

155 "Monthly Report" means a report signed by an Authorized Officer of the Borrower and an Authorized Officer of the Servicer, in such form as may be reasonably agreed upon from time to time by the Borrower, the Servicer and the Administrative Agent, and furnished pursuant to Section 7.02(a).

156 "Moody's" means Moody's Investors Service, Inc.

157 "Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate contributes, is obligated to contribute, or has any liability.

158 "Net Accounts Receivable" means, as of any date of determination, the product of (a) the gross accounts receivable of the Borrower as reflected on the balance sheet of the Borrower as of such date and (b) the Gross-to-Net Receivables Percentage as of such date.

159 "Net Proceeds" means, with respect to any sale or other disposition of Receivables, (a) the cash proceeds received in respect of such sale or other disposition, net of (b) the sum, without duplication, of (i) all reasonable fees and out-of-pocket expenses paid or required to be paid in connection with such event by the Borrower and (ii) the amount of all taxes paid or required to be paid (or reasonably estimated to be payable) by the Borrower.

160 "Obligations" means all obligations of every nature of the Borrower from time to time owed to the Lenders, in each case under any Transaction Document, whether for principal, interest (including interest which, but for the filing of a petition in bankruptcy with respect to the Borrower, would have accrued on any Obligation, whether or not a claim is allowed against the Borrower for such interest in the related bankruptcy proceeding), fees, expenses, indemnification or otherwise under any Transaction Document.

161 "Obligor" means, with respect to any Receivable, the Person or Persons (including any co-borrower, co-signor or guarantor) obligated to make payments with respect to such Receivable.

162 "Originator" means each "Practice" under and as defined in each Management Services Agreement.

163 "Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Transaction Document, or sold an interest in any Loan or Transaction Document).

164 "Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Transaction Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment pursuant to Section 4.02(f)).

165 "Parent" means SDC Financial LLC, a Delaware limited liability company.

166 "Participant" has the meaning set forth in Section 9.01(d).

167 "Participant Register" has the meaning set forth in Section 9.01(g).

168 "Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended.

169 "PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

170 "Pension Plan" means any employee pension benefit plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

171 "Percentage" means, with respect to each Lender as of any date of determination, a ratio (expressed as a percentage), the numerator of which is equal to the Commitment of such Lender (or, if the Commitments hereunder have expired or been terminated, the then aggregate unpaid principal amount of the Loans owing to such Lender), and the denominator of which is equal to the aggregate Commitments of all of the Lenders (or, if the Commitments hereunder have expired or been terminated, the Loan Amount), as such Percentage may be adjusted by an Assignment and Acceptance.

172 "Permitted Foreign Jurisdiction" means, with respect to any Foreign Receivable, Australia, Canada or the United Kingdom; provided that, the Borrower may elect, upon prior written notice to the Administrative Agent prior to the Deemed Inclusion End Date (which election shall be irrevocable), to exclude any such jurisdiction from the definition of Permitted Foreign Jurisdiction.

173 "Permitted Holder" means David Katzman, Steven Katzman, Jordan Katzman, Alex Fenkell, Steve Cicurel, Nick Pyett, Jessica Cicurel, Susan Greenspon Rammelt and David Hall or, in each case, any Family Member or Family Trust thereof.

174 "Permitted Investments" means book-entry securities, negotiable instruments or securities represented by instruments in bearer or registered form and that evidence:

(a) direct obligations of, and obligations fully guaranteed as to the full and timely payment by, the United States;

(b) demand deposits, time deposits or certificates of deposit of any depository institution or trust company incorporated under the laws of the United States or any state thereof or the District of Columbia (or any domestic branch of a foreign bank) and subject to supervision and examination by federal or state banking or depository institution authorities (including depository receipts issued by any such institution or trust company as custodian with respect to any obligation referred to in clause (a) above or a portion of such obligation for the benefit of the holders of such depository receipts); *provided* that at the time of the

investment or contractual commitment to invest therein (which shall be deemed to be made again each time funds are reinvested following each Interest Payment Date), the commercial paper or other short-term senior unsecured debt obligations (other than such obligations the rating of which is based on the credit of a person other than such depository institution or trust company) of such depository institution or trust company shall have a credit rating from a Rating Agency in the highest investment category granted thereby;

(c) commercial paper having, at the time of the investment or contractual commitment to invest therein, a rating from S&P of "A-1" or the equivalent thereof from Moody's;

(d) any investment acquired by the Borrower by virtue of any Bail-In Action with respect to any Lender; or

(e) investments in money market funds having the highest rating category from S&P or, to the extent not rated by S&P, rated in the highest rating category by Moody's or any other Rating Agency (including funds for which the Collateral Agent or any of its Affiliates is investment manager or advisor).

175 "Permitted Lien" means (a) Liens under the Transaction Documents, (b) Liens arising in favor of Collateral Agent, for the benefit of itself and the other Secured Parties, (c) any Liens of the relevant depository institution in respect of the Collection Account, the Cash Reserve Account or the Borrower's Account, including Liens in favor of any such depository institution as collecting bank arising by operation of law under Section 4-210 of the UCC and (d) Liens (subordinate to the Liens described in clauses (a) and (b) above) which are imposed by law for Taxes that are not yet due or are being contested in good faith for which adequate reserves have been established in accordance with GAAP, but only so long as foreclosure with respect to such lien is not imminent and the use and value of the property to which the liens attach are not impaired during the pendency of such proceedings.

176 "Permitted Loan Balance" means, as of any date of determination, an amount equal to the product of (x) 85.00% and (y) the sum of (i) cash and cash equivalents held by the Borrower in the Cash Reserve Account and related Permitted Investments (the "Cash Assets"), which amount must at all times be not less than $100,000,000, plus (ii) the Adjusted Net Accounts Receivable of the Borrower.

177 "Permitted Loan Balance Certificate" means a certificate substantially in the form of Exhibit F.

178 "Permitted Policy Modifications" means any amendment, modification, waiver or supplement of the Credit and Collection Policies that (i) is, or is reasonably expected or determined to be, required by Applicable Law, (ii) relates to the waiving, reduction or extension of the due date of any late fees, (iii) is of a clerical or ministerial nature, (iv) relates solely to receivables which were originated pursuant to a test or pilot program or (v) is not or could not reasonably be expected to be materially adverse to the Lenders.

179 "Person" means any individual, corporation, partnership, joint venture, association, limited liability company, joint-stock company, trust, unincorporated organization or other entity, including any government agency, commission, board, department, bureau or instrumentality.

180 "PIK Interest" has the meaning given such term in the definition of "Applicable Margin".

181 "Plan" means any employee benefit plan as defined in Section 3(3) of ERISA (including a Pension Plan) maintained by, contributed to by or required to be contributed to by the Borrower or with respect to which the Borrower would reasonably be expected to have any liability.

182 "Prepayment Date" means any date on which the Loan Amount is prepaid in accordance with Section 2.03.

183 "Previous Financing Facility" means that certain Loan and Security Agreement, dated as of June 14, 2019, among the Borrower, SmileDirect, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, as amended or modified.

184 "Prime Rate" means, for any date of determination, a fluctuating rate of interest per annum equal to the "Prime Rate" most recently published in the Wall Street Journal and described as "the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" (or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent)); each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

185 "Principal Balance" means, with respect to any date of determination and any Receivable, the outstanding principal amount of such Receivable at such time.

186 "Privacy Requirements" has the meaning set forth in Section 12.14(d).

187 "Proceeding" has the meaning set forth in Section 10.01(b).

188 "Product Information" has the meaning set forth in Section 12.13(b).

189 "PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

190 "Purchase Agreement" means the Purchase and Sale Agreement, dated as of the Closing Date, between the Seller and the Borrower, as such agreement may be amended, supplemented or otherwise modified and in effect from time to time.

191 "Quarterly Adjustment" means each determination of the Net Receivables Balance as set forth in the published financial statements of Parent as audited by Ernst & Young or any auditor of comparable national standing.

192 "Quarterly Adjustment Percentage" means, with respect to each Quarterly Adjustment, the percentage equivalent of a fraction the numerator of which is the Net Receivables Balance and the denominator of which is the Gross Receivables Balance, in each case, as set forth in the related published financial statements of Parent.

193 "Rating Agency" means any of DBRS, Fitch, Moody's or S&P.

194 "Receivable" means the indebtedness of any Obligor under a Contract that is sold and/or contributed pursuant to the Purchase Agreement, whether constituting an account, chattel paper, an instrument, a general intangible, payment intangible, promissory note or otherwise, and shall include (i) the right to payment of such indebtedness and other obligations of such Obligor with respect thereto (including, without limitation, the principal amount of such indebtedness, taxes, fees, expenses, late fees and returned check fees), and (ii) all proceeds of, and payments or Collections on, under or in respect of any of the foregoing.

195 "Receivables Balance" means, as of any date of determination with respect to any Receivable, the unpaid principal balance of such Receivable as of such date.

196 "Recipient" means the Administrative Agent and any Lender, as applicable.

197 "Register" has the meaning set forth in Section 9.01(f).

198 "Regulatory Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any body or entity exercising executive, legislative, judicial, regulatory or administrative functions or pertaining to government, including without limitation any court, and any Person owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

199 "Regulatory Change" has the meaning set forth in Section 4.02(a).

200 "Regulatory Event" means (a) the commencement by written notice by any Regulatory Authority of any inquiry or investigation (which, for the avoidance of doubt, excludes any normally scheduled or ordinary course audit, examination or inquiry by Credit Party's regulators), legal action or similar adversarial proceeding, against any Credit Party or any third party engaged by any Credit Party involved in the brokering, underwriting, origination, collection or servicing of any Contract or Receivable challenging its authority, respectively, to broker, hold, own, pledge, service, collect or enforce any Receivable or Contract evidencing such Receivable or otherwise alleging any material non-compliance by any such Credit Party or such third party with applicable laws related to brokering, holding, owning, pledging, collecting, servicing or enforcing such Receivable or such Contract related to such Receivable and that would reasonably be expected to result in a Material Adverse Change, which inquiry, investigation, legal action or proceeding is not released or terminated in a manner reasonably acceptable to the Required Lenders; provided, however, that, in each case, upon a resolution of such action or proceeding reasonably acceptable to the Required Lenders, such Regulatory Event shall no longer exist, (b) the entry or issuance of any stay, order, judgment, cease and desist order, injunction, temporary restraining order, or other judicial or non-judicial sanction (other than the imposition of a monetary fine) against any Credit Party or any third party engaged by any Credit Party involved in the brokering, underwriting, origination, collection or servicing of any Receivable or Contract by any Regulatory Authority related in any way to the brokering, originating, holding, pledging, collecting, servicing or enforcing of any Receivable or Contract evidencing such Receivable and that would reasonably be expected to result in a Material Adverse Change or (c) any event described in clauses (a) or (b) that results in any Credit Party's inability to conduct its business, including the origination and/or servicing of Receivables in states that, in the aggregate constitute the states of origination of 30% or more of the Receivables forming part of the Adjusted Net Accounts Receivable as of the date of the occurrence of such event; *provided*, further, that, in each case, upon a resolution of any action or proceeding reasonably acceptable to the Required Lenders, such Regulatory Event shall cease to exist.

201 "Regulatory Opinion" means a regulatory opinion from Dreher Tomkies LLP, special regulatory counsel to the SmileDirect Entities, addressed to the Collateral Agent, the Administrative Agent and the Lenders and otherwise in form and substance reasonably acceptable to the Administrative Agent.

202 "Related Asset" has the meaning set forth in the Purchase Agreement.

203 "Related Party" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

204 "Release Amount" means, as of any Release Date, subject to the terms and conditions of this Agreement, the amount selected by the Borrower to be released from the Collection Account to the Borrower on such Release Date.

205 "Release Conditions" has the meaning set forth in Section 3.02(b).

206 "Release Date" means the date of each Collection Account Release or Cash Reserve Account Release, as applicable.

207 "Relevant Governmental Body" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

208 "Request" has the meaning set forth in Section 7.01(n)(v).

209 "Required Lenders" means, as of any date of determination, Lenders holding 50% or more of the Loan Amount.

210 "Required Collection Account Amount" means, as of any date of determination, an amount equal to the amount reasonably determined by the Borrower (unless objected to by the Administrative Agent in a written notice received by the Servicer or Borrower in advance of such Release Date), as the amount that will be owing on the next Interest Payment Date with respect to Required Payments.

211 "Required Payments" means, as of any date of determination, the sum of (i) any accrued Collateral Agent Fees, expenses and indemnity amounts due to the Collateral Agent; (ii) accrued Account Bank Fees, expenses and indemnity amounts due to the Account Bank pursuant to the Account Control Agreement or any related agreement; *provided* that, such amounts shall not, in the aggregate, exceed $10,000 in any calendar year; (iii) any accrued Successor Servicer Transition Expenses; (iv) any accrued fees due to the Back-Up Servicer as provided in the Back-Up Servicing Agreement; (v) any accrued fees due to the Trustee as provided in the Trust Agreement; (vi) an amount sufficient to pay the Servicer the Senior Servicing Compensation with respect to the preceding Collection Period less any portion of such Senior Servicing Compensation previously netted against the applicable Collections; (vii) any accrued amounts (other than fees described in a preceding clause) due to the Back-Up Servicer as provided in the Back-Up Servicing Agreement; *provided* that, amounts reserved pursuant to this clause (vii) shall not, in the aggregate, exceed the Back-Up Servicer Cap in any calendar year; *provided further*, that the Back-Up Servicer Cap shall not apply after the occurrence and during the continuance of a Hot Back-Up Servicer Trigger Event under and as defined in the Back-Up Servicing Agreement, (viii) any accrued amounts (other than fees described in a preceding clause) due to the Trustee as provided in the Trust Agreement, (ix) any accrued amounts (other than Servicing Compensation described in a preceding clause) due to the Servicer as provided in the Servicing Agreement; *provided* that, amounts paid pursuant to this clause (ix) (other than amounts described in preceding clauses) shall not, in the aggregate, exceed $100,000 in any calendar year; (x) an amount sufficient to pay the Administrative Agent the Administrative Agent Fees with respect to the next related due date; (xi) an amount equal to all interest payable on the next Interest Payment Date and any other fees owed pursuant to the Fee Letter; (xii) an amount equal to any other amounts due and owing to the Collateral Agent, the Administrative Agent, each Lender, any Affected Party, any Indemnified Party, the Account Bank, the Back-Up Servicer (including in its capacity as Successor Primary Servicer), the Trustee or any Secured Party pursuant to this Agreement or the other Transaction Documents; (xiii) an amount equal to any other amounts due and owing to the Servicer, including any Servicer Error Payment and Servicing Compensation not otherwise reserved for pursuant to a preceding clause; and (xiv) any accrued fees due to the Administrator as provided in the Administration Agreement.

212 "Responsible Officer" means (a) with respect to the Borrower, any "Responsible Officer" of any Credit Party (other than any Originator), (b) with respect to SmileDirect (in any capacity) or any other Credit Party, any of the chief executive officer, president, chief financial officer, managing director, director, comptroller, general counsel, treasurer, vice president or other officer of similar or higher rank of such Person and (c) with respect to the Collateral Agent, any officer assigned to the corporate trust department (or any successor thereto), including any Vice President, Assistant Vice President, Trust Officer, any Assistant Secretary, any trust officer or any other officer of such Person customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Agreement in its capacity as Collateral Agent.

213 "Restricted Payment" shall have the meaning assigned to such term in the Guaranty.

214 "RISC" means a retail installment sales contract.

215 "S&P" means S&P Global Ratings, acting through Standard & Poor's Financial Services LLC.

216 "Sanctioned Country" means, at any time, a country, region or territory which itself is the subject or target of any Sanctions (as of the Closing Date, Crimea, Cuba, Iran, North Korea and Syria).

217 "Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State or by the United Nations Security Council, the European Union or any European Union member state, Her Majesty's Treasury of the United Kingdom or other relevant sanctions authority (b) any Person operating, organized or resident in a Sanctioned Country, in

each case in violation of Sanctions, or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b), or (d) any Person otherwise the subject of any Sanctions.

218 "Sanctions" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

219 "Schedule of Receivables" means a listing (which shall be in the form of an electronic data tape or other medium in each case reasonably acceptable to the Administrative Agent but, for the avoidance of doubt, not in microfiche or .pdf file) of consumer installment plan Receivables, together with such other information that is reasonably requested reasonably in advance by the Administrative Agent and is readily available to the Borrower and may be provided without undue burden or expense from time to time, as such listing may be amended, restated, supplemented and/or otherwise modified from time to time in accordance with this Agreement.

220 "SEC" means the United States Securities and Exchange Commission.

221 "Secured Obligations" means all of the Trustee's obligations in its capacity as such under the Trust Agreement in favor of the Secured Parties and the Borrower's obligations to the Secured Parties (monetary or otherwise) hereunder and under the other Transaction Documents to which the Borrower is a party, including, without limitation, the repayment of the Loans, the payment of all Indemnified Amounts, the obligation of the Borrower to cause the Servicer to remit all Collections, if any, to the Collection Account and all other Obligations.

222 "Secured Parties" means each Lender, the Indemnified Parties and the Affected Parties, as their respective interests appear under this Agreement.

223 "Securitization Transaction" means any transaction or series of related transactions that may be entered into by any SmileDirect Entity or any Affiliate thereof pursuant to which such Person may sell, convey or otherwise transfer, directly or indirectly, to a special-purpose entity, any interest (whether characterized as the grant of a security interest or the transfer of ownership) in any receivables and rights related thereto, whether such transaction or series of related transactions constitutes a secured loan or credit facility, a true sale of assets to a special-purpose entity or other Person, or otherwise.

224 "Security Agreement" means that certain Security Agreement, dated as of May 12, 2020, by and among the grantors party thereto and HPS Investment Partners, LLC, as Collateral Agent.

225 "Seller" means SmileDirect, in its capacity as seller under the Purchase Agreement.

226 "Senior Servicing Compensation" means, with respect to any Collection Period, an amount equal to the product of (i) $3.50 and (ii) the total number of scheduled payments collected from Obligors on the Receivables which are subject to the Loan Agreement during such Collection Period; *provided* that the Senior Servicing Compensation may be amended with the consent of the Administrative Agent in consultation with the Back-Up Servicer, without satisfaction of the other conditions to an amendment set forth herein or in any other Transaction Document; *provided*, *further* that any such amendment that reduces the "Senior Servicing Compensation" owed shall require the consent of the Back-Up Servicer.

227 "Servicer" means SmileDirect, or any successor servicer pursuant to the Servicing Agreement.

228 "Servicer Error Payment" has the meaning set forth in Section 3.05.

229 "Servicer Termination Event" has the meaning set forth in the Servicing Agreement.

230 "Servicing Agreement" means the servicing agreement, dated as of the Closing Date, between the Borrower, the Servicer and the Collateral Agent with respect to the servicing of Receivables, including any successor servicing agreement, as amended, restated, amended and restated, supplemented and/or otherwise modified from time to time.

231 "Servicing Compensation" has the meaning set forth in the Servicing Agreement.

232 "SmileDirect" means SmileDirectClub, LLC, a Tennessee limited liability company.

233 "SmileDirect Entity" means Parent, each Credit Party and each Affiliate thereof.

234 "SOFR" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's website.

235 "SOFR Adjustment" means the first alternative set forth in the order below that can be reasonably determined by the Administrative Agent as of the SOFR Replacement Date:

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the replacement of the then-current Three-Month LIBOR Rate with Term SOFR at such time; and

(b) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Administrative Agent giving due consideration to any industry accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Three-Month LIBOR Rate with Term SOFR at such time.

236 "SOFR Conforming Changes" means, with respect to SOFR or Term SOFR, any technical, administrative or operational changes (including changes to the definition of "interest period", timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption of SOFR or Term SOFR in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for use of SOFR or Term SOFR exists, in such other manner as the Administrative Agent determines is reasonably necessary).

237 "SOFR Replacement" means the sum of: (a) Term SOFR and (b) the SOFR Adjustment; *provided*, *however*, that such rate shall be adjusted as is reasonably necessary to implement the SOFR Conforming Changes.

238 "SOFR Replacement Conditions" means, as of any date of determination, the satisfaction of each of the following conditions, which satisfaction shall be determined by the Administrative Agent in its reasonable discretion: (a) adequate and reasonable means exist for ascertaining the SOFR Replacement for such Interest Period, (b) the SOFR Replacement is a widely recognized benchmark rate for newly-originated loans in the United States syndicated loan market and (c) the Administrative Agent has incorporated the SOFR Replacement in securitization facilities to which it is a party and whose aggregate commitments or aggregate outstanding indebtedness are at least $3,000,000,000 in the aggregate.

239 "SOFR Replacement Date" means the earliest to occur of any of the events described in Section 4.04(b)(i)-(iv).

240 "Solvent" means, with respect to any Person at any time, a condition under which:

(a) the fair value and present fair saleable value of such Person's total assets is, on the date of determination, greater than such Person's total liabilities (including contingent and unliquidated liabilities) at such time;

(b) such Person is able to pay all of its liabilities as such liabilities are expected to mature; and

(c) such Person does not have unreasonably small capital with which to engage in its current and in its anticipated business.

241 For purposes of this definition: (i) the amount of a Person's contingent or unliquidated liabilities at any time shall be that amount which, in light of all the facts and circumstances then existing, represents the amount which can reasonably be expected to become an actual or matured liability; (ii) the "fair value" of an asset shall be the amount which may be realized within a reasonable time either through collection or sale of such asset at its regular market value; and (iii) the "present fair saleable value" of an asset means the amount which can be obtained if such asset is sold with reasonable promptness in an arm's-length transaction in an existing and not theoretical market.

242 "Specified Receivable" means each Receivable for which the related Contract is a RISC other than any Foreign Receivables.

243 "Specified Receivables Charge-Off Ratio" means, as of any date of determination, the annualized percentage (based on a 360 day year of twelve 30 day months) equivalent of a fraction (a) the numerator of which is the Receivables Balances of all Specified Receivables that became Charged-Off Receivables during the Collection Period in which such date occurs and (b) the denominator of which is the aggregate Receivables Balance of all Specified Receivables as of the first day of such Collection Period.

244 "Subsidiary" means, with respect to any Person, any other Person more than 50% of the outstanding voting interests of which shall at any time be owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or any similar business organization which is so owned or controlled.

245 "Sub-Servicer" has the meaning set forth in the Servicing Agreement.

246 "Sub-Servicer Account" means the account in the name of the Sub-Servicer into which and from which Collections are remitted in accordance with the terms of the Servicing Agreement.

247 "Sub-Servicer Account Control Agreement" means the account control agreement entered into after the Closing Date among the account bank party thereto, the Sub-Servicer, and the Collateral Agent, in form and substance reasonably satisfactory to the Collateral Agent, as the same may be amended, restated, supplemented and/or otherwise modified from time to time.

248 "Sub-Servicer Acknowledgment" means the sub-servicing acknowledgment, dated as of the Closing Date, between the Borrower, the Servicer, the Sub-Servicer and the Collateral Agent.

249 "Successor Primary Servicer" has the meaning set forth in the Servicing Agreement.

250 "Successor Servicer" has the meaning set forth in the Servicing Agreement.

251 "Successor Servicer Transition Expenses" means all reasonable costs and expenses incurred by a Successor Servicer in connection with the termination, removal and replacement of the Servicer under the Servicing Agreement.

252 "Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Regulatory Authority, including any interest, additions to tax or penalties applicable thereto.

253 "Term SOFR" means the forward-looking term rate for a period of three calendar months based on SOFR that has been selected or recommended by the Relevant Governmental Body.

254 "Three-Month LIBOR Rate" means, with respect to any Interest Period, the Three-Month LIBOR Screen Rate at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; *provided* that if the Three-Month LIBOR Screen Rate shall not be available at such time for such Interest Period (an "Impacted Interest Period") then the LIBOR Rate shall be the Interpolated Rate.

255 "Three-Month LIBOR Screen Rate" means, for any day and time, with respect to any Interest Period, the London interbank offered rate as administered by ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for U.S. Dollars for a three-month period as displayed on such day and time on the applicable Bloomberg screen page that displays such rate (or, in the event such rate does not appear on a Bloomberg page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion); *provided* that if the Three-Month LIBOR Screen Rate as so determined would be less than 1.75%, such rate shall be deemed to be 1.75% for the purposes of this Agreement; provided, further, that in the event the three-month rate referenced above is not available, the rate per annum (rounded to the nearest 1/100 of 1.00%) equal to the offered quotation rate to major financial institutions reasonably satisfactory to the Administrative Agent in the London interbank market for deposits (for delivery on the first day of the relevant period) in Dollars of amounts in same day funds comparable to the principal amount of the applicable Loans, for which the Three-Month LIBOR Screen Rate is then being determined with maturities comparable to such period as of approximately 11:00 a.m. London time, two Business Days prior to the commencement of such Interest Period.

256 "Transaction" means, collectively, the terms of this Agreement and of the other Transaction Documents.

257 "Transaction Documents" means, collectively, each agreement listed on the closing list attached hereto as Exhibit E, including, without limitation, this Agreement, the Fee Letter, the Purchase Agreement, the Servicing Agreement, the Sub-Servicer Acknowledgment, the Back-Up Servicing Agreement, the Security Agreement, the Guaranty, the Administration Agreement, the IP License Agreement, the Trust Agreement, the Sub-Servicer Account Control Agreement, the Management Services Agreement and any Term Note, as each of the foregoing may be amended, restated, supplemented or otherwise modified from time to time.

258 "Treasury Rate" means, the yield to maturity at a time of computation of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such date to the first anniversary of the Closing Date; *provided*, *however*, that if the period from such date to the first anniversary of the Closing Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth ($1/12^{th}$) of a year) from the weekly average yields of United States Treasury securities for which such yields are given having maturities as close as possible to the date that is the first anniversary of the Closing Date, except that if the period from the applicably prepayment date to the first anniversary of the Closing Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

259 "Trust Agreement" means the Second Amended and Restated Trust Agreement of the Borrower, dated as of the Closing Date, among SmileDirect, the board members from time to time party thereto, and the Trustee, as it may be amended, restated, supplemented and/or otherwise modified from time to time.

260 "Trustee" means Wilmington Trust, National Association, not in its individual capacity but solely in its capacity as trustee under the Trust Agreement.

261 "UCC" means the Uniform Commercial Code as from time to time in effect in the applicable jurisdiction or jurisdictions.

262 "Unapplied Cash" has the meaning set forth in the Purchase Agreement.

263 "Unmatured Event of Default" means any event which, with the giving of notice or lapse of time, or both, would become an Event of Default.

264 "Unmatured Servicer Termination Event" has the meaning set forth in the Servicing Agreement.

265 "Unperfected Foreign Receivables" means, as of any date of determination, Foreign Receivables that are not subject to Acceptable Collateral Arrangements.

266 "Unperfected Foreign Receivables Cap" means, as of any date of determination, (a) prior to the Deemed Inclusion End Date, $60,000,000, and (b) on and after the Deemed Inclusion End Date, an amount, not less than zero, equal to (x) $60,000,000 less (y) the product of (A) $2,500,000 and (B) the number of Collection Periods that have elapsed since the Deemed Inclusion End Date.

267 "U.S. Dollars" means dollars in lawful money of the United States of America.

268 "U.S. Person" means any Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

269 "U.S. Tax Compliance Certificate" has the meaning assigned to such term Section 2.07(f).

270 "VantageScore" means, for the Obligors with respect to any cohort of Specified Receivables as of any date of determination, the VantageScore® of such Obligors, as reported by Experian or such other nationally recognized credit bureau approved by the Administrative Agent.

271 "VantageScore Reduction Amount" means, as of any date of determination, the aggregate Receivables Balance of the Specified Receivables, if any, required to be excluded from the calculation of the Average VantageScore for the most recent Collection Period prior to such date such that the Average VantageScore is at least 620.

272 "Volcker Rule" means Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder.

273 "Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

B. Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. Notwithstanding the foregoing, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made without giving effect to any change to, or modification of, GAAP which would require the capitalization of leases correctly characterized as "operating leases" as of the date of December 14, 2018 (it being understood that financial statements shall be prepared without giving effect to this sentence). All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

C. Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

D. Rules of Construction. The definitions of terms in this Agreement shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Transaction Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns (including any debtor-in-possession on behalf of such Person), (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Transaction Document, shall be construed to refer to such Transaction Document in its entirety and not to any particular provision thereof, (iv) all references in any Transaction Document to Articles, Sections, subsections, clauses, Exhibits and Schedules shall be construed to refer to Articles and, Sections, subsections and clauses of, and Exhibits and Schedules to, the Transaction Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions (excluding those that are merely proposed) consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties.

E. Accounting Changes.

(i) If any change in GAAP occurs after the date of this Agreement and such change results in a material variation in the method of calculation of financial covenants or other terms of this Agreement, then the Borrower, the Administrative Agent and the Lenders agree to amend such provisions of this Agreement so as to equitably reflect such change so that the

criteria for evaluating the Borrower's financial condition will be the same after such change as if such change had not occurred, and, until such amendment becomes effective, such determinations shall be made without giving effect to such change in GAAP.

(ii) Notwithstanding anything in this Agreement to the contrary, except for the purpose of preparing financial statements in accordance with GAAP, (x) the determination of whether a lease constitutes a capital or finance lease, on the one hand, or an operating lease, on the other hand, and whether obligations arising under a lease are required to be capitalized on the balance sheet of the lessee thereunder and/or recognized as interest expense, shall be determined by reference to GAAP as in effect on December 14, 2018 without giving effect to the phase-in of the effectiveness of any amendments to GAAP that have been adopted as of such date, and (y) Accounting Standards Update 2016-13 Financial Instruments-Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) shall not be given effect.

Exhibit 31.1

Management Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Katzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SmileDirectClub, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2020

/s/ David Katzman

David Katzman

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

Management Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Kyle Wailes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of SmileDirectClub, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kyle Wailes

Date: May 15, 2020

Kyle Wailes
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of SmileDirectClub, Inc. (the "Company") for the quarterly period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David Katzman, as Chief Executive Officer of the Company, and Kyle Wailes, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2020

/s/ David Katzman
David Katzman
Chief Executive Officer
(Principal Executive Officer)

/s/ Kyle Wailes
Kyle Wailes
Chief Financial Officer
(Principal Financial Officer)