

**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 **June 30, 2018**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-34176**

**ASCENT CAPITAL GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**State of Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**26-2735737**  
(I.R.S. Employer Identification No.)

**5251 DTC Parkway, Suite 1000**  
**Greenwood Village, Colorado**  
(Address of principal executive offices)

**80111**  
(Zip Code)

Registrant's telephone number, including area code: **(303) 628-5600**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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 <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
(Do not check if a smaller reporting company)	Emerging growth company <input type="checkbox"/>

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 number of outstanding shares of Ascent Capital Group, Inc.'s common stock as of July 26, 2018 was:

Series A common stock 12,049,171 shares; and Series B common stock 381,528 shares.

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**Item 1. Financial Statements (unaudited)****ASCENT CAPITAL GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**Amounts in thousands, except share amounts**  
**(unaudited)**

	June 30, 2018	December 31, 2017
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 4,185	10,465
Restricted cash	104	—
Marketable securities, at fair value	105,515	105,958
Trade receivables, net of allowance for doubtful accounts of \$3,390 in 2018 and \$4,162 in 2017	12,456	12,645
Prepaid and other current assets	23,185	11,175
Total current assets	145,445	140,243
Property and equipment, net of accumulated depreciation of \$43,309 in 2018 and \$37,915 in 2017	36,603	32,823
Subscriber accounts and deferred contract acquisition costs, net of accumulated amortization of \$1,519,406 in 2018 and \$1,439,164 in 2017	1,222,485	1,302,028
Dealer network and other intangible assets, net of accumulated amortization of \$47,288 in 2018 and \$42,806 in 2017	1,213	6,994
Goodwill	349,149	563,549
Other assets	31,707	9,348
Total assets	\$ 1,786,602	2,054,985
<b><u>Liabilities and Stockholders' (Deficit) Equity</u></b>		
Current liabilities:		
Accounts payable	\$ 12,779	11,092
Accrued payroll and related liabilities	5,231	3,953
Other accrued liabilities	56,829	52,329
Deferred revenue	12,965	13,871
Holdback liability	9,740	9,309
Current portion of long-term debt	11,000	11,000
Total current liabilities	108,544	101,554
Non-current liabilities:		
Long-term debt	1,793,364	1,778,044
Long-term holdback liability	2,031	2,658
Derivative financial instruments	3,313	13,491
Deferred income tax liability, net	14,635	13,311
Other liabilities	3,116	3,255
Total liabilities	1,925,003	1,912,313
Commitments and contingencies		
Stockholders' (deficit) equity:		
Preferred stock, \$0.01 par value. Authorized 5,000,000 shares; no shares issued	—	—
Series A common stock, \$0.01 par value. Authorized 45,000,000 shares; issued and outstanding 12,032,370 and 11,999,630 shares at June 30, 2018 and December 31, 2017, respectively	120	120
Series B common stock, \$0.01 par value. Authorized 5,000,000 shares; issued and outstanding 381,528 shares at both June 30, 2018 and December 31, 2017	4	4
Series C common stock, \$0.01 par value. Authorized 45,000,000 shares; no shares issued	—	—
Additional paid-in capital	1,424,724	1,423,899
Accumulated deficit	(1,575,648)	(1,277,118)
Accumulated other comprehensive income (loss), net	12,399	(4,233)
Total stockholders' (deficit) equity	(138,401)	142,672
Total liabilities and stockholders' (deficit) equity	\$ 1,786,602	2,054,985

See accompanying notes to condensed consolidated financial statements.

**ASCENT CAPITAL GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**Amounts in thousands, except per share amounts**  
**(unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net revenue	\$ 135,013	140,498	\$ 268,766	281,698
Operating expenses:				
Cost of services	33,047	29,617	65,748	59,586
Selling, general and administrative, including stock-based and long-term incentive compensation	34,387	64,771	71,793	101,016
Radio conversion costs	—	77	—	309
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	53,891	59,965	108,302	119,512
Depreciation	2,871	2,132	5,492	4,259
Loss on goodwill impairment	214,400	—	214,400	—
Gain on disposal of operating assets	—	(14,579)	—	(21,217)
	<u>338,596</u>	<u>141,983</u>	<u>465,735</u>	<u>263,465</u>
Operating income (loss)	(203,583)	(1,485)	(196,969)	18,233
Other expense (income), net:				
Interest income	(774)	(563)	(1,255)	(958)
Interest expense	40,422	38,165	79,074	75,651
Other income, net	(211)	(222)	(2,276)	(464)
	<u>39,437</u>	<u>37,380</u>	<u>75,543</u>	<u>74,229</u>
Loss from continuing operations before income taxes	(243,020)	(38,865)	(272,512)	(55,996)
Income tax expense from continuing operations	1,347	4,661	2,693	6,475
Net loss from continuing operations	<u>(244,367)</u>	<u>(43,526)</u>	<u>(275,205)</u>	<u>(62,471)</u>
Discontinued operations:				
Income from discontinued operations, net of income tax of \$0	—	—	—	92
Net loss	<u>(244,367)</u>	<u>(43,526)</u>	<u>(275,205)</u>	<u>(62,379)</u>
Other comprehensive income (loss):				
Foreign currency translation adjustments	—	584	—	642
Unrealized holding gain (loss) on marketable securities, net	(823)	536	(3,900)	1,087
Unrealized gain (loss) on derivative contracts, net	5,521	(5,777)	19,927	(4,728)
Total other comprehensive income (loss), net of tax	<u>4,698</u>	<u>(4,657)</u>	<u>16,027</u>	<u>(2,999)</u>
Comprehensive loss	<u>\$ (239,669)</u>	<u>(48,183)</u>	<u>\$ (259,178)</u>	<u>(65,378)</u>
Basic and diluted income (loss) per share:				
Continuing operations	\$ (19.82)	(3.58)	\$ (22.35)	(5.14)
Discontinued operations	—	—	—	0.01
Net loss	<u>\$ (19.82)</u>	<u>(3.58)</u>	<u>\$ (22.35)</u>	<u>(5.13)</u>

See accompanying notes to condensed consolidated financial statements.

**ASCENT CAPITAL GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**Amounts in thousands**  
**(unaudited)**

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (275,205)	(62,379)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Income from discontinued operations, net of income tax	—	(92)
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	108,302	119,512
Depreciation	5,492	4,259
Stock-based and long-term incentive compensation	945	3,575
Deferred income tax expense	1,324	2,104
Gain on disposal of operating assets	—	(21,217)
Legal settlement reserve	—	28,000
Amortization of debt discount and deferred debt costs	5,994	5,415
Bad debt expense	5,623	4,987
Loss on goodwill impairment	214,400	—
Other non-cash activity, net	(805)	3,542
Changes in assets and liabilities:		
Trade receivables	(5,434)	(3,949)
Prepaid expenses and other assets	(2,001)	(1,192)
Subscriber accounts - deferred contract acquisition costs	(2,586)	(1,547)
Payables and other liabilities	7,623	(8,143)
Operating activities from discontinued operations, net	—	(3,408)
Net cash provided by operating activities	<u>63,672</u>	<u>69,467</u>
Cash flows from investing activities:		
Capital expenditures	(8,928)	(5,752)
Cost of subscriber accounts acquired	(69,695)	(88,287)
Purchases of marketable securities	(39,022)	(2,626)
Proceeds from sale of marketable securities	37,841	1,057
Proceeds from the disposal of operating assets	—	32,612
Net cash used in investing activities	<u>(79,804)</u>	<u>(62,996)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	105,300	95,550
Payments on long-term debt	(95,200)	(82,350)
Value of shares withheld for share-based compensation	(144)	(431)
Net cash provided by financing activities	<u>9,956</u>	<u>12,769</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(6,176)	19,240
Cash, cash equivalents and restricted cash at beginning of period	10,465	12,319
Cash, cash equivalents and restricted cash at end of period	<u>\$ 4,289</u>	<u>31,559</u>
Supplemental cash flow information:		
State taxes paid, net	\$ 2,710	3,105
Interest paid	72,899	70,226
Accrued capital expenditures	616	493

See accompanying notes to condensed consolidated financial statements.

**ASCENT CAPITAL GROUP, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statement of Stockholders' Deficit**  
**Amounts in thousands**  
**(unaudited)**

	Preferred Stock	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' (Deficit) Equity
		Series A	Series B	Series C				
Balance at December 31, 2017	\$ —	120	4	—	1,423,899	(1,277,118)	(4,233)	142,672
Impact of adoption of Topic 606	—	—	—	—	—	(22,720)	—	(22,720)
Impact of adoption of ASU 2017-12	—	—	—	—	—	(605)	605	—
Adjusted balance at January 1, 2018	—	120	4	—	1,423,899	(1,300,443)	(3,628)	119,952
Net loss	—	—	—	—	—	(275,205)	—	(275,205)
Other comprehensive income	—	—	—	—	—	—	16,027	16,027
Stock-based compensation	—	—	—	—	969	—	—	969
Value of shares withheld for minimum tax liability	—	—	—	—	(144)	—	—	(144)
Balance at June 30, 2018	\$ —	120	4	—	1,424,724	(1,575,648)	12,399	(138,401)

See accompanying notes to condensed consolidated financial statements.

**ASCENT CAPITAL GROUP, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**

**(1) Basis of Presentation**

The accompanying Ascent Capital Group, Inc. ("Ascent Capital" or the "Company") condensed consolidated financial statements represent the financial position and results of operations of Ascent Capital and its consolidated subsidiaries. Monitronics International, Inc. and its consolidated subsidiaries (collectively, "Brinks Home Security™"), are the primary, wholly owned subsidiaries of the Company. Brinks Home Security provides residential customers and commercial client accounts with monitored home and business security systems, as well as interactive and home automation services, in the United States, Canada and Puerto Rico. Brinks Home Security customers are obtained through its direct-to-consumer sales channel or its Authorized Dealer network, which provides product and installation services, as well as support to customers. Its direct-to-consumer channel offers both Do-It-Yourself ("DIY") and professional installation security solutions.

The rollout of the Brinks Home Security brand in the second quarter of 2018 included the integration of our business model under a single brand. As part of the integration, we reorganized our business from two reportable segments, "MONI" and "LiveWatch," to one reportable segment, Brinks Home Security. Following the integration, the Company's chief operating decision maker reviews internal financial information on a consolidated Brinks Home Security basis, which excludes corporate Ascent Capital activities and consolidation eliminations not associated with the operation of Brinks Home Security. Total assets related to corporate Ascent Capital activities are \$107,885,000 and \$113,698,000 as of June 30, 2018 and December 31, 2017, respectively. Net gain (loss) from continuing operations before income taxes related to corporate Ascent Capital activities was \$(2,575,000) and \$(7,206,000) for the three and six months ended June 30, 2018, as compared to \$9,543,000 and \$11,559,000 for the three and six months ended June 30, 2017.

The unaudited interim financial information of the Company has been prepared in accordance with Article 10 of the Securities and Exchange Commission's (the "SEC") Regulation S-X. Accordingly, it does not include all of the information required by generally accepted accounting principles in the United States ("GAAP") for complete financial statements. The Company's unaudited condensed consolidated financial statements as of June 30, 2018, and for the three and six months ended June 30, 2018 and 2017, include Ascent Capital and all of its direct and indirect subsidiaries. The accompanying interim condensed consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the Ascent Capital Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 5, 2018.

The Company adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606") using the modified retrospective approach on January 1, 2018, at which time it became effective for the Company. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings.

The Company adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12") which amends the hedge accounting rules to align risk management activities and financial reporting by simplifying the application of hedge accounting guidance. The guidance expands the ability to hedge nonfinancial and financial risk components and eliminates the requirement to separately measure and report hedge ineffectiveness. Additionally, certain hedge effectiveness assessment requirements may be accomplished qualitatively instead of quantitatively. The Company early adopted ASU 2017-12 effective January 1, 2018, and as such, an opening equity adjustment of \$605,000 was recognized that reduced Accumulated deficit, offset by a gain in Accumulated other comprehensive income (loss). This adjustment primarily relates to the derecognition of the cumulative ineffectiveness recorded on the Company's interest rate swap derivative instruments, as well as adjustments to cumulative dedesignation adjustments. The Company does not expect this adoption to have a material impact on its financial position, results of operations or cash flows on an ongoing basis.

The Company early adopted ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). Currently, the fair value of the reporting unit is compared with the carrying value of the reporting unit (identified as "Step 1"). If the fair value of the reporting unit is lower than its carrying amount, then the implied fair value of goodwill is calculated. If the implied fair value of goodwill is lower than the carrying value of goodwill, an impairment is recognized (identified as "Step 2"). ASU 2017-04 eliminates Step 2 from the impairment test; therefore, a goodwill impairment will be recognized as the difference of the fair value and the carrying value.

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The comparative information has not been restated and continues to be reported under the accounting standards in effect during those periods. See [note 3, Revenue Recognition](#) and [note 5, Goodwill](#), in the notes to the condensed consolidated financial statements for further discussion.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses for each reporting period. The significant estimates made in preparation of the Company's condensed consolidated financial statements primarily relate to valuation of subscriber accounts, valuation of deferred tax assets and valuation of goodwill. These estimates are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts them when facts and circumstances change. As the effects of future events cannot be determined with any certainty, actual results could differ from the estimates upon which the carrying values were based.

### **(2) Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Company is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Further, ASU 2016-02 requires a finance lease to be recognized as both an interest expense and an amortization of the associated asset. Operating leases generally recognize the associated expense on a straight line basis. ASU 2016-02 requires the Company to adopt the standard using a modified retrospective approach and becomes effective on January 1, 2019. The Company is currently evaluating the impact that ASU 2016-02 will have on its financial position, results of operations and cash flows.

### **(3) Revenue Recognition**

Topic 606 amends and supersedes FASB Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition ("Topic 605"). The core principle of Topic 606 is that revenue will be recognized when the transfer of promised goods or services to customers is made in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

#### *Accounting Policy for Periods Commencing January 1, 2018*

Brinks Home Security offers its subscribers professional alarm monitoring services, as well as interactive and home automation services, through equipment at the subscriber's site that communicates with Brinks Home Security's central monitoring station and interfaces with other equipment at the site and third party technology companies for interactive and home automation services. These services are typically provided under alarm monitoring agreements ("AMAs") between Brinks Home Security and the subscriber. The equipment at the site is either obtained independently from Brinks Home Security's network of third party Authorized Dealers or directly from Brinks Home Security via its direct-to-consumer sales channel. Brinks Home Security also offers equipment sales and installation services and, to its existing subscribers, maintenance services on existing alarm equipment. Brinks Home Security also collects fees for contract monitoring, which are services provided to other security alarm companies for monitoring their accounts on a wholesale basis and other fees from subscribers for late fee or insufficient fund charges.

Revenue under subscriber AMAs is allocated to alarm monitoring revenue and, if applicable, product and installation revenue based on the stand alone selling prices ("SSP") of each performance obligation as a percentage of the total SSP of all performance obligations. Allocated alarm monitoring revenue is recognized as the monthly service is provided. Allocated product and installation revenue is recognized when the product sale is complete or shipped and the installation service is provided, typically at inception of the AMA. Product and installation revenue is not applicable to AMA's acquired from Authorized Dealers in their initial term. Any cash not received from the subscriber at the time of product sale and installation is recognized as a contract asset at inception of the AMA and is subsequently amortized over the subscriber contract term as a reduction of the amounts billed for professional alarm monitoring, interactive and home automation services. If a subscriber cancels the AMA within the negotiated term, any existing contract asset is determined to be impaired and is immediately expensed in full to Selling, general and administrative expense on the condensed consolidated statement of operations.

Maintenance services are billed and recognized as revenue when the services are completed in the home and agreed to by the subscriber under the subscriber AMA. Contract monitoring fees are recognized as alarm monitoring revenue as the monitoring service is provided. Other fees are recognized as other revenue when billed to the subscriber which coincides with the timing of when the services are provided.



[Table of Contents](#)*Disaggregation of Revenue*

Revenue is disaggregated by source of revenue as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Alarm monitoring revenue	\$ 124,844	136,453	\$ 249,685	273,343
Product and installation revenue	9,477	3,136	17,624	6,430
Other revenue	692	909	1,457	1,925
Total Net revenue	\$ 135,013	140,498	\$ 268,766	281,698

*Contract Balances*

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers (in thousands):

	June 30, 2018	At adoption
Trade receivables, net	\$ 12,456	12,645
Contract assets, net - current portion (a)	13,528	14,197
Contract assets, net - long-term portion (b)	12,908	10,377
Deferred revenue	12,965	12,892

(a) Amount is included in Prepaid and other current assets in the unaudited condensed consolidated balance sheets.

(b) Amount is included in Other assets in the unaudited condensed consolidated balance sheets.

*Changes in Accounting Policies*

The Company adopted Topic 606, effective January 1, 2018, using the modified retrospective transition method. Under the modified retrospective transition method, the Company evaluated active AMAs on the adoption date as if each AMA had been accounted for under Topic 606 from its inception. Some revenue related to AMAs originated through Brinks Home Security's direct-to-consumer channel or through extensions that would have been recognized in future periods under Topic 605 were recast under Topic 606 as if revenue had been accelerated and recognized in prior periods, as it was allocated to product and installation performance obligations. A contract asset was recorded as of the adoption date for any cash that has yet to be collected on the accelerated revenue. As this transition method requires that the Company not adjust historical reported revenue amounts, the accelerated revenue that would have been recognized under this method prior to the adoption date was recorded as an adjustment to opening retained earnings and, thus, will not be recognized as revenue in future periods as previously required under Topic 605. Therefore, the comparative information has not been adjusted and continues to be reported under Topic 605.

Under Topic 605, revenue provided under the AMA was recognized as the services were provided, based on the recurring monthly revenue amount billed for each month under contract. Product, installation and service revenue generally was recognized as billed and incurred. Under Topic 606, the Company concluded that certain product and installation services sold or provided to our customers at AMA inception are capable of being distinct and are distinct within the context of the contract. As such, when Brinks Home Security initiates an AMA with a customer directly and provides equipment and installation services, each component is considered a performance obligation that must have revenue allocated accordingly. The allocation is based on the SSP of each performance obligation as a percentage of the total SSP of all performance obligations multiplied by the total consideration, or cash, expected to be received over the contract term. These AMAs may relate to new customers originated by Brinks Home Security through its direct-to-consumer channel or existing customers who agree to new contract terms through customer service offerings. For AMAs with multiple performance obligations, management notes that a certain amount of the revenue billed on a recurring monthly basis is recognized earlier under Topic 606 than it was recognized under Topic 605, as a portion of that revenue is allocated to the equipment sale and installation, which is satisfied upon delivery of the product and performance of the installation services at AMA inception.

Revenue on AMAs originated through the Authorized Dealer program are not impacted by Topic 606 in their initial term, as the customer contracts for the equipment sale and installation separately with the Authorized Dealer prior to Brinks Home Security

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purchasing the AMA from the Authorized Dealer. Revenue on these customers is recognized as the service is provided based on the recurring monthly revenue amount billed for each month of the AMA. Maintenance service revenue for repair of existing alarm equipment at the subscribers' premises will continue to be billed and recognized based on their SSP at the time Brinks Home Security performs the services.

Topic 606 also requires the deferral of incremental costs of obtaining a contract with a customer. Certain direct and incremental costs were capitalized under Topic 605, including on new AMAs obtained in connection with a subscriber move ("Moves Costs"). Under Topic 606, Moves Costs are expensed as incurred to accompany the allocated revenue recognized upon product and installation performance obligations recognized at the AMA inception. There are no other significant changes in contract costs that are capitalized or the period over which they are expensed.

*Impacts on Financial Statements*

The significant effects of adopting Topic 606 are changes to Prepaid and other current assets, Subscriber accounts, net, Other assets, net, Net revenue, Cost of services, Selling, general and administrative and Amortization of subscriber accounts for the period beginning January 1, 2018 for AMAs initiated by Brinks Home Security with the customer directly with multiple performance obligations, as a portion of that revenue is allocated to the equipment sale and installation, which is satisfied upon delivery of the product and performance of the installation services at AMA inception.

The following tables summarize the impacts of adopting Topic 606 on the Company's condensed consolidated financial statements as of and for the three and six months ended June 30, 2018 (in thousands):

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*i. Condensed consolidated balance sheets*

	Impact of changes in accounting policies		
	As reported June 30, 2018	Adjustments	Balances without adoption of Topic 606
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 4,185	—	4,185
Restricted cash	104	—	104
Marketable securities, at fair value	105,515	—	105,515
Trade receivables, net of allowance for doubtful accounts	12,456	—	12,456
Prepaid and other current assets	23,185	(13,528)	9,657
Total current assets	145,445	(13,528)	131,917
Property and equipment, net of accumulated depreciation	36,603	—	36,603
Subscriber accounts and deferred contract acquisition costs, net of accumulated amortization	1,222,485	47,452	1,269,937
Dealer network and other intangible assets, net of accumulated amortization	1,213	—	1,213
Goodwill	349,149	—	349,149
Other assets, net	31,707	(12,908)	18,799
Total assets	\$ 1,786,602	21,016	1,807,618
<b><u>Liabilities and Stockholders' (Deficit) Equity</u></b>			
Current liabilities:			
Accounts payable	\$ 12,779	—	12,779
Accrued payroll and related liabilities	5,231	—	5,231
Other accrued liabilities	56,829	—	56,829
Deferred revenue	12,965	1,302	14,267
Holdback liability	9,740	—	9,740
Current portion of long-term debt	11,000	—	11,000
Total current liabilities	108,544	1,302	109,846
Non-current liabilities:			
Long-term debt	1,793,364	—	1,793,364
Long-term holdback liability	2,031	—	2,031
Derivative financial instruments	3,313	—	3,313
Deferred income tax liability, net	14,635	—	14,635
Other liabilities	3,116	—	3,116
Total liabilities	1,925,003	1,302	1,926,305
Commitments and contingencies			
Stockholders' (deficit) equity:			
Preferred stock	—	—	—
Series A common stock	120	—	120
Series B common stock	4	—	4
Series C common stock	—	—	—
Additional paid-in capital	1,424,724	—	1,424,724
Accumulated deficit	(1,575,648)	19,714	(1,555,934)
Accumulated other comprehensive income, net	12,399	—	12,399
Total stockholders' (deficit) equity	(138,401)	19,714	(118,687)
Total liabilities and stockholders' (deficit) equity	\$ 1,786,602	21,016	1,807,618

[Table of Contents](#)*ii. Condensed consolidated statements of operations and comprehensive income (loss)*

	Impact of changes in accounting policies		
	As reported three months ended June 30, 2018	Adjustments	Balances without adoption of Topic 606
Net revenue	\$ 135,013	(2,445)	132,568
Operating expenses:			
Cost of services	33,047	(1,596)	31,451
Selling, general and administrative, including stock-based and long-term incentive compensation	34,387	(30)	34,357
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	53,891	1,880	55,771
Depreciation	2,871	—	2,871
Loss on goodwill impairment	214,400	—	214,400
	338,596	254	338,850
Operating loss	(203,583)	(2,699)	(206,282)
Other expense (income), net:			
Interest income	(774)	—	(774)
Interest expense	40,422	—	40,422
Other income, net	(211)	—	(211)
	39,437	—	39,437
Loss before income taxes	(243,020)	(2,699)	(245,719)
Income tax expense	1,347	—	1,347
Net loss	(244,367)	(2,699)	(247,066)
Other comprehensive income (loss):			
Unrealized holding loss on marketable securities, net	(823)	—	(823)
Unrealized gain on derivative contracts, net	5,521	—	5,521
Total other comprehensive income, net of tax	4,698	—	4,698
Comprehensive loss	\$ (239,669)	(2,699)	(242,368)

	<b>Impact of changes in accounting policies</b>		
	<b>As reported six months ended June 30, 2018</b>	<b>Adjustments</b>	<b>Balances without adoption of Topic 606</b>
Net revenue	\$ 268,766	(2,770)	265,996
Operating expenses:			
Cost of services	65,748	(3,518)	62,230
Selling, general and administrative, including stock-based and long-term incentive compensation	71,793	(9)	71,784
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	108,302	3,763	112,065
Depreciation	5,492	—	5,492
Loss on goodwill impairment	214,400	—	214,400
	465,735	236	465,971
Operating loss	(196,969)	(3,006)	(199,975)
Other expense (income), net:			
Interest income	(1,255)	—	(1,255)
Interest expense	79,074	—	79,074
Other income, net	(2,276)	—	(2,276)
	75,543	—	75,543
Loss before income taxes	(272,512)	(3,006)	(275,518)
Income tax expense	2,693	—	2,693
Net loss	(275,205)	(3,006)	(278,211)
Other comprehensive income (loss):			
Unrealized holding loss on marketable securities, net	(3,900)	—	(3,900)
Unrealized gain on derivative contracts, net	19,927	—	19,927
Total other comprehensive income, net of tax	16,027	—	16,027
Comprehensive loss	\$ (259,178)	(3,006)	(262,184)

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iii. Condensed consolidated statements of cash flows

	Impact of changes in accounting policies		
	As reported six months ended June 30, 2018	Adjustments	Balances without adoption of Topic 606
Cash flows from operating activities:			
Net loss	\$ (275,205)	(3,006)	(278,211)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	108,302	3,763	112,065
Depreciation	5,492	—	5,492
Stock-based and long-term incentive compensation	945	—	945
Deferred income tax expense	1,324	—	1,324
Amortization of debt discount and deferred debt costs	5,994	—	5,994
Bad debt expense	5,623	—	5,623
Goodwill impairment	214,400	—	214,400
Other non-cash activity, net	(805)	—	(805)
Changes in assets and liabilities:			
Trade receivables	(5,434)	—	(5,434)
Prepaid expenses and other assets	(2,001)	3,164	1,163
Subscriber accounts - deferred contract acquisition costs	(2,586)	89	(2,497)
Payables and other liabilities	7,623	(783)	6,840
Net cash provided by operating activities	<u>63,672</u>	<u>3,227</u>	<u>66,899</u>
Cash flows from investing activities:			
Capital expenditures	(8,928)	—	(8,928)
Cost of subscriber accounts acquired	(69,695)	(3,227)	(72,922)
Purchases of marketable securities	(39,022)	—	(39,022)
Proceeds from sale of marketable securities	37,841	—	37,841
Net cash used in investing activities	<u>(79,804)</u>	<u>(3,227)</u>	<u>(83,031)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	105,300	—	105,300
Payments on long-term debt	(95,200)	—	(95,200)
Value of shares withheld for share-based compensation	(144)	—	(144)
Net cash provided by financing activities	<u>9,956</u>	<u>—</u>	<u>9,956</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(6,176)</u>	<u>—</u>	<u>(6,176)</u>
Cash, cash equivalents and restricted cash at beginning of period	10,465	—	10,465
Cash, cash equivalents and restricted cash at end of period	<u>\$ 4,289</u>	<u>—</u>	<u>4,289</u>

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**(4) Investments in Marketable Securities**

Ascent Capital owns marketable securities primarily consisting of diversified corporate bond funds. The following table presents a summary of amounts recorded on the condensed consolidated balance sheets (amounts in thousands):

	As of June 30, 2018			
	Cost Basis	Unrealized Gains	Unrealized Losses	Total
Mutual funds (a)	\$ 106,190	—	(675)	105,515
Ending balance	\$ 106,190	—	(675)	105,515

  

	As of December 31, 2017			
	Cost Basis	Unrealized Gains	Unrealized Losses	Total
Equity securities	\$ 3,432	2,039	—	5,471
Mutual funds (a)	98,628	1,859	—	100,487
Ending balance	\$ 102,060	3,898	—	105,958

(a) Primarily consists of corporate bond funds.

The following table provides the realized and unrealized investment gains and losses recognized in the condensed consolidated statements of operations (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net gains and (losses) recognized during the period on trading securities	\$ (612)	(3)	\$ (1,624)	3
Less: Net gains and (losses) recognized during the period on trading securities sold during the period	(1,329)	(3)	(303)	3
Unrealized gains and (losses) recognized during the reporting period on trading securities still held at the reporting date	\$ 717	—	\$ (1,321)	—

**(5) Goodwill**

The following table provides the activity and balances of goodwill by reporting unit (amounts in thousands):

	MONI	LiveWatch	Brinks Home Security	Total
Balance at 12/31/2017	\$ 527,502	\$ 36,047	\$ —	\$ 563,549
Goodwill impairment	(214,400)	—	—	(214,400)
Reporting unit reallocation	(313,102)	(36,047)	349,149	—
Balance at 6/30/2018	\$ —	\$ —	\$ 349,149	\$ 349,149

The Company accounts for its goodwill pursuant to the provisions of FASB ASC Topic 350, *Intangibles - Goodwill and Other* ("FASB ASC Topic 350"). In accordance with FASB ASC Topic 350, goodwill is not amortized, but rather tested for impairment annually, or earlier if an event occurs, or circumstances change, that indicate the fair value of a reporting unit may be below its carrying amount.

As of May 31, 2018, the Company determined that a triggering event had occurred due to a sustained decrease in the Company's share price. In response to the triggering event, the Company performed a quantitative impairment test for both the MONI and LiveWatch reporting units. Fair value was determined using a combination of the income-based approach (using a discount rate of 8.50%) and market-based approach for the MONI reporting unit and an income-based approach (using a discount rate of 8.50%) for the LiveWatch reporting unit. Based on the analysis, the fair value of the LiveWatch reporting unit substantially exceeded its carrying value, while the carrying amount for the MONI reporting unit exceeded its estimated fair value, which indicated an impairment at the MONI reporting unit.

The Company early adopted ASU 2017-04, which eliminated Step 2 from the goodwill impairment test, and as such, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. Applying

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this methodology, we recorded an impairment charge of \$214,400,000 for the MONI reporting unit during the three months ended June 30, 2018. Factors leading to the impairment are primarily the experience of overall lower account acquisition in recent periods. Using this information, we adjusted the growth outlook for the MONI reporting unit, which resulted in reductions in future cash flows and a lower fair value calculation under the income-based approach. Additionally, decreases in observable market share prices for comparable companies in the quarter reduced the fair value calculated under the market-based approach.

In early June 2018, the reportable segments known as MONI and LiveWatch were combined and presented as Brinks Home Security. Refer to [Note 1, Basis of Presentation](#), for further discussion on the change in reportable segments. As a result of the change in reportable segments, goodwill assigned to these former reporting units of \$313,102,000 and \$36,047,000, for MONI and LiveWatch, respectively, have been reallocated and combined as of June 30, 2018 under the Brinks Home Security reporting unit.

**(6) Other Accrued Liabilities**

Other accrued liabilities consisted of the following (amounts in thousands):

	June 30, 2018	December 31, 2017
Interest payable	\$ 15,697	\$ 15,927
Income taxes payable	1,601	2,950
Legal settlement reserve (a)	23,000	23,000
Other	16,531	10,452
Total Other accrued liabilities	<u>\$ 56,829</u>	<u>\$ 52,329</u>

(a) See [note 12, Commitments, Contingencies and Other Liabilities](#), for further information.

**(7) Long-Term Debt**

Long-term debt consisted of the following (amounts in thousands):

	June 30, 2018	December 31, 2017
Ascent Capital 4.00% Convertible Senior Notes due July 15, 2020 with an effective rate of 9.0%	\$ 85,019	\$ 82,614
Brinks Home Security 9.125% Senior Notes due April 1, 2020 with an effective rate of 9.5%	580,392	580,159
Brinks Home Security term loan, matures September 30, 2022, LIBOR plus 5.50%, subject to a LIBOR floor of 1.00%, with an effective rate of 8.0%	1,056,465	1,059,598
Brinks Home Security \$295 million revolving credit facility, matures September 30, 2021, LIBOR plus 4.00%, subject to a LIBOR floor of 1.00%, with an effective rate of 5.7%	82,488	66,673
	<u>1,804,364</u>	<u>1,789,044</u>
Less current portion of long-term debt	(11,000)	(11,000)
Long-term debt	<u>\$ 1,793,364</u>	<u>\$ 1,778,044</u>

*Ascent Capital Convertible Senior Notes*

The Ascent Capital convertible senior notes total \$96,775,000 in aggregate principal amount, mature on July 15, 2020 and bear interest at 4.00% per annum (the "Convertible Notes"). Interest on the Convertible Notes is payable semi-annually on January 15 and July 15 of each year. The Convertible Notes are convertible, under certain circumstances, into cash, shares of Ascent Capital's Series A common stock, par value \$0.01 per share (the "Series A Common Stock"), or any combination thereof at Ascent Capital's election.

Holders of the Convertible Notes ("Noteholders") have the right, at their option, to convert all or any portion of such Convertible Notes, subject to the satisfaction of certain conditions, at an initial conversion rate of 9.7272 shares of Series A Common Stock per \$1,000 principal amount of Convertible Notes (subject to adjustment in certain situations), which represents an initial conversion price per share of Series A Common Stock of approximately \$102.804 (the "Conversion Price"). Ascent Capital is entitled to settle any such conversion by delivery of cash, shares of Series A Common Stock or any



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combination thereof at Ascent Capital's election. In addition, Noteholders have the right to submit Convertible Notes for conversion, subject to the satisfaction of certain conditions, in the event of certain corporate transactions.

In the event of a fundamental change (as such term is defined in the indenture governing the Convertible Notes) at any time prior to the maturity date, each Noteholder shall have the right, at such Noteholder's option, to require Ascent Capital to repurchase for cash any or all of such Noteholder's Convertible Notes on the repurchase date specified by Ascent Capital at a repurchase price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, including unpaid additional interest, if any, unless the repurchase date occurs after an interest record date and on or prior to the related interest payment date, as specified in the indenture.

The Convertible Notes are within the scope of FASB ASC Subtopic 470-20, *Debt with Conversion and Other Options*, and as such are required to be separated into a liability and equity component. The carrying amount of the liability component is calculated by measuring the fair value of a similar liability (including any embedded features other than the conversion option) that does not have an associated conversion option. The carrying amount of the equity component is determined by deducting the fair value of the liability component from the initial proceeds ascribed to the Convertible Notes as a whole. The excess of the principal amount of the liability component over its carrying amount, treated as a debt discount, is amortized to interest cost over the expected life of a similar liability that does not have an associated conversion option using the effective interest method. The equity component is not remeasured as long as it continues to meet the conditions for equity classification as prescribed in FASB ASC Subtopic 815-40, *Contracts in an Entity's Own Equity*.

The Convertible Notes are presented on the consolidated balance sheet as follows (amounts in thousands):

	As of June 30, 2018	As of December 31, 2017
Principal	\$ 96,775	\$ 96,775
Unamortized discount	(11,011)	(13,263)
Deferred debt costs	(745)	(898)
Carrying value	<u>\$ 85,019</u>	<u>\$ 82,614</u>

The Company is using an effective interest rate of 14.0% to calculate the accretion of the debt discount, which is being recorded as interest expense over the expected remaining term to maturity of the Convertible Notes. The Company recognized contractual interest expense of \$968,000 and \$1,936,000 for both of the three and six months ended June 30, 2018 and 2017. The Company amortized \$1,224,000 and \$2,405,000 of the Convertible Notes debt discount and deferred debt costs into interest expense for the three and six months ended June 30, 2018, compared to \$1,065,000 and \$2,092,000 for the three and six months ended June 30, 2017.

#### *Hedging Transactions Relating to the Offering of the Convertible Notes*

In connection with the issuance of the Convertible Notes, Ascent Capital entered into separate privately negotiated purchased call options (the "Bond Hedge Transactions"). The Bond Hedge Transactions require the counterparties to offset Series A Common Stock deliverable or cash payments made by Ascent Capital upon conversion of the Convertible Notes in the event that the volume-weighted average price of Series A Common Stock on each trading day of the relevant valuation period is greater than the strike price of \$102.804, which corresponds to the Conversion Price of the Convertible Notes. The Bond Hedge Transactions cover, subject to anti-dilution adjustments, approximately 1,007,000 shares of Series A Common Stock, which is equivalent to the number of shares initially issuable upon conversion of the Convertible Notes, and are expected to reduce the potential dilution with respect to the Series A Common Stock, and/or offset potential cash payments Ascent Capital is required to make in excess of the principal amount of the Convertible Notes upon conversion.

Concurrently with the Bond Hedge Transactions, Ascent Capital also entered into separate privately negotiated warrant transactions with each of the call option counterparties (the "Warrant Transactions"). The warrants are European options, and are exercisable in tranches on consecutive trading days starting after the maturity of the Convertible Notes. The warrants cover the same initial number of shares of Series A Common Stock, subject to anti-dilution adjustments, as the Bond Hedge Transactions. The Warrant Transactions require Ascent Capital to deliver Series A Common Stock or make cash payments to the counterparties on each expiration date with a value equal to the number of warrants exercisable on that date times the excess of the volume-weighted average price of the Series A Common Stock over the strike price of \$118.62, which effectively reflects a 50% conversion premium on the Convertible Notes. As such, the Warrant Transactions may have a dilutive effect

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with respect to the Series A Common Stock to the extent the Warrant Transactions are settled with shares of Series A Common Stock. Ascent Capital may elect to settle its delivery obligation under the Warrant Transactions in cash.

The Bond Hedge Transactions and Warrant Transactions are separate transactions entered into by Ascent Capital, are not part of the terms of the Convertible Notes and will not affect the Noteholders' rights under the Convertible Notes. The Noteholders will not have any rights with respect to the Bond Hedge Transactions or the Warrant Transactions.

### *Brinks Home Security Senior Notes*

The Brinks Home Security senior notes total \$585,000,000 in principal, mature on April 1, 2020 and bear interest at 9.125% per annum (the "Senior Notes"). Interest payments are due semi-annually on April 1 and October 1 of each year. The Senior Notes are guaranteed by all of Brinks Home Security's existing domestic subsidiaries. Ascent Capital has not guaranteed any of Brinks Home Security's obligations under the Senior Notes. As of June 30, 2018, the Senior Notes had deferred financing costs and unamortized premium, net of accumulated amortization of \$4,608,000.

### *Brinks Home Security Credit Facility*

On September 30, 2016, Brinks Home Security entered into an amendment ("Amendment No. 6") with the lenders of its existing senior secured credit agreement dated March 23, 2012, and as amended and restated on April 9, 2015, February 17, 2015, August 16, 2013, March 25, 2013, and November 7, 2012 (the "Existing Credit Agreement"). Amendment No. 6 provided for, among other things, the issuance of a \$1,100,000,000 senior secured term loan at a 1.5% discount and a new \$295,000,000 super priority revolver (the Existing Credit Agreement together with Amendment No. 6, the "Credit Facility").

As of June 30, 2018, the Credit Facility term loan has a principal amount of \$1,080,750,000, maturing on September 30, 2022. The term loan requires quarterly interest payments and quarterly principal payments of \$2,750,000. The term loan bears interest at LIBOR plus 5.5%, subject to a LIBOR floor of 1.0%. The Credit Facility revolver has a principal amount outstanding of \$84,100,000 as of June 30, 2018 and matures on September 30, 2021. The Credit Facility revolver bears interest at LIBOR plus 4.0%, subject to a LIBOR floor of 1.0%. There is a commitment fee of 0.5% on unused portions of the Credit Facility revolver. As of June 30, 2018, \$210,900,000 is available for borrowing under the Credit Facility revolver subject to certain financial covenants.

The maturity date for both the term loan and the revolving credit facility under the Credit Facility are subject to a springing maturity 181 days prior to the scheduled maturity date of the Senior Notes, or October 3, 2019 (the "Springing Maturity") if Brinks Home Security is unable to refinance the Senior Notes by that date. In addition, if Brinks Home Security is unable to repay or refinance the Senior Notes prior to the filing with the SEC of their Annual Report on Form 10-K for the year ended December 31, 2018, they may be subject to a going concern qualification in connection with their audit, which would be an event of default under the Credit Facility. At any time after the occurrence of an event of default under the Credit Facility, the lenders may, among other options, declare any amounts outstanding under the Credit Facility immediately due and payable and terminate any commitment to make further loans under the Credit Facility. Also, failure to comply with restrictions contained in the Senior Notes could lead to an event of default under the Credit Facility.

The Credit Facility is secured by a pledge of all of the outstanding stock of Brinks Home Security and all of its existing subsidiaries and is guaranteed by all of Brinks Home Security's existing domestic subsidiaries. Ascent Capital has not guaranteed any of Brinks Home Security's obligations under the Credit Facility.

As of June 30, 2018, Brinks Home Security has deferred financing costs and unamortized discounts, net of accumulated amortization, of \$25,897,000 related to the Credit Facility.

In order to reduce the financial risk related to changes in interest rates associated with the floating rate term loan under the Credit Facility term loan, Brinks Home Security has entered into interest rate swap agreements with terms similar to the Credit Facility term loan (all outstanding interest rate swap agreements are collectively referred to as the "Swaps"). The Swaps have been designated as effective hedges of the Company's variable rate debt and qualify for hedge accounting. As a result of these interest rate swaps, Brinks Home Security's effective weighted average interest rate (excluding the impacts of non-cash amortization of deferred debt costs and discounts) on the borrowings under the Credit Facility term loan was 7.98% as of June 30, 2018. See [note 8, Derivatives](#), for further disclosures related to these derivative instruments.

The terms of the Convertible Notes, the Senior Notes and the Credit Facility provide for certain financial and nonfinancial covenants. As of June 30, 2018, the Company was in compliance with all required covenants under these financing arrangements.

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As of June 30, 2018, principal payments scheduled to be made on the Company's debt obligations, assuming no Springing Maturity of the Credit Facility, are as follows (amounts in thousands):

Remainder of 2018	\$	5,500
2019		11,000
2020		692,775
2021		95,100
2022		1,042,250
2023		—
Thereafter		—
Total principal payments		1,846,625
Less:		
Unamortized deferred debt costs, discounts and premium, net		42,261
Total debt on condensed consolidated balance sheet	\$	1,804,364

## (8) Derivatives

Brinks Home Security utilizes Swaps to reduce the interest rate risk inherent in Brinks Home Security's variable rate Credit Facility term loan. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatility. The Company incorporates credit valuation adjustments to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements. See [note 9, Fair Value Measurements](#), for additional information about the credit valuation adjustments.

All of the Swaps are designated and qualify as cash flow hedging instruments, with the effective portion of the Swaps' change in fair value recorded in Accumulated other comprehensive income (loss). Changes in the fair value of the Swaps recognized in Accumulated other comprehensive income (loss) are reclassified to Interest expense when the hedged interest payments on the underlying debt are recognized. Amounts in Accumulated other comprehensive income (loss) expected to be recognized as a reduction of Interest expense in the coming 12 months total approximately \$474,000.

As of June 30, 2018, the Swaps' outstanding notional balances, effective dates, maturity dates and interest rates paid and received are noted below:

	Notional	Effective Date	Maturity Date	Fixed Rate Paid	Variable Rate Received
\$	190,490,554	March 23, 2018	April 9, 2022	3.110%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
	248,750,000	March 23, 2018	April 9, 2022	3.110%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
	49,750,000	March 23, 2018	April 9, 2022	2.504%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor
	375,115,000	March 23, 2018	September 30, 2022	1.833%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor

- (a) On September 30, 2016, Brinks Home Security negotiated amendments to the terms of these interest rate swap agreements (the "Existing Swap Agreements," as amended, the "Amended Swaps"). The Amended Swaps are held with the same counterparties as the Existing Swap Agreements. Upon entering into the Amended Swaps, Brinks Home Security simultaneously dedesignated the Existing Swap Agreements and redesignated the Amended Swaps as cash flow hedges for the underlying change in the swap terms. The amounts previously recognized in Accumulated other comprehensive income (loss) relating to the dedesignation are recognized in Interest expense over the remaining life of the Amended Swaps.

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The impact of the derivatives designated as cash flow hedges on the condensed consolidated financial statements is depicted below (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Effective portion of gain (loss) recognized in Accumulated other comprehensive income (loss)	\$ 5,096	(7,243)	\$ 18,764	(7,976)
Effective portion of loss reclassified from Accumulated other comprehensive income (loss) into Net loss (a)	\$ (425)	(1,466)	\$ (1,163)	(3,248)
Ineffective portion of amount of loss recognized into Net loss (a)	\$ —	(110)	\$ —	(92)

- (a) Amounts are included in Interest expense in the unaudited condensed consolidated statements of operations and comprehensive income (loss). Upon the adoption of ASU 2017-12 on January 1, 2018, ineffectiveness is no longer measured or recognized.

**(9) Fair Value Measurements**

According to the FASB ASC Topic 820, *Fair Value Measurement*, fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants and requires that assets and liabilities carried at fair value are classified and disclosed in the following three categories:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active or inactive markets and valuations derived from models where all significant inputs are observable in active markets.
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are unobservable in any market.

The following summarizes the fair value level of assets and liabilities that are measured on a recurring basis at June 30, 2018 and December 31, 2017 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
<b>June 30, 2018</b>				
Investments in marketable securities (a)	\$ 105,515	—	—	105,515
Interest rate swap agreements - assets (b)	—	16,166	—	16,166
Interest rate swap agreements - liabilities (b)	—	(3,313)	—	(3,313)
Total	\$ 105,515	12,853	—	118,368
<b>December 31, 2017</b>				
Investments in marketable securities (a)	\$ 105,958	—	—	105,958
Interest rate swap agreements - assets (b)	—	7,058	—	7,058
Interest rate swap agreements - liabilities (b)	—	(13,817)	—	(13,817)
Total	\$ 105,958	(6,759)	—	99,199

- (a) Level 1 investments primarily consist of diversified corporate bond funds.  
(b) Swap asset values are included in non-current Other assets and Swap liability values are included in non-current Derivative financial instruments on the condensed consolidated balance sheets.

The Company has determined that the significant inputs used to value the Swaps fall within Level 2 of the fair value hierarchy. As a result, the Company has determined that its derivative valuations are classified in Level 2 of the fair value hierarchy.

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Carrying values and fair values of financial instruments that are not carried at fair value are as follows (amounts in thousands):

	June 30, 2018	December 31, 2017
Long term debt, including current portion:		
Carrying value	\$ 1,804,364	1,789,044
Fair value (a)	1,542,944	1,709,342

(a) The fair value is based on market quotations from third party financial institutions and is classified as Level 2 in the hierarchy.

Ascent Capital's other financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates their fair value because of their short-term maturity.

**(10) Stockholders' Equity**

*Common Stock*

The following table presents the activity in Series A Common Stock and Ascent Capital's Series B Common Stock, par value \$0.01 per share (the "Series B Common Stock"), for the six months ended June 30, 2018:

	Series A Common Stock	Series B Common Stock
Balance at December 31, 2017	11,999,630	381,528
Issuance of stock awards	64,189	—
Restricted stock canceled for tax withholding	(31,449)	—
Balance at June 30, 2018	12,032,370	381,528

*Accumulated Other Comprehensive Income (Loss)*

The following table provides a summary of the changes in Accumulated other comprehensive income (loss) for the period presented (amounts in thousands):

	Foreign Currency Translation Adjustments	Unrealized Holding Gains and Losses on Marketable Securities, net	Unrealized Gains and Losses on Derivative Instruments, net (a)	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	\$ (758)	3,900	(7,375)	(4,233)
Impact of adoption of ASU 2017-12	—	—	605	605
Adjusted balance at January 1, 2018	(758)	3,900	(6,770)	(3,628)
Gain (loss) through Accumulated other comprehensive income (loss), net of income tax of \$0	—	(1,625)	18,764	17,139
Reclassifications of loss (gain) into Net loss, net of income tax of \$0	—	(2,275)	1,163	(1,112)
Net current period Other comprehensive income (loss)	—	(3,900)	19,927	16,027
Balance at June 30, 2018	\$ (758)	—	13,157	12,399

(a) Amounts reclassified into net loss are included in Interest expense on the condensed consolidated statement of operations. See [note 8, Derivatives](#), for further information.

**(11) Basic and Diluted Earnings (Loss) Per Common Share—Series A and Series B**

Basic earnings (loss) per common share ("EPS") is computed by dividing net income (loss) by the weighted average number of shares of Series A and Series B Common Stock outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the sum of the weighted average number of shares of Series A and Series B Common Stock outstanding and the effect of dilutive securities, including the Company's outstanding stock options, unvested restricted stock and restricted stock units.

For all periods presented, diluted EPS is computed the same as basic EPS because the Company recorded a loss from continuing operations, which would make potentially dilutive securities anti-dilutive. Diluted shares outstanding excluded an aggregate of 624,024 unvested restricted shares and performance units for the three and six months ended June 30, 2018 because their inclusion would have been anti-dilutive. Diluted shares outstanding excluded an aggregate of 344,037 unvested restricted shares and performance units for the three and six months ended June 30, 2017 because their inclusion would have been anti-dilutive.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Weighted average number of shares of Series A and Series B Common Stock	12,327,387	12,168,582	12,313,233	12,151,417

**(12) Commitments, Contingencies and Other Liabilities**

Brinks Home Security was named as a defendant in multiple putative class actions consolidated in U.S. District Court (Northern District of West Virginia) on behalf of purported class(es) of persons who claim to have received telemarketing calls in violation of various state and federal laws. The actions were brought by plaintiffs seeking monetary damages on behalf of all plaintiffs who received telemarketing calls made by a Brinks Home Security Authorized Dealer, or any Authorized Dealer's lead generator or sub-dealer. In the second quarter of 2017, Brinks Home Security and the plaintiffs agreed to settle this litigation for \$28,000,000 ("the Settlement Amount"). Brinks Home Security is actively seeking to recover the Settlement Amount under its insurance policies. The settlement agreement remains subject to court approval and the court's entry of a final order dismissing the actions. In the third quarter of 2017, Brinks Home Security paid \$5,000,000 of the Settlement Amount pursuant to the settlement agreement with the plaintiffs.

In addition to the above, the Company is also involved in litigation and similar claims incidental to the conduct of its business, including from time to time, contractual disputes, claims related to alleged security system failures and claims related to alleged violations of the U.S. Telephone Consumer Protection Act. Matters that are probable of unfavorable outcome to the Company and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, management's estimate of the outcomes of such matters and experience in contesting, litigating and settling similar matters. In management's opinion, none of the pending actions are likely to have a material adverse impact on the Company's financial position or results of operations. The Company accrues and expenses legal fees related to loss contingency matters as incurred.

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

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, marketing and operating strategies, integration of acquired businesses, new service offerings, the availability of debt refinancing, financial prospects and anticipated sources and uses of capital. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- general business conditions and industry trends;
- macroeconomic conditions and their effect on the general economy and on the U.S. housing market, in particular single family homes, which represent Brinks Home Security's largest demographic;
- uncertainties in the development of our business strategies, including the rebranding to Brinks Home Security and market acceptance of new products and services;
- the competitive environment in which Brinks Home Security operates, in particular, increasing competition in the alarm monitoring industry from larger existing competitors and new market entrants, including technology, telecommunications and cable companies;
- the development of new services or service innovations by competitors;
- Brinks Home Security's ability to acquire and integrate additional accounts, including competition for dealers with other alarm monitoring companies which could cause an increase in expected subscriber acquisition costs;
- integration of acquired assets and businesses;
- the regulatory environment in which we operate, including the multiplicity of jurisdictions, state and federal consumer protection laws and licensing requirements to which Brinks Home Security and/or its dealers are subject and the risk of new regulations, such as the increasing adoption of "false alarm" ordinances;
- technological changes which could result in the obsolescence of currently utilized technology with the need for significant upgrade expenditures;
- the trend away from the use of public switched telephone network lines and the resultant increase in servicing costs associated with alternative methods of communication;
- the operating performance of Brinks Home Security's network, including the potential for service disruptions at both the main monitoring facility and back-up monitoring facility due to acts of nature or technology deficiencies, and the potential of security breaches related to network or customer information;
- the outcome of any pending, threatened, or future litigation, including potential liability for failure to respond adequately to alarm activations;
- the ability to continue to obtain insurance coverage sufficient to hedge our risk exposures, including as a result of acts of third parties and/or alleged regulatory violations;
- changes in the nature of strategic relationships with original equipment manufacturers, dealers and other Brinks Home Security business partners;
- the reliability and creditworthiness of Brinks Home Security's independent alarm systems dealers and subscribers;
- changes in Brinks Home Security's expected rate of subscriber attrition;
- the availability and terms of capital, including the ability of Brinks Home Security to refinance its existing debt or obtain future financing to grow its business;
- Brinks Home Security's high degree of leverage and the restrictive covenants governing its indebtedness; and
- availability of qualified personnel.

For additional risk factors, please see Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K") and Part II, Item 1A, Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 and this Quarterly Report on Form 10-Q. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto included elsewhere herein and the 2017 Form 10-K.

## Overview

Ascent Capital Group, Inc. ("Ascent Capital" or the "Company") is a holding company and its assets primarily consist of its wholly-owned subsidiary, Monitronics International, Inc. and its operating subsidiaries (collectively, "Brinks Home Security"). Brinks Home Security provides residential customers and commercial client accounts with monitored home and business security systems, as well as interactive and home automation services, in the United States, Canada and Puerto Rico. Brinks Home Security customers are obtained through its direct-to-consumer sales channel or its Authorized Dealer network, which provides product and installation services, as well as support to customers. Its direct-to-consumer channel offers both Do-It-Yourself ("DIY") and professional installation security solutions.

The rollout of the Brinks Home Security brand in the second quarter of 2018 included the integration of our business model under a single brand. As part of the integration, we reorganized our business from two reportable segments, "MONI" and "LiveWatch," to one reportable segment, Brinks Home Security. Following the integration, the Company's chief operating decision maker reviews internal financial information on a consolidated basis. The change in reportable segments had no impact on our previously reported historical condensed consolidated financial statements.

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Topic 606") using the modified retrospective approach, which means the standard is applied to only the current period. Any significant impact as a result of this adoption is discussed in the results of operations detail below. See [note 3, Revenue Recognition](#), in the notes to the accompanying condensed consolidated financial statements for further discussion.

The Company early adopted ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04") which requires a goodwill impairment to be recognized as the difference of the fair value and the carrying value. See [note 5, Goodwill](#), in the notes to the accompanying condensed consolidated financial statements for further discussion.

The Company also adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12") which simplifies the application of hedge accounting guidance. The standard was early adopted effective January 1, 2018, and an opening equity adjustment of \$605,000 was recognized that reduced Accumulated deficit, offset by a gain in Accumulated other comprehensive income (loss). There was no material impact as a result of this adoption to the results of operations detail below. See [note 1, Basis of Presentation](#), in the notes to the accompanying condensed consolidated financial statements for further discussion.

## Attrition

Account cancellation, otherwise referred to as subscriber attrition, has a direct impact on the number of subscribers that Brinks Home Security services and on its financial results, including revenues, operating income and cash flow. A portion of the subscriber base can be expected to cancel its service every year. Subscribers may choose not to renew or to terminate their contract for a variety of reasons, including relocation, cost, switching to a competitor's service and limited use by the subscriber and thus low perceived value. The largest categories of canceled accounts relate to subscriber relocation or the inability to contact the subscriber. Brinks Home Security defines its attrition rate as the number of canceled accounts in a given period divided by the weighted average of number of subscribers for that period. Brinks Home Security considers an account canceled if payment from the subscriber is deemed uncollectible or if the subscriber cancels for various reasons. If a subscriber relocates but continues its service, this is not a cancellation. If the subscriber relocates, discontinues its service and a new subscriber takes over the original subscriber's service continuing the revenue stream, this is also not a cancellation. Brinks Home Security adjusts the number of canceled accounts by excluding those that are contractually guaranteed by its dealers. The typical dealer contract provides that if a subscriber cancels in the first year of its contract, the dealer must either replace the canceled account with a new one or refund to Brinks Home Security the cost paid to acquire the contract. To help ensure the dealer's obligation to Brinks Home Security, Brinks Home Security typically maintains a dealer funded holdback reserve ranging from 5-8% of subscriber accounts in the guarantee period. In some cases, the amount of the holdback liability is less than actual attrition experience.



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The table below presents subscriber data for the twelve months ended June 30, 2018 and 2017:

	Twelve Months Ended June 30,	
	2018	2017
Beginning balance of accounts	1,020,923	1,074,922
Accounts acquired	98,561	114,955
Accounts canceled (b)	(158,233)	(161,622)
Canceled accounts guaranteed by dealer and other adjustments (a) (b)	(5,398)	(7,332)
Ending balance of accounts	955,853	1,020,923
Monthly weighted average accounts	980,008	1,047,754
Attrition rate - Unit (b)	16.1%	15.4%
Attrition rate - RMR (b) (c)	13.6%	14.0%

- (a) Includes canceled accounts that are contractually guaranteed to be refunded from holdback.
- (b) Accounts canceled for the twelve months ending June 30, 2017 were recast to include an estimated 6,653 accounts included in Brinks Home Security's Radio Conversion Program that canceled in excess of their expected attrition.
- (c) The recurring monthly revenue ("RMR") of canceled accounts follows the same definition as subscriber unit attrition as noted above. RMR attrition is defined as the RMR of canceled accounts in a given period, adjusted for the impact of price increases or decreases in that period, divided by the weighted average of RMR for that period.

The unit attrition rate for the twelve months ended June 30, 2018 and 2017 was 16.1% and 15.4%, respectively. Contributing to the increase in the unit attrition rate was the relative proportion of the number of new customers under contract or in the dealer guarantee period in the twelve months ended June 30, 2018, as compared to the prior year period. The RMR attrition rate for the twelve months ended June 30, 2018 and 2017 was 13.6% and 14.0%, respectively. The decrease in the RMR attrition rate for the twelve months ended June 30, 2018 was due to Brinks Home Security's more aggressive price increase strategy. There was also a modest increase to attrition attributed to subscriber losses related to the impacts of Hurricane Maria on Brinks Home Security's Puerto Rico customer base. See [Impact from Natural Disasters](#) below for further information.

Brinks Home Security analyzes its attrition by classifying accounts into annual pools based on the year of acquisition. Brinks Home Security then tracks the number of accounts that cancel as a percentage of the initial number of accounts acquired for each pool for each year subsequent to its acquisition. Based on the average cancellation rate across the pools, Brinks Home Security's attrition rate is very low within the initial 12 month period after considering the accounts which were replaced or refunded by the dealers at no additional cost to Brinks Home Security. Over the next few years of the subscriber account life, the number of subscribers that cancel as a percentage of the initial number of subscribers in that pool gradually increases and historically has peaked following the end of the initial contract term, which is typically three to five years. Subsequent to the peak following the end of the initial contract term, the number of subscribers that cancel as a percentage of the initial number of subscribers in that pool declines.

#### Accounts Acquired

During the three months ended June 30, 2018 and 2017, Brinks Home Security acquired 37,383 and 26,782 subscriber accounts, respectively, through its dealer and direct sales channels. During the six months ended June 30, 2018 and 2017, Brinks Home Security acquired 58,930 and 56,158 subscriber accounts, respectively, through its dealer and direct sales channels. Accounts acquired for the three and six months ended June 30, 2018 reflect bulk buys of approximately 10,600 and 10,900 accounts, respectively. Accounts acquired for the three and six months ended June 30, 2017 reflect bulk buys of approximately 450 and 3,450 accounts, respectively. The increase in accounts acquired for the three and six months is due to bulk buys and year over year growth in the direct-to-consumer sales channel. The increase was partially offset by year over year decline in accounts acquired from the dealer channel.

RMR acquired during the three months ended June 30, 2018 and 2017 was \$1,759,000 and \$1,304,000, respectively. RMR acquired during the six months ended June 30, 2018 and 2017 was \$2,745,000 and \$2,740,000, respectively.

## Strategic Initiatives

Given the recent decreases in the generation of new subscriber accounts in Brinks Home Security's dealer channel and trends in subscriber attrition, it has implemented several initiatives related to account growth, creation costs, attrition and margin improvements.

### *Account Growth*

Brinks Home Security believes that generating account growth at a reasonable cost is essential to scaling its business and generating shareholder value. In recent years, acquisition of new subscriber accounts through its dealer channel has declined due to the attrition of large dealers, efforts to acquire new accounts from dealers at lower purchase prices, changes in consumer buying behavior and increased competition from technology, telecommunications and cable companies in the market. Brinks Home Security currently has several initiatives in place to improve account growth, which include:

- Enhancing its brand recognition with consumers, which was recently bolstered by the rebranding to Brinks Home Security,
- Recruiting high quality dealers into the Brinks Home Security Authorized Dealer Program,
- Assisting new and existing dealers with training and marketing initiatives to increase productivity,
- Acquiring bulk accounts to supplement account generation,
- Offering third party equipment financing to consumers which is expected to assist in driving account growth at lower creation costs, and
- Growing the direct-to-consumer sales channel under the Brinks Home Security brand.

### *Creation Costs*

Brinks Home Security also considers the management of creation costs to be a key driver in improving its financial results, as lower creation costs would improve its profitability and cash flows. The initiatives related to managing creation costs include:

- Growing the direct-to-consumer sales channel with expected lower creation cost multiples, and
- Negotiating lower subscriber account purchase price multiples in its dealer channel.

In addition, Brinks Home Security expects that new customers who subscribe to its services through its partnership with Nest will also contribute to lower creation cost multiples as it is expected that Nest equipment will be purchased up front by the consumer as opposed to subsidized by Brinks Home Security.

### *Attrition*

Brinks Home Security has also experienced higher subscriber attrition rates in the past few years. While there are a number of factors impacting its attrition rate, Brinks Home Security expects subscriber cancellations relating to a number of subscriber accounts that were acquired in bulk purchases during 2012 and 2013 from Pinnacle Security to decrease in the future.

Notwithstanding the anticipated decrease in future cancellations for these specific subscriber accounts, Brinks Home Security has continued to develop its efforts to manage subscriber attrition, which it believes will help drive increases in its subscriber base and shareholder value. Brinks Home Security currently has several initiatives in place to reduce subscriber attrition, which include:

- Maintaining high customer service levels,
- Using predictive modeling to identify subscribers with a higher risk of cancellation and engaging with these subscribers to obtain contract extensions on terms favorable to Brinks Home Security, and
- Implementing effective pricing strategies.

### *Margin Improvement*

Brinks Home Security has also adopted initiatives to reduce expenses and improve its financial results, which include:

- Reducing its operating costs by right sizing the cost structure to the business and leveraging its scale,
- Implementing more sophisticated purchasing techniques, and
- Increasing use of automation.

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While the uncertainties related to the successful implementation of the foregoing initiatives could impact Brinks Home Security's ability to achieve net profitability and positive cash flows in the near term, Brinks Home Security believes it will position itself to improve its operating performance, increase cash flows and create shareholder value over the long-term.

### **Impact from Natural Disasters**

Hurricanes Harvey, Irma and Maria, made landfall in Texas, Florida and Puerto Rico, respectively, in the third quarter of 2017. Brinks Home Security had approximately 38,000, 55,000 and 36,000 subscribers in areas impacted by Harvey, Irma and Maria, respectively. In the fourth quarter of 2017, Brinks Home Security recognized \$2,000,000 in revenue credits or refunds to subscribers due to service interruptions or other customer service incentives to retain subscribers impacted from these natural disasters. A vast majority of these credits were issued to subscribers in Puerto Rico, where damage from the hurricanes had been the most severe and widespread.

In the first half of 2018, Brinks Home Security recognized \$1,250,000 in hurricane related revenue credits, substantially all due to continued customer service retention efforts on Puerto Rico subscribers. There continues to be a modest increase to last twelve months' attrition related to these events. As recovery from Hurricane Maria in Puerto Rico is still ongoing, Brinks Home Security may continue to experience increased revenue credits or refunds, field service costs and higher attrition in future periods. However, the extent to which we may experience these impacts cannot currently be estimated. We will continue to assess the impact of these events.

### **Adjusted EBITDA**

We evaluate the performance of our operations based on financial measures such as revenue and "Adjusted EBITDA." Adjusted EBITDA is defined as net income (loss) before interest expense, interest income, income taxes, depreciation, amortization (including the amortization of subscriber accounts, dealer network and other intangible assets), restructuring charges, stock-based compensation, and other non-cash or non-recurring charges. Ascent Capital believes that Adjusted EBITDA is an important indicator of the operational strength and performance of its business, including the business' ability to fund its ongoing acquisition of subscriber accounts, its capital expenditures and to service its debt. In addition, this measure is used by management to evaluate operating results and perform analytical comparisons and identify strategies to improve performance. Adjusted EBITDA is also a measure that is customarily used by financial analysts to evaluate the financial performance of companies in the security alarm monitoring industry and is one of the financial measures, subject to certain adjustments, by which Brinks Home Security's covenants are calculated under the agreements governing its debt obligations. Adjusted EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles in the United States ("GAAP"), should not be construed as an alternative to net income or loss and is indicative neither of our results of operations nor of cash flows available to fund all of our cash needs. It is, however, a measurement that Ascent Capital believes is useful to investors in analyzing its operating performance. Accordingly, Adjusted EBITDA should be considered in addition to, but not as a substitute for, net income, cash flow provided by operating activities and other measures of financial performance prepared in accordance with GAAP. Adjusted EBITDA is a non-GAAP financial measure. As companies often define non-GAAP financial measures differently, Adjusted EBITDA as calculated by Ascent Capital should not be compared to any similarly titled measures reported by other companies.

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**Results of Operations**

The following table sets forth selected data from the accompanying condensed consolidated statements of operations and comprehensive income (loss) for the periods indicated (dollar amounts in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net revenue	\$ 135,013	140,498	\$ 268,766	281,698
Cost of services	33,047	29,617	65,748	59,586
Selling, general and administrative, including stock-based and long-term incentive compensation	34,387	64,771	71,793	101,016
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	53,891	59,965	108,302	119,512
Interest expense	40,422	38,165	79,074	75,651
Income tax expense from continuing operations	1,347	4,661	2,693	6,475
Net loss from continuing operations	(244,367)	(43,526)	(275,205)	(62,471)
Net loss	(244,367)	(43,526)	(275,205)	(62,379)
<i>Adjusted EBITDA (a)</i>				
Brinks Home Security business Adjusted EBITDA	\$ 72,159	80,654	\$ 142,198	162,876
Corporate Adjusted EBITDA	(2,759)	(2,918)	(3,929)	(5,140)
Total Adjusted EBITDA	\$ 69,400	77,736	\$ 138,269	157,736
<i>Adjusted EBITDA as a percentage of Net revenue</i>				
Brinks Home Security business	53.4 %	57.4 %	52.9 %	57.8 %
Corporate	(2.0)%	(2.1)%	(1.5)%	(1.8)%
<i>Expensed Subscriber acquisition costs, net</i>				
Gross subscriber acquisition costs	\$ 13,135	9,450	\$ 24,825	18,483
Revenue associated with subscriber acquisition costs	(1,255)	(1,251)	(2,767)	(2,643)
Expensed Subscriber acquisition costs, net	\$ 11,880	8,199	\$ 22,058	15,840

(a) See reconciliation of Net loss from continuing operations to Adjusted EBITDA below.

*Net revenue.* Net revenue decreased \$5,485,000, or 3.9%, and \$12,932,000, or 4.6%, for the three and six months ended June 30, 2018, respectively, as compared to the corresponding prior year periods. The decrease in net revenue is attributable to the lower average number of subscribers in 2018. This decrease was partially offset by an increase in average RMR per subscriber due to certain price increases enacted during the past twelve months. Average RMR per subscriber increased from \$43.84 as of June 30, 2017 to \$45.01 as of June 30, 2018. In addition, the Company realized a \$2,445,000 and \$2,770,000 increase in revenue for the three and six months ended June 30, 2018, respectively, from the favorable impact of the new revenue recognition guidance, Topic 606, adopted effective January 1, 2018.

*Cost of services.* Cost of services increased \$3,430,000, or 11.6%, and \$6,162,000, or 10.3%, for the three and six months ended June 30, 2018, respectively, as compared to the corresponding prior year periods. The increase is primarily due to expensing certain direct and incremental field service costs on new contracts obtained in connection with a subscriber move ("Moves Costs") of \$2,232,000 and \$4,637,000 for the three and six months ended June 30, 2018, respectively. Upon adoption of Topic 606, all Moves Costs are expensed, whereas prior to adoption, certain Moves Costs were capitalized on the balance sheet. Moves Costs capitalized as Subscriber accounts, net for the three and six months ended June 30, 2017 were \$3,594,000 and \$7,483,000, respectively. Furthermore, subscriber acquisition costs, which include expensed equipment and labor costs associated with the creation of new subscribers, increased to \$4,320,000 and \$7,930,000 for the three and six months ended June 30, 2018, respectively, as compared to \$2,803,000 and \$5,467,000 for the three and six months ended June 30, 2017, respectively, attributable to increased production volume in the Company's direct sales channel. These increases were offset by reduced salary and wage expense due to lower headcount. Cost of services as a percent of net revenue increased from 21.1% and 21.2% for the three and six months ended June 30, 2017, respectively, to 24.5% for both the three and six months ended June 30, 2018, respectively.

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*Selling, general and administrative.* Selling, general and administrative costs ("SG&A") decreased \$30,384,000, or 46.9%, and \$29,223,000, or 28.9%, for the three and six months ended June 30, 2018, respectively, as compared to the corresponding prior year periods. The decrease is primarily attributable to the \$28,000,000 legal settlement recognized in the second quarter of 2017 in relation to class action litigation of alleged violation of telemarketing laws. Furthermore, there were decreases in consulting fees related to company cost reduction initiatives, stock-based compensation expense and LiveWatch acquisition contingent bonus charges for the three and six months ended June 30, 2018, due to recent settlements or renegotiations of certain key agreements governing these costs. The decrease was offset by increases in direct marketing and other SG&A subscriber acquisition costs associated with the creation of new subscribers. Subscriber acquisition costs in SG&A increased to \$8,815,000 and \$16,895,000 for the three and six months ended June 30, 2018, respectively, as compared to \$6,647,000 and \$13,016,000 for the three and six months ended June 30, 2017, respectively. SG&A as a percent of net revenue decreased from 46.1% and 35.9% for the three and six months ended June 30, 2017, respectively, to 25.5% and 26.7% for the three and six months ended June 30, 2018, respectively.

*Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets.* Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets decreased \$6,074,000 and \$11,210,000, or 10.1% and 9.4%, for the three and six months ended June 30, 2018, respectively, as compared to the corresponding prior year periods. The decrease is related to a lower number of subscriber accounts purchased in the last twelve months ended June 30, 2018 compared to the prior corresponding period as well as the timing of amortization of subscriber accounts acquired prior to the second quarter of 2017, which have a lower rate of amortization in 2018 based on the applicable double declining balance amortization method. Additionally, as discussed above, Moves Costs are expensed under Topic 606, whereas prior to adoption, these Moves Costs were capitalized on the balance sheet and amortized. This change resulted in a \$1,880,000 and \$3,763,000 decrease in amortization expense for the three and six months ended June 30, 2018, respectively. The decrease is partially offset by increased amortization related to accounts acquired subsequent to June 30, 2017.

*Interest expense.* Interest expense increased \$2,257,000 and \$3,423,000, or 5.9% and 4.5%, for the three and six months ended June 30, 2018, respectively, as compared to the corresponding prior year periods. The increase in interest expense is attributable to increases in the Company's revolving credit facility activity, higher interest rates from increasing LIBOR rates and increased amortization of debt discount and deferred debt costs under the effective interest rate method.

*Income tax expense from continuing operations.* The Company had pre-tax loss from continuing operations of \$243,020,000 and \$272,512,000 and income tax expense of \$1,347,000 and \$2,693,000 for the three and six months ended June 30, 2018, respectively. The Company had pre-tax loss from continuing operations of \$38,865,000 and \$55,996,000 and income tax expense of \$4,661,000 and \$6,475,000 for the three and six months ended June 30, 2017, respectively. Income tax expense for the three and six months ended June 30, 2018 and 2017 is attributable to Brinks Home Security's state tax expense and the deferred tax impact from amortization of deductible goodwill related to Brinks Home Security's business acquisitions.

*Net loss from continuing operations.* The Company had net loss from continuing operations of \$244,367,000 and \$275,205,000 for the three and six months ended June 30, 2018, respectively, as compared to \$43,526,000 and \$62,471,000 for the three and six months ended June 30, 2017, respectively. The increase in net loss is primarily attributable to the \$214,400,000 goodwill impairment recognized in the second quarter of 2018, reductions in net revenue and the gains on sale of Ascent Capital properties recognized in 2017 offset by the \$28,000,000 legal settlement reserve recognized in the second quarter of 2017 as discussed above.

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*Adjusted EBITDA.* The following table provides a reconciliation of Net loss from continuing operations to total Adjusted EBITDA for the periods indicated (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net loss from continuing operations	\$ (244,367)	(43,526)	\$ (275,205)	(62,471)
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	53,891	59,965	108,302	119,512
Depreciation	2,871	2,132	5,492	4,259
Stock-based compensation	685	1,999	970	3,575
Radio conversion costs	—	77	—	309
Legal settlement reserve	—	28,000	—	28,000
Severance expense (a)	—	—	2,955	27
LiveWatch acquisition contingent bonus charges	62	387	124	1,355
Rebranding marketing program	2,403	33	3,295	880
Integration / implementation of company initiatives	—	1,389	—	2,030
Gain on revaluation of acquisition dealer liabilities	—	(404)	—	(404)
Impairment of capitalized software	—	—	—	713
Gain on disposal of operating assets	—	(14,579)	—	(21,217)
Loss on goodwill impairment	214,400	—	214,400	—
Interest income	(774)	(563)	(1,255)	(958)
Interest expense	40,422	38,165	79,074	75,651
Unrealized (gain) loss on marketable securities, net	(1,540)	—	(2,576)	—
Income tax expense from continuing operations	1,347	4,661	2,693	6,475
Adjusted EBITDA	\$ 69,400	77,736	\$ 138,269	157,736

(a) Severance expense related to transitioning executive leadership at Ascent Capital in 2018 and Brinks Home Security in 2017.

Adjusted EBITDA decreased \$8,336,000, or 10.7%, and \$19,467,000, or 12.3%, for the three and six months ended June 30, 2018, respectively, as compared to the corresponding prior year periods. The decrease is primarily the result of lower revenues, the expensing of subscriber moves in 2018 and an increase in subscriber acquisition costs as discussed above.

Brinks Home Security's consolidated Adjusted EBITDA was \$72,159,000 and \$142,198,000 for the three and six months ended June 30, 2018, respectively, as compared to \$80,654,000 and \$162,876,000 for the three and six months ended June 30, 2017, respectively.

*Expensed Subscriber acquisition costs, net.* Subscriber acquisition costs, net increased to \$11,880,000 and \$22,058,000 for the three and six months ended June 30, 2018, respectively, as compared to \$8,199,000 and \$15,840,000 for the three and six months ended June 30, 2017, respectively. The increase in subscriber acquisition costs, net is primarily attributable to increase in volume of direct sales subscriber acquisitions year over year.

**Liquidity and Capital Resources**

At June 30, 2018, we had \$4,185,000 of cash and cash equivalents and \$105,515,000 of marketable securities on a consolidated basis. We may use a portion of these assets to decrease debt obligations, fund stock repurchases, or fund potential strategic acquisitions or investment opportunities.

Additionally, our other source of funds is our cash flows from operating activities which are primarily generated from the operations of Brinks Home Security. During the six months ended June 30, 2018 and 2017, our cash flow from operating activities was \$63,672,000 and \$69,467,000, respectively. The primary driver of our cash flow from operating activities is Adjusted EBITDA. Fluctuations in our Adjusted EBITDA and the components of that measure are discussed in "Results of Operations" above. In addition, our cash flow from operating activities may be significantly impacted by changes in working capital.

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During the six months ended June 30, 2018 and 2017, the Company used cash of \$69,695,000 and \$88,287,000, respectively, to fund subscriber account acquisitions, net of holdback and guarantee obligations. In addition, during the six months ended June 30, 2018 and 2017, the Company used cash of \$8,928,000 and \$5,752,000, respectively, to fund its capital expenditures.

The existing long-term debt of the Company at June 30, 2018 includes the aggregate principal balance of \$1,846,625,000 under (i) the Ascent Capital convertible senior notes totaling \$96,775,000 in aggregate principal amount, maturing on July 15, 2020 and bearing interest at 4.00% per annum (the "Convertible Notes"), (ii) the Brinks Home Security senior notes totaling \$585,000,000 in principal, maturing on April 1, 2020 and bearing interest at 9.125% per annum (the "Senior Notes"), and (iii) the \$1,100,000,000 senior secured term loan and \$295,000,000 super priority revolver under the sixth amendment to the Brinks Home Security secured credit agreement dated March 23, 2012, as amended (the "Credit Facility"). The Convertible Notes have an outstanding principal balance of \$96,775,000 as of June 30, 2018. The Senior Notes have an outstanding principal balance of \$585,000,000 as of June 30, 2018. The Credit Facility term loan has an outstanding principal balance of \$1,080,750,000 as of June 30, 2018 and requires principal payments of \$2,750,000 per quarter with the remaining amount becoming due on September 30, 2022. The Credit Facility revolver has an outstanding balance of \$84,100,000 as of June 30, 2018 and becomes due on September 30, 2021. The maturity date for both the term loan and the revolving credit facility under the Credit Facility are subject to a springing maturity 181 days prior to the scheduled maturity date of the Senior Notes, or October 3, 2019 if Brinks Home Security is unable to refinance the Senior Notes by that date. In addition, if Brinks Home Security is unable to repay or refinance the Senior Notes prior to the filing with the SEC of their Annual Report on Form 10-K for the year ended December 31, 2018, they may be subject to a going concern qualification in connection with their audit, which would be an event of default under the Credit Facility. At any time after the occurrence of an event of default under the Credit Facility, the lenders may, among other options, declare any amounts outstanding under the Credit Facility immediately due and payable and terminate any commitment to make further loans under the Credit Facility.

In considering our liquidity requirements for the remainder of 2018, we evaluated our known future commitments and obligations. We will require the availability of funds to finance the strategy of our primary operating subsidiaries, Brinks Home Security, which is planned to grow through the acquisition of subscriber accounts. We considered the expected cash flow from Brinks Home Security, as this business is the driver of our operating cash flows. In addition, we considered the borrowing capacity of Brinks Home Security's Credit Facility revolver, under which Brinks Home Security could borrow an additional \$210,900,000 as of June 30, 2018, subject to certain financial covenants. Based on this analysis, we expect that cash on hand, cash flow generated from operations and available borrowings under Brinks Home Security's Credit Facility revolver will provide sufficient liquidity, given our anticipated current and future requirements.

We may seek external equity or debt financing in the event of any new investment opportunities, additional capital expenditures or our operations requiring additional funds, but there can be no assurance that we will be able to obtain equity or debt financing on terms that would be acceptable to us or at all. Our ability to seek additional sources of funding depends on our future financial position and results of operations, which are subject to general conditions in or affecting our industry and our customers and to general economic, political, financial, competitive, legislative and regulatory factors beyond our control.

**Item 3. Quantitative and Qualitative Disclosure about Market Risk****Interest Rate Risk**

We have exposure to changes in interest rates related to the terms of our debt obligations. Brinks Home Security uses derivative financial instruments to manage the exposure related to the movement in interest rates. The derivatives are designated as hedges and were entered into with the intention of reducing the risk associated with variable interest rates on the debt obligations. We do not use derivative financial instruments for trading purposes.

*Tabular Presentation of Interest Rate Risk*

The table below provides information about our outstanding debt obligations and derivative financial instruments that are sensitive to changes in interest rates. Interest rate swaps are presented at their fair value amount and by maturity date as of June 30, 2018. Debt amounts represent principal payments by maturity date as of June 30, 2018, assuming no springing maturity of both the term loan and the revolving credit facility under the Credit Facility.

Year of Maturity	Fixed Rate Derivative Instruments, net (a)	Variable Rate Debt	Fixed Rate Debt	Total
<b>(Amounts in thousands)</b>				
Remainder of 2018	\$ —	\$ 5,500	\$ —	\$ 5,500
2019	—	11,000	—	11,000
2020	—	11,000	681,775	692,775
2021	—	95,100	—	95,100
2022	(12,853)	1,042,250	—	1,029,397
2023	—	—	—	—
Thereafter	—	—	—	—
Total	\$ (12,853)	\$ 1,164,850	\$ 681,775	\$ 1,833,772

- (a) The derivative financial instruments reflected in this column include four interest rate swaps with a maturity date in 2022. As a result of these interest rate swaps, Brinks Home Security's effective weighted average interest rate on the borrowings under the Credit Facility term loans was 7.98% as of June 30, 2018. See notes 7, 8 and 9 to our accompanying condensed consolidated financial statements included in this Quarterly Report for further information.

**Item 4. Controls and Procedures**

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and chief financial officer (the "Executives"), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal controls over financial reporting that occurred during the three months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.



## PART II - OTHER INFORMATION

### **Item 1A. Risk Factors**

Except as discussed below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A of the 2017 Form 10-K and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.

***Brinks Home Security may be unable to obtain future financing on terms acceptable to Brinks Home Security or at all, which may hinder its ability to grow its business or satisfy its obligations.***

Brinks Home Security intends to continue to pursue growth through the acquisition of subscriber accounts through its authorized dealer network, its strategic relationships and its direct to consumer channel, among other means. To continue its growth strategy, it intends to make additional drawdowns under the revolving credit portion of its Credit Facility and may seek financing through new credit arrangements or the possible sale of new securities, any of which may lead to higher leverage or result in higher borrowing costs. In addition, any future downgrade in Brinks Home Security's credit rating could also result in higher borrowing costs. An inability to obtain funding through external financing sources on favorable terms or at all is likely to adversely affect Brinks Home Security's ability to continue or accelerate its subscriber account acquisition activities.

Additionally, Brinks Home Security may be unable to refinance its existing indebtedness, which could affect its ability to satisfy its obligations. The maturity date for both the term loan and the revolving credit facility under the Credit Facility are subject to a springing maturity 181 days prior to the scheduled maturity date of the Senior Notes. Accordingly, if Brinks Home Security is unable to repay or refinance the Senior Notes by October 3, 2019, the maturity date for both the term loan and the revolving credit facility would be accelerated. Further, if Brinks Home Security is unable to repay or refinance the Senior Notes prior to the filing with the SEC of its Annual Report on Form 10-K for the year ended December 31, 2018, Brinks Home Security may be subject to a going concern qualification in connection with its audit, which would be an event of default under the Credit Facility. In either event, Brinks Home Security would be unable to meet its obligations and would need to take other measures to satisfy its creditors, which could result in significant negative and other consequences, as described under "*MONI has a substantial amount of indebtedness and the costs of servicing that debt may materially affect its business*" in Part I, Item 1A, Risk Factors of the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

***Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may be required to recognize additional impairment charges.***

As of December 31, 2017, we had goodwill of \$563,549,000, which represented 27% of total assets. Goodwill was recorded in connection with the MONI, Security Networks, and LiveWatch acquisitions. The Company accounts for its goodwill pursuant to the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, *Intangibles-Goodwill and Other* ("FASB ASC Topic 350"). In accordance with FASB ASC Topic 350, goodwill is tested for impairment annually or when events or changes in circumstances occur that would, more likely than not, reduce the fair value of an asset below its carrying value, resulting in an impairment. Impairments may result from, among other things, deterioration in financial and operational performance, declines in stock price, increased attrition, adverse market conditions, adverse changes in applicable laws and/or regulations, deterioration of general macroeconomic conditions, fluctuations in foreign exchange rates, increased competitive markets in which Brinks Home Security operates in, declining financial performance over a sustained period, changes in key personnel and/or strategy, and a variety of other factors.

The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Any future impairment charges relating to goodwill or other intangible assets would have the effect of decreasing our earnings or increasing our losses in such period. At least annually, or as circumstances arise that may trigger an assessment, we will test our goodwill for impairment. The Company typically tests its goodwill for impairment in the fourth quarter of each year and determined to test its goodwill again during the second quarter 2018 in light of its recent stock price performance. During the three months ended June 30, 2018, the Company recorded a non-cash charge of \$214,400,000 for the impairment of goodwill at the MONI reporting unit primarily due to lower overall account acquisitions in recent periods. There can be no assurance that our future evaluations of goodwill will not result in our recognition of additional impairment charges, which may have a material adverse effect on our financial statements and results of operations.

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

## (c) Purchases of Equity Securities by the Issuer

The Company did not purchase any of its own equity securities during the three months ended June 30, 2018. The following table sets forth information concerning shares withheld in payment of withholding taxes, in each case, during the three months ended June 30, 2018.

Period	Total Number of Shares Purchased (Surrendered) (1)	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) or Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
4/1/2018 - 4/30/2018	6,045 (2)	\$ 3.54	—	
5/1/2018 - 5/31/2018	3,441 (2)	2.18	—	
6/1/2018 - 6/30/2018	—	—	—	
Total	9,486	\$ 3.04	—	

(1) On June 16, 2011, the Company announced that it received authorization to implement a share repurchase program, pursuant to which it could purchase up to \$25,000,000 of its shares of Series A Common Stock, from time to time. On November 14, 2013, November 10, 2014 and September 4, 2015, the Company's Board of Directors authorized, at each date, the repurchase of an incremental \$25,000,000 of its Series A Common Stock. As of June 30, 2018, 2,391,604 shares of Series A Common Stock had been purchased, at an average price paid of \$40.65 per share, pursuant to these authorizations. As of June 30, 2018, the remaining availability under the Company's existing share repurchase program will enable the Company to purchase up to an aggregate of approximately \$2,771,000 of Series A Common Stock. The Company may also purchase shares of its Series B Common Stock, under the remaining availability of the program.

(2) Represents shares withheld in payment of withholding taxes upon vesting of employees' restricted share awards.

**Item 5. Other Information****General Development of Business**

We were incorporated in the state of Delaware on May 29, 2008 and were a wholly-owned subsidiary of Discovery Holding Company ("DHC"), a subsidiary of Discovery Communications, Inc. On September 17, 2008, Ascent Capital was spun off from DHC and became an independent, publicly traded company. The spin-off was intended to qualify as a tax-free transaction.

On February 26, 2018, Monitronics International Inc. ("Monitronics" and, collectively with its subsidiaries, doing business as "Brinks Home Security™") entered into an exclusive, long-term, trademark licensing agreement with The Brink's Company ("Brink's"), which resulted in a complete rebranding of Monitronics and its subsidiary, LiveWatch Security, LLC ("LiveWatch") as Brinks Home Security (the "Brink's License Agreement"). Under the terms of the Brink's License Agreement, Monitronics has exclusive use of the Brinks and Brinks Home Security trademarks related to the residential smart home and home security categories in the U.S. and Canada for an initial term of seven years, which, subject to certain conditions, may be extended in subsequent renewal periods beyond 20 years pursuant to the agreement's renewal provisions.

At June 30, 2018, our assets consisted primarily of our primary wholly-owned operating subsidiaries, Brinks Home Security, investments in marketable securities and cash and cash equivalents.

At June 30, 2018, we had investments in marketable securities and cash and cash equivalents, on a consolidated basis, of \$105,515,000 and \$4,185,000, respectively.

Brinks Home Security provides residential customers and commercial client accounts with monitored home and business security systems, as well as interactive and home automation services, in the United States, Canada and Puerto Rico. Brinks Home Security customers are obtained through its direct-to-consumer sales channel (the "Direct to Consumer Channel") and its exclusive authorized dealer network (the "Dealer Channel"), which provides product and installation services, as well as support to customers. Its direct-to-consumer channel offers both Do-It-Yourself ("DIY") and professional installation security solutions.

\* \* \* \* \*

## **Financial Information About Reportable Segments**

We identify our reportable segments based on financial information reviewed by the Company's chief operating decision maker. Prior to the second quarter of 2018, we reported financial information for our consolidated business segments that represented more than 10% of our consolidated revenue or earnings before income taxes. Based on the foregoing criteria, we had two reportable segments as of December 31, 2017 and 2016, MONI and LiveWatch.

The rollout of the Brinks Home Security brand in the second quarter of 2018 included the integration of our business model under a single brand. As part of the integration, we reorganized our business from two reportable segments, MONI and LiveWatch, to one reportable segment, Brinks Home Security. Following the integration, our chief operating decision maker reviews internal financial information on a Brinks Home Security consolidated basis, which excludes corporate Ascent Capital activities and consolidation eliminations not associated with the operation of Brinks Home Security. Total assets related to corporate Ascent Capital activities are \$107,885,000 and \$113,698,000 as of June 30, 2018 and December 31, 2017, respectively. Net gain (loss) from continuing operations before income taxes related to corporate Ascent Capital activities was \$(2,575,000) and \$(7,206,000) for the three and six months ended June 30, 2018, as compared to \$9,543,000 and \$11,559,000 for the three and six months ended June 30, 2017.

## **Narrative Description of Business**

Ascent Capital, a Delaware corporation, is a holding company whose principal assets as of June 30, 2018 consisted of our primary wholly-owned operating subsidiaries, Brinks Home Security, investments in marketable securities and cash and cash equivalents. Our principal executive office is located at 5251 DTC Parkway, Suite 1000, Greenwood Village, Colorado 80111, telephone number (303) 628-5600.

Monitronics was incorporated in Texas in 1994 and is headquartered in Farmers Branch, Texas.

### **Brinks Home Security**

Through Brinks Home Security, we are one of the largest security alarm monitoring companies in North America, with customers under contract in all 50 states, the District of Columbia, Puerto Rico and Canada. Brinks Home Security offers:

- monitoring services for alarm signals arising from burglaries, fires, medical alerts and other events through security systems at our customers' premises;
- a comprehensive platform of home automation services, including, among other things, remote activation and control of security systems, support for video monitoring, flood sensors, automated garage door and door lock capabilities and thermostat integration, with mobile device accessibility provided through our proprietary mobile notification system;
- hands-free two-way interactive voice communication between our monitoring center and our customers; and
- customer service and technical support related to home monitoring systems and home automation services.

The Brinks Home Security business model consists of two principal sales channels consisting of customers sourced through our Dealer Channel and our Direct to Consumer Channel, which sources customers through direct-to-consumer advertising primarily through internet, print and partnership program marketing activities. In May 2018, both the Dealer Channel and Direct to Consumer Channels began to go to market under the Brinks Home Security brand.

Our Dealer Channel, which we consider exclusive based on our right of first refusal with respect to any accounts generated by such dealers, is our largest source of customers representing 62% of gross additional customers in the second quarter of 2018, when excluding bulk account purchases in the period. By outsourcing the low margin, high fixed-cost elements of Brinks Home Security's business to a large network of dealers, it has significant flexibility in managing our asset-light cost structure across business cycles. Accordingly, Brinks Home Security is able to allocate capital to growing its revenue-generating customer base rather than to local offices or depreciating hard assets and, we believe, derive higher cash flow generation.

Our Direct to Consumer Channel is an important addition to our channel diversity. Our Direct to Consumer Channel accounted for 38% of our gross additional customers in the second quarter of 2018, when excluding bulk account purchases in the period. Our Direct to Consumer Channel provides customers with a do-it-yourself ("DIY") home security product and a professional installation option. Our DIY offering provides an asset-light, geographically unconstrained product. In contrast to our Dealer

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Channel with local market presence, our Direct to Consumer Channel generates accounts through leads from direct response marketing. The Direct to Consumer Channel, including DIY, is expected to lower creation costs per account acquired.

Brinks Home Security generates nearly all of its revenue from fees charged to customers (or "subscribers") under alarm monitoring agreements ("AMAs"), which include access to interactive and automation features at a higher fee. Additional revenue is also generated as our customers bundle other interactive services with their traditional monitoring services. During the three months ended June 30, 2018, 95% of new customers purchased at least one of Brinks Home Security's interactive services alongside traditional security monitoring services. As of June 30, 2018, Brinks Home Security had 955,853 subscribers generating \$43,000,000 of Recurring Monthly Revenue ("RMR").

Brinks Home Security generates incremental revenue through product and installation sales or by providing additional services, such as maintenance and wholesale contract monitoring. Contract monitoring includes fees charged to other security alarm companies for monitoring their accounts on a wholesale basis. As of June 30, 2018, Brinks Home Security provided wholesale monitoring services for over 57,000 accounts. The incremental revenue streams do not represent a significant portion of our overall revenue.

### ***Sales and Marketing***

In June 2018, management began marketing the Brinks Home Security brand directly to consumers through internet and print national advertising campaigns and partnerships with other subscription- or member-based organizations and businesses. This, coupled with the Authorized Dealer nationwide network, is an effective way for us to market alarm systems. Locally-based dealers are often an integral part of the communities they serve and understand the local market and how best to satisfy local needs. By combining the dealer's local presence and reputation with the nationally marketed Brinks Home Security brand, accompanied with its high quality service and support, Brinks Home Security is able to cost-effectively provide local services and take advantage of economies of scale where appropriate. Brinks Home Security also offers a differentiated go-to-market strategy through direct response TV, internet and radio advertising.

### ***Dealer Channel***

Brinks Home Security's Dealer Channel consists of over 345 independent dealers who are typically small businesses that sell and install alarm systems. These dealers generally do not retain the AMAs due to the scale and large upfront investment required to build and efficiently operate monitoring stations and related infrastructure. These dealers typically sell the AMAs to third parties and outsource the monitoring function for any AMAs they retain. The initial contract term for contracts generated by the dealers are typically three to five years, with automatic renewals annually or on a month-to-month basis depending on state and local regulations. Brinks Home Security has the ability to monitor signals from nearly all types of residential security systems.

Brinks Home Security generally enters into exclusive contracts with dealers that typically have initial terms ranging between two to five years, with renewal terms thereafter. In order to maximize revenue and geographic diversification, Brinks Home Security partners with dealers from throughout the U.S. We believe Brinks Home Security's ability to maximize return on invested capital is largely dependent on the quality of our dealers and the accounts acquired. In addition, rigorous underwriting standards are applied and a detailed review of each AMA to be acquired.

Brinks Home Security generally acquires each new AMA at a cost based on a multiple of the account's RMR. The dealer contracts generally provide that if an acquired AMA is terminated within the first 12 months, the dealer must replace the AMA or refund the AMA purchase price. To secure the dealer's obligation, Brinks Home Security typically retains a percentage of the AMA purchase price.

### ***Customer Integration and Marketing***

Dealers in our Dealer Channel typically introduce customers to Brinks Home Security when describing its central monitoring station. Following the acquisition of an AMA from a dealer, the customer is notified that Brinks Home Security is responsible for all their monitoring and customer service needs. The customer's awareness and identification of the Brinks Home Security brand as the monitoring service provider is further supported by the distribution of branded materials by the dealer to the customer at the point of sale. Such materials may include the promotional items listed below. All materials provided in the dealer model focus on the Brinks Home Security brand and its role as the single source of support for the customer.

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### *Dealer Network Development*

Brinks Home Security remains focused on expanding its network of independent authorized dealers. To do so, it has established a dealer program that provides participating dealers with a variety of support services to assist them as they grow their businesses. Authorized dealers may use the Brinks Home Security brand name in their sales and marketing activities and on the products they sell and install. Authorized dealers benefit from their affiliation with Brinks Home Security and its national reputation for high customer satisfaction, as well as the support they receive from Brinks Home Security. Authorized dealers also have the opportunity to obtain discounts on alarm systems and other equipment purchased by such dealers from original equipment manufacturers. Brinks Home Security also makes available sales, business and technical training, sales literature, co-branded marketing materials, sales leads and management support to its authorized dealers. In most cases, these services and cost savings would not be available to security alarm dealers on an individual basis.

Currently, Brinks Home Security employs sales representatives to promote its authorized dealer program, find account acquisition opportunities and sell its monitoring services. Brinks Home Security targets independent alarm dealers across the U.S. that can benefit from its dealer program services and can generate high quality monitoring customers for the company. Brinks Home Security uses a variety of marketing techniques to promote the dealer program and related services. These activities include direct mail, trade magazine advertising, trade shows, internet web site marketing, publicity and telemarketing.

### *Dealer Marketing Support*

Brinks Home Security offers its authorized dealers an extensive marketing support program that is focused on developing professionally designed sales and marketing materials that will help dealers market alarm systems and monitoring services with maximum effectiveness. Materials offered to authorized dealers include:

- sales brochures and flyers;
- yard signs;
- window decals;
- customer forms and agreements;
- sales presentation binders;
- door hangers;
- vehicle graphics;
- trade show booths; and
- clothing bearing the Brinks Home Security brand name.

These materials are made available to dealers at prices that our management believes would not be available to dealers on an individual basis.

Sales materials used by authorized dealers promote both the Brinks Home Security brand and the dealer's status as a Brinks Home Security authorized dealer. Dealers often sell and install alarm systems which display the Brinks Home Security logo and telephone number, which further strengthens consumer recognition of their status as Brinks Home Security authorized dealers. Management believes that the dealers' use of the Brinks Home Security brand to promote their affiliation with one of the nation's largest alarm monitoring companies boosts the dealers' credibility and reputation in their local markets and also assists in supporting their sales success.

### *Negotiated Account Acquisitions*

In addition to the development of Brinks Home Security's dealer network, it periodically acquire alarm monitoring accounts from other alarm companies in bulk on a negotiated basis. Our management has extensive experience in identifying potential opportunities, negotiating account acquisitions and performing thorough due diligence, which helps facilitate execution of new acquisitions in a timely manner.

### *Customer Operations*

Once a customer has contracted for services through the Dealer Channel, Brinks Home Security provides monitoring services as well as billing and 24-hour telephone support through its central monitoring station, located in Farmers Branch, Texas. This facility is Underwriters Laboratories ("UL") listed. To obtain and maintain a UL listing, an alarm monitoring center must be located in a building meeting UL's structural requirements, have back-up and uninterruptable power supplies, have secure telephone lines and maintain redundant computer systems. UL conducts periodic reviews of alarm monitoring centers to ensure compliance with their requirements. Brinks Home Security's central monitoring station has also received the Monitoring

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Association's prestigious Five Diamond certification. Five Diamond certification is achieved by having all alarm monitoring operators complete special industry training and pass an exam.

Brinks Home Security also has a back-up facility in Dallas, Texas that is capable of supporting monitoring and certain customer service operations in the event of a disruption at its primary monitoring and customer care center.

Brinks Home Security's telephone systems utilize high-capacity, high-quality, digital circuits backed up by conventional telephone lines. When an alarm signal is received at the monitoring facility, it is routed to an operator. At the same time, information concerning the subscriber whose alarm has been activated and the nature and location of the alarm signal is delivered to the operator's computer terminal. The operator is then responsible for following standard procedures to contact the subscriber or take other appropriate action, including, if the situation requires, contacting local emergency service providers. Brinks Home Security never dispatches its own personnel to the subscriber's premises in response to an alarm event. If a subscriber lives in an area where the emergency service provider will not respond without verification of an actual emergency, Brinks Home Security will contract with an independent third party responder if available in that area.

Security system interactive and home automation services are contracted with and provided by various third party technology companies to the subscriber.

Brinks Home Security seeks to increase subscriber satisfaction and retention by carefully managing customer and technical service. The customer service center handles all general inquiries from all subscribers, including those related to subscriber information changes, basic alarm troubleshooting, alarm verification, technical service requests and requests to enhance existing services. Brinks Home Security has a proprietary centralized information system that enables it to satisfy over 90% of subscriber technical inquiries over the telephone, without dispatching a service technician. If the customer requires field service, Brinks Home Security relies on its nationwide network of independent service dealers and over 85 employee field service technicians to provide such service. Brinks Home Security closely monitors service dealer performance with customer satisfaction forms, follow-up quality assurance calls and other performance metrics. In 2017, Brinks Home Security dispatched approximately 295 independent service dealers around the country to handle its field service.

### ***DIY and Customer Operations***

Brinks Home Security is also a leading DIY home security provider offering professionally monitored security services through the Direct to Consumer Channel. This DIY business is an asset-light business and geographically unconstrained. Brinks Home Security obtains subscribers through e-commerce online sales and through a trained inside sales phone operation and typically offers substantial equipment subsidies to initiate, renew or upgrade AMAs. The initial contract term for DIY AMAs is typically one to three years, with automatic renewal on a month-to-month basis.

When a customer initiates and completes the sales process to obtain alarm monitoring services, including signing an AMA, Brinks Home Security pre-configures the alarm monitoring system based on the customer's specifications, then packages and ships the equipment directly to the customer. The customer self-installs the equipment on-site and activates the monitoring service over the phone. Technical support for installation is provided via telephone or online assistance via the Brinks Home Security website. Monitoring services are provided through a third party central monitoring station. Security system, interactive and home automation services are contracted with and provided to the subscriber by various third party technology companies. Brinks Home Security customer care centers handle general inquiries from the DIY subscribers as well as engage in retention activities.

### ***Customers***

We believe Brinks Home Security's subscriber acquisition process, which includes both clearly defined customer account standards and a comprehensive due diligence process focusing on both the dealers and the AMAs to be acquired, contributes significantly to the high quality of Brinks Home Security's subscriber base. For each of the last five calendar years, the average credit score associated with AMAs that were acquired was 715 or higher on the FICO scale.

Approximately 94% of Brinks Home Security's subscribers are residential homeowners and the remainder are small commercial accounts. We believe that by focusing on residential homeowners, rather than renters, it can reduce attrition, because homeowners relocate less frequently than renters.

***Intellectual Property***

Pursuant to the terms of the Brink's License Agreement, Monitronics has exclusive use of the Brinks and Brinks Home Security trademarks related to the residential smart home and home security categories in the U.S. and Canada. Brinks Home Security also owns certain proprietary software applications that are used to provide services to our dealers and subscribers, including various trademarks, patents and patents pending related to our "ASAPer" system, which causes a predetermined group of recipients to receive a text message automatically once an alarm is triggered. Other than as mentioned above, we and our subsidiaries do not hold any patents or other intellectual property rights on our proprietary software applications.

**Strategy**

***Corporate Strategy***

Ascent Capital actively seeks opportunities to leverage Brinks Home Security's strong operating platform and capital position through strategic acquisitions and investments in the security alarm monitoring industry as well as other life safety industries.

We continually evaluate acquisition and investment opportunities that we believe offer the opportunity for attractive returns on equity. In evaluating potential acquisition and investment candidates we consider various factors, including among other things:

- opportunities that strategically align with our existing operations;
- financial characteristics, including recurring revenue streams and free cash flow;
- growth potential;
- potential return on investment incorporating appropriate financial leverage, including the target's existing indebtedness and opportunities to restructure some or all of that indebtedness;
- risk profile of business; and
- the presence of a strong management team.

We consider acquisitions and investments utilizing cash, leverage and, potentially, Ascent Capital stock. In addition to acquisitions, we consider majority ownership positions, minority equity investments and, in appropriate circumstances, senior debt investments that we believe provide either a path to full ownership or control, the possibility for high returns on investment, or significant strategic benefits.

Our acquisition and investment strategy entails risk. While our preference is to build our presence in the security alarm monitoring industry through acquisitions, we will also consider potential acquisitions in other life safety industries, which could result in further changes in our operations from those historically conducted by us.

***Brinks Home Security Strategy***

Brinks Home Security's goal is to maximize return on invested capital, which it believes can be achieved by pursuing the following strategies:

***Capitalize on Limited Market Penetration***

Brinks Home Security seeks to capitalize on what it views as the current limited market penetration in security services and grow its existing customer base through the following initiatives:

- continue to develop its leading dealer position in the market to drive acquisitions of high quality AMAs;
- leverage its Direct to Consumer business to competitively secure new customers without significantly altering its existing asset-light business model;
- increase home integration, automation and ancillary product offerings; and
- continue to monitor potential accretive merger and acquisition opportunities and further industry contraction.

***Proactively Manage Customer Attrition***

Customer attrition has historically been reasonably predictable and Brinks Home Security regularly identifies and monitors the principal drivers thereof, including its customers' credit scores, which Brinks Home Security believes are the strongest predictors of retention. Brinks Home Security seeks to maximize customer retention by consistently offering high quality automated home monitoring services and increasing the average life of acquired AMAs through the following initiatives:

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- maintain the high quality of Brinks Home Security's customer base by continuing to implement its highly disciplined AMA acquisition program;
- continue to motivate Brinks Home Security's dealers to obtain only high-quality accounts through incentives built into purchase multiples and by having a performance guarantee on substantially all dealer originated accounts;
- prioritize the inclusion of interactive and home automation services in the AMAs that Brinks Home Security purchases, which we believe increases customer retention;
- proactively identifying customers “at-risk” for attrition through new technology initiatives;
- improve customer care and first call resolution;
- continue to implement initiatives to reduce core attrition, which include more effective initial on-boarding of customers, conducting customer surveys at key touchpoints and competitive retention offers for departing customers; and
- utilize available customer data to actively identify customers who are relocating and target retention of such customers.

### *Maximize Economics of Business Model*

Due to the scalability of Brinks Home Security's operations and the low fixed and variable costs inherent in its cost structure, we believe we will continue to experience high Adjusted EBITDA margins as costs are spread over increased recurring revenue streams. In addition, Brinks Home Security optimizes the rate of return on investment by managing subscriber acquisition costs, or the costs of acquiring an account (“Subscriber Acquisition Costs”). Subscriber Acquisition Costs, whether capitalized or expensed, include the costs related to the Direct to Consumer Channel and the costs to acquire alarm monitoring contracts from authorized dealers and certain sales and marketing costs. Brinks Home Security consistently offers what it views as competitive rates for account acquisition. We believe our cash flows may also benefit from continued efforts to decrease Brinks Home Security’s cost to serve by investing in customer service automation, targeting cost saving initiatives and integrating the operations of our subsidiaries.

### *Grow Dealer Channel*

Brinks Home Security plans to expand AMA acquisitions by targeting new dealers from whom it expects to generate high quality customers. We believe that by providing dealers with a full range of services designed to assist them in all aspects of their business, including sales leads, sales training, technical training, comprehensive on-line account access, detailed weekly account summaries, sales support materials and discounts on security system hardware purchased through our strategic alliances with security system manufacturers, Brinks Home Security is able to attract and partner with dealers that will succeed in its existing dealer network.

### **Industry; Competition**

The security alarm industry is highly competitive and fragmented. Brinks Home Security's competitors include two other major security alarm companies with nationwide coverage, numerous smaller providers with regional or local coverage and certain large multi-service organizations in the telecommunications or cable businesses. Brinks Home Security's significant competitors for obtaining subscriber AMA's are:

- ADT, Inc. (“ADT”);
- Vivint, Inc.;
- Guardian Protection Services;
- Vector Security, Inc.;
- Comcast Corporation; and
- SimpliSafe, Inc.

Competition in the security alarm industry is based primarily on reputation for quality of service, market visibility, services offered, price and the ability to identify and obtain customer accounts. Competition for customers has also increased in recent years with the emergence of DIY home security providers and other technology companies expanding into the security alarm industry. We believe Brinks Home Security competes effectively with other national, regional and local alarm monitoring companies, including cable and telecommunications companies, due to its reputation for reliable monitoring, customer and technical services, the quality of its services, and its relatively lower cost structure. We believe the dynamics of the security alarm industry favor larger alarm monitoring companies, such as Brinks Home Security, with a nationwide focus that have greater resources and benefit from economies of scale in technology, advertising and other expenditures.



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Some of these security alarm companies have also adopted, in whole or in part, a dealer program similar to Brinks Home Security's. In these instances, Brinks Home Security must also compete with these programs in recruiting dealers. We believe Brinks Home Security competes effectively with other dealer programs due to the quality of its dealer support services and its competitive acquisition terms. Brinks Home Security's significant competitors for recruiting dealers are:

- ADT;
- Central Security Group, Inc.;
- Guardian Protection Services, Inc.; and
- Vector Security, Inc.

### **Seasonality**

Brinks Home Security's operations are subject to a certain level of seasonality. Since more household moves take place during the second and third calendar quarters of each year, Brinks Home Security's disconnect rate and expenses related to retaining customers are typically higher in those calendar quarters than in the first and fourth quarters. There is also a slight seasonal effect resulting in higher new customer volume and related cash expenditures incurred in investment in new subscribers in the second and third quarters.

### **Regulatory Matters**

Brinks Home Security's operations are subject to a variety of laws, regulations and licensing requirements of federal, state and local authorities including federal and state customer protection laws. In certain jurisdictions, Brinks Home Security is required to obtain licenses or permits to comply with standards governing employee selection and training and to meet certain standards in the conduct of its business. The security industry is also subject to requirements imposed by various insurance, approval, listing and standards organizations. Depending upon the type of subscriber served, the type of security service provided and the requirements of the applicable local governmental jurisdiction, adherence to the requirements and standards of such organizations is mandatory in some instances and voluntary in others.

Although local governments routinely respond to panic and smoke/fire alarms, there are an increasing number of local governmental authorities that have adopted or are considering various measures aimed at reducing the number of false burglar alarms. Such measures include:

- subjecting alarm monitoring companies to fines or penalties for false alarms;
- imposing fines on alarm subscribers for false alarms;
- imposing limitations on the number of times the police will respond to false alarms at a particular location;
- requiring additional verification of intrusion alarms by calling two different phone numbers prior to dispatch ("Enhanced Call Verification"); and
- requiring visual verification of an actual emergency at the premise before the police will respond to an alarm signal.

Enhanced Call Verification has been implemented as standard policy by our company.

Security alarm systems monitored by Brinks Home Security utilize telephone lines, internet connections, cellular networks and radio frequencies to transmit alarm signals. The cost of telephone lines, and the type of equipment which may be used in telephone line transmission, are currently regulated by both federal and state governments. The operation and utilization of cellular and radio frequencies are regulated by the Federal Communications Commission and state public utility commissions.

### **Employees**

At June 30, 2018, Ascent Capital, together with its subsidiaries, had over 1,280 full-time employees and over 60 part-time employees, all of which are located in the U.S.

### **Financial Information About Geographic Areas**

Brinks Home Security provides monitoring services for subscribers located in all 50 states, the District of Columbia, Puerto Rico, and Canada.

### **Available Information**

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All of our filings with the Securities and Exchange Commission (the "SEC"), including our Form 10-Ks, Form 10-Qs and Form 8-Ks, as well as amendments to such filings are available on our Internet website free of charge generally within 24 hours after we file such material with the SEC. Our website address is [www.ascentcapitalgroupinc.com](http://www.ascentcapitalgroupinc.com).

Our corporate governance guidelines, code of business conduct and ethics, compensation committee charter, nominating and corporate governance committee charter, and audit committee charter are available on our website. In addition, we will provide a copy of any of these documents, free of charge, to any shareholder who calls or submits a request in writing to Investor Relations, Ascent Capital Group, Inc., 5251 DTC Parkway, Suite 1000, Greenwood Village, Colorado 80111, telephone no. (303) 628-5600.

The information contained on our website is not incorporated by reference herein.

**Item 6. Exhibits**

Listed below are the exhibits which are included as a part of this Report (according to the number assigned to them in Item 601 of Regulation S-K):

10.1	<a href="#">Amended and Restated Employment Agreement, dated April 2, 2018, between Ascent Capital Group, Inc. ("Ascent Capital") and William E. Niles.</a> *
10.2	<a href="#">Form of Director Compensation Letter, dated May 10, 2018, from Ascent Capital to William R. Fitzgerald.</a> *
10.3	<a href="#">Severance Agreement and General Release, dated May 10, 2018, between Ascent Capital and William R. Fitzgerald.</a> *
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification.</a> *
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification.</a> *
32	<a href="#">Section 1350 Certification.</a> **
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 Labels Linkbase Document. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. *

\* Filed herewith.

\*\* Furnished herewith.

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.

ASCENT CAPITAL GROUP, INC.

Date: August 3, 2018

By: /s/ William E. Niles  
William E. Niles  
Chief Executive Officer, General Counsel and Secretary

Date: August 3, 2018

By: /s/ Fred A. Graffam  
Fred A. Graffam  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

AMENDED AND RESTATED

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”), made on April 2, 2018, to be effective as of April 1, 2018 (“Effective Date”), is entered into by and between Ascent Capital Group, Inc. (the “Company”), and William E. Niles (“Executive”).

INTRODUCTION

The Company and Executive are parties to an Employment Agreement, dated as of May 31, 2011, as thereafter amended (the “Original Agreement”).

The Company desires to continue to employ Executive, and Executive desires to accept such employment, under the terms and conditions set forth herein. The Company and the Executive desire to amend and restate in its entirety the Original Agreement on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

EMPLOYMENT; TERM; DUTIES

1 . 1 Employment. Upon the terms and conditions hereinafter set forth, the Company hereby employs Executive, and Executive hereby accepts employment, as Chief Executive Officer, General Counsel and Secretary of the Company. Notwithstanding the foregoing, at the request of the Board of Directors of the Company, Executive shall resign from the position of Chief Executive Officer and resume Executive’s prior position of Executive Vice President, General Counsel and Secretary and such request shall not be a violation of the terms of this Agreement.

1.2 Term. Subject to Article IV below, Executive’s employment hereunder shall begin as of the Effective Date and terminate at the close of business on February 28, 2020 or such earlier date as provided for herein (the “Term”).

1 . 3 Duties. During the Term, Executive shall perform such executive duties for the Company and/or its subsidiaries or affiliates (together, “Affiliates”), consistent with his position hereunder. Executive shall devote his entire productive business time, attention and energies to the performance of his duties hereunder. Executive shall use his best efforts to advance the interests and business of the Company and its Affiliates. Executive shall abide by the rules, regulations and policies of the Company, as may be in effect from time to time. Notwithstanding the foregoing, during the Term, Executive may act for his own account in passive-type investments as provided in Section 5.3, or as a member of boards of directors of other companies, where the time allocated for those activities does not materially interfere with or create a conflict of interest with the discharge of his duties for the Company.

1.4 Reporting. Executive shall report directly to the Board of Directors of the Company.

1.5 Location. Except for services rendered during business trips as may be reasonably necessary, Executive shall render his services under this Agreement primarily from the principal executive offices of the Company in the Denver, Colorado metropolitan area.

1.6 Exclusive Agreement. Executive represents and warrants to the Company that there are no agreements or arrangements, whether written or oral, in effect which would prevent Executive from rendering his exclusive services to the Company during the Term.

## ARTICLE II

### COMPENSATION

2.1 Compensation. For all services rendered by Executive hereunder and all covenants and conditions undertaken by him pursuant to this Agreement, the Company shall pay, and Executive shall accept, as full compensation, the amounts set forth in this Article II.

2.2 Base Salary. Executive's base salary shall be an annual salary of \$500,000 ("Base Salary"), payable by the Company in accordance with the Company's normal payroll practices. The Base Salary shall be reviewed on an annual basis during the Term for increase in the sole discretion of the compensation committee (the "Committee") of the Board of Directors of the Company.

2.3 Bonus. For each fiscal year during the Term, in addition to the Base Salary, Executive shall be eligible for an annual discretionary bonus of 75% of Executive's Base Salary (the "Target Bonus"). Executive's entitlement to any bonus will be determined by the Committee in its sole discretion, based upon the achievement of such criteria as the Committee may establish in its sole discretion with respect to each fiscal year of the Term. Nothing in this Agreement shall be construed to guarantee the payment of any bonus to Executive. For the Purpose of calculating severance, the term "Target Bonus" shall mean an amount equal to 75% of Executive's then Base Salary.

2.4 Deductions. The Company shall deduct from the compensation described in Sections 2.2 and 2.3, and from any other compensation payable pursuant to this Agreement, any federal, state or local withholding taxes, social security contributions and any other amounts which may be required to be deducted or withheld by the Company pursuant to any federal, state or local laws, rules or regulations.

2.5 Disability Adjustment. Any compensation otherwise payable to Executive pursuant to Sections 2.2 and 2.3 in respect of any period during which Executive is Disabled (as defined in Section 4.4) shall be reduced by any amounts payable to Executive for loss of earnings or the like under any insurance plan or policy sponsored by the Company.

## ARTICLE III

### BENEFITS; EXPENSES

3.1 Benefits. During the Term, Executive shall be entitled to participate in such group life, health, accident, disability or hospitalization insurance plans, pension plans and retirement plans as the Company may make available to its other senior executive employees as a group, subject to the terms and conditions

of any such plans. Executive's participation in all such plans shall be at a level, and on terms and conditions, that are commensurate with his positions and responsibilities at the Company.

3.2 Expenses. The Company agrees that Executive is authorized to incur reasonable and appropriate expenses in the performance of his duties hereunder and in promoting the business of the Company in accordance with the terms of the Company's Travel & Entertainment Policy (as the same may be modified or amended by the Company from time to time in its sole discretion).

3.3 Vacation. Executive shall accrue a total of one hundred sixty (160) hours of vacation per year following the date of this Agreement. If, at any time during the Term, Executive accumulates two hundred forty (240) hours of earned but unused vacation time (the "Accrual Cap"), Executive will not accrue additional vacation time until he has taken a portion of the previously earned vacation. Executive will again accrue paid vacation time when his accumulated amount of earned but unused vacation time falls below the Accrual Cap. Upon termination of Executive's employment, any accrued but unused vacation time will be paid to Executive.

3.4 Key Man Insurance. The Company may secure in its own name or otherwise, and at its own expense, life, health, accident and other insurance covering Executive alone or with others, and Executive shall not have any right, title or interest in or to such insurance other than as expressly provided herein. Executive agrees to assist the Company in procuring such insurance by submitting to the usual and customary medical and other examinations to be conducted by such physicians as the Company or such insurance company may designate and by signing such applications and other written instruments as may be required by the insurance companies to which application is made for such insurance. Executive's failure to submit to such usual and customary medical and other examinations shall be deemed a material breach of this Agreement.

## ARTICLE IV

### TERMINATION; DEATH; DISABILITY

4.1 Termination of Employment For Cause. In addition to any other remedies available to the Company at law, in equity or as set forth in this Agreement, the Company shall have the right, upon written notice to Executive, to terminate Executive's employment hereunder at any time for "Cause" (a "Termination For Cause"). In the event of a Termination For Cause, Executive's employment will terminate and the Company shall have no further liability or obligation to Executive (other than the Company's obligation to pay Base Salary and vacation time accrued but unpaid as of the date of termination and reimbursement of expenses incurred prior to the date of termination in accordance with Section 3.2 above).

For purposes of this Agreement, "Cause" shall mean: (a) any act or omission that constitutes a breach by Executive of any of his material obligations under this Agreement; (b) the continued failure or refusal of Executive (i) to substantially perform the material duties required of him as an Executive of the Company and/or (ii) to comply with reasonable directions of the Board of Directors; (c) any material violation by Executive of any (i) policy, rule or regulation of the Company or (ii) any law or regulation applicable to the business of the Company or any of its Affiliates; (d) Executive's material act or omission constituting fraud, dishonesty or misrepresentation, occurring subsequent to the commencement of his employment with the Company; (e) Executive's gross negligence in the performance of his duties hereunder; (f) Executive's conviction of, or plea of guilty or *nolo contendere* to, any crime (whether or not involving the Company) which constitutes a felony or crime of moral turpitude or is punishable by imprisonment of thirty (30) days or more, provided, however, that nothing in this Agreement shall obligate the Company to pay Base Salary

or any bonus compensation or benefits during any period that Executive is unable to perform his duties hereunder due to any incarceration, and provided, further, that nothing shall prevent Executive's termination under any other subsection of this Section 4.1 if it provides independent grounds for termination; or (g) any other misconduct by Executive that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its Affiliates.

Notwithstanding the foregoing, no purported Termination For Cause pursuant to (a), (b), (c), (d), (e) or (g) of the preceding paragraph of this Section 4.1 shall be effective unless all of the following provisions shall have been complied with: (i) Executive shall be given written notice by the Company of its intention to effect a Termination For Cause, such notice to state in detail the particular circumstances that constitute the grounds on which the proposed Termination For Cause is based; and (ii) Executive shall have ten (10) business days after receiving such notice in which to cure such grounds, to the extent such cure is possible, as determined in the sole discretion of the Company.

4.2 Termination of Employment Without Cause. During the Term, the Company may at any time, in its sole discretion, terminate the employment of Executive hereunder for any reason (other than those set forth in Section 4.1 above) upon written notice (the "Termination Notice") to Executive (a "Termination Without Cause"). In such event, the Company shall pay Executive an amount equal to the sum of the following:

- (a) any Base Salary and vacation time accrued but unpaid as of the date of termination;
- (b) subject to Sections 4.5, 4.6, 4.7 and 5.3 below, an amount (the "Severance Payment") equal to the sum of:
  - (i) if the termination of Executive's employment occurs prior to a Change in Control (as defined in Section 4.9), the product of (i) the sum of Executive's Base Salary plus the Target Bonus, both as in effect immediately prior to such Termination Without Cause multiplied by (ii) 2; or
  - (ii) if the termination of Executive's employment occurs concurrently with or following a Change in Control, the product of (i) the sum of Executive's Base Salary plus the Target Bonus, both as in effect immediately prior to such Termination Without Cause multiplied by (ii) 2.5;
- (c) any Bonus to which Executive has become entitled for the calendar year prior to the year in which such Termination Without Cause occurs but which remains unpaid at the date of termination ("Unpaid Bonus"); and
- (d) any reimbursement for expenses incurred in accordance with Section 3.2.

Any Severance Payment to which Executive becomes entitled shall be payable in cash in a lump sum no later than the sixtieth (60<sup>th</sup>) day following the date of termination of Executive's employment (or, if such day is not a business day, on the first business day thereafter).

In addition, subject to Sections 4.5 and 4.6 below, to the extent such coverage is available and is elected by Executive under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), the Company shall contribute to the health insurance plan maintained by the Company and covering the Executive and his dependents as of the date of termination, or any successor plan maintained by the Company, that amount that reflects the proportionate part of the premium for such coverage that is paid by the Company as

of the date of termination (the “Benefits Payments”), such Benefits Payments to be made monthly in accordance with the Company’s normal procedures for the payment of health insurance premiums, throughout the period beginning on the date of termination and ending on the earlier of the 24-month anniversary of the date of termination and the expiration of the coverage period specified in COBRA, such period to be determined as of the date of termination (the “Reimbursement Period”) (i.e., Executive shall bear responsibility for that portion of the health insurance premiums in excess of the Benefits Payments), or, alternately, in the Company’s sole discretion, the Company shall reimburse Executive the amount of the Benefits Payment on a monthly basis during the Reimbursement Period, upon Executive’s submission to the Company of adequate proof of payment of the full COBRA premium by Executive; provided, however, that if Executive becomes employed with another employer during the Reimbursement Period and is eligible to receive health and/or medical benefits that are substantially comparable to those offered by the Company under such other employer’s plans, as determined by the Company, the Company’s payment obligation under this paragraph shall end. Executive will notify the Company of his eligibility for such other employer-provided benefits within thirty (30) days of attaining of such eligibility. Notwithstanding the foregoing, in the event that the Company’s payment obligation under this paragraph would violate the nondiscrimination rules applicable to non-grandfathered group health plans, or result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder (“PPACA”), the Company and Executive agree to reform this paragraph in a manner as is necessary to comply with PPACA while still providing economically equivalent benefits. For the avoidance of doubt, Executive shall be responsible for paying any U.S. federal or state income taxes associated with the Benefits Payments.

At least ninety (90) days prior to the expiration of the Term, the Company shall deliver a written notice to Executive stating either (i) that the Company does not intend to offer Executive a new employment agreement to take effect at the expiration of the Term (a “Non-Renewal Notice”) or (ii) that the Company offers Executive a new employment agreement to take effect at the expiration of the Term upon terms (other than the length of the term of such new employment agreement) that are, in material respects, taken as a whole, at least as favorable to Executive as the terms of this Agreement, and the material terms of such offer shall be summarized or set forth in the notice (“Renewal Notice”). If the Company delivers a Non-Renewal Notice, or if the Company fails to deliver either a Renewal Notice or a Non-Renewal Notice on a timely basis as provided in the immediately preceding sentence, Executive’s employment shall be terminated at the expiration of the Term (or at such earlier date as may be set forth in the Non-Renewal Notice), and such termination shall be a Termination Without Cause, whereupon, subject to Sections 4.5, 4.6, 4.7, 4.8 and 5.3 below, Executive shall be entitled to receive the amounts and benefits as provided under this Section 4.2.

Executive acknowledges that the payments and benefits described in this Section 4.2, together with any rights or benefits under any written plan or agreement which have vested on or prior to the termination date of Executive’s employment under this Section 4.2, constitute the only payments which Executive shall be entitled to receive from the Company hereunder in the event of any termination of his employment pursuant to this Section 4.2, and the Company shall have no further liability or obligation to him hereunder or otherwise in respect of his employment.

4.3 Termination of Employment With Good Reason. In addition to any other remedies available to Executive at law, in equity or as set forth in this Agreement, Executive shall have the right during the Term, upon written notice to the Company, to terminate his employment hereunder upon the occurrence of any of the following events without the prior written consent of Executive: (a) a reduction in Executive’s then current Base Salary; (b) the relocation by the Company of Executive’s principal place of employment to a location more than 35 miles from Executive’s principal place of employment prior to such relocation, without Executive’s consent, or (c) a breach by the Company of any material provision of this Agreement (a



“Termination With Good Reason”). For the avoidance of doubt, the change in Executive’s position as described in Section 1.1 shall not give rise to an event constituting a Termination With Good Reason.

Notwithstanding the foregoing, no purported Termination With Good Reason pursuant to Section 4.3(a), (b) or (c) shall be effective unless all of the following provisions shall have been complied with: (i) the Company shall be given written notice by Executive of the intention to effect a Termination With Good Reason, such notice to state in detail the particular circumstances that constitute the grounds on which the proposed Termination With Good Reason is based and to be given no later than ninety (90) days after the initial occurrence of such circumstances; (ii) the Company shall have thirty (30) days after receiving such notice in which to cure such grounds, to the extent such cure is possible and (iii) if the Company fails to cure such grounds within such 30-day period, Executive terminates his employment hereunder on the last day of such 30-day period.

In the event that a Termination With Good Reason occurs, then, subject to Sections 4.5, 4.6, 4.7 and 5.3 below, Executive shall have the same entitlement to the same amounts and benefits as provided under Section 4.2 for a Termination Without Cause.

Executive acknowledges that the payments and benefits referred to in this Section 4.3, together with any rights or benefits under any written plan or agreement which have vested on or prior to the termination date of Executive’s employment under this Section 4.3, constitute the only payments which Executive shall be entitled to receive from the Company hereunder in the event of any termination of his employment pursuant to this Section 4.3, and the Company shall have no further liability or obligation to him hereunder or otherwise in respect of his employment.

4.4 Death; Disability. In the event that Executive dies or becomes Disabled (as defined herein) during the Term, Executive’s employment shall terminate when such death or Disability occurs and the Company shall pay Executive (or his legal representative, as the case may be) as follows:

- (a) any Base Salary and vacation time accrued but unpaid as of the date of death or termination for Disability payable in a single lump sum cash payment within thirty (30) days of such termination of employment;
- (b) any reimbursement for expenses incurred in accordance with Section 3.2.; and
- (c) an amount equal to 18 months of Base Salary in effect immediately prior to such death or Disability payable in a single cash lump sum on the 60th business day following the termination date.

For the purposes of this Agreement, Executive shall be deemed to be “Disabled” or have a “Disability” if, because of Executive’s physical or mental disability, he has been substantially unable to perform his duties hereunder for twelve (12) work weeks in any twelve (12) month period. Executive shall be considered to have been substantially unable to perform his duties hereunder only if he is either (a) unable to reasonably and effectively carry out his duties with reasonable accommodations by the Company or (b) unable to reasonably and effectively carry out his duties because any reasonable accommodation which may be required would cause the Company undue hardship. In the event of a disagreement concerning Executive’s purported Disability, Executive shall submit to such examinations as are deemed appropriate by three practicing physicians specializing in the area of Executive’s Disability, one selected by Executive, one selected by the Company, and one selected by both such physicians. The majority decision of such three physicians shall be final and binding on the parties.

Notwithstanding the foregoing, to the extent and for the period required by any state or federal family and medical leave law, upon Executive's request (i) he shall be considered to be on unpaid leave of absence and not terminated, (ii) his group health benefits shall remain in full force and effect, and (iii) if Executive recovers from any such Disability, at that time, to the extent required by any state or federal family and medical leave law, upon Executive's request, he shall be restored to his position hereunder or to an equivalent position, as the Company may determine, and the Term of Executive's employment hereunder shall be reinstated effective upon such restoration. The Term shall not be extended by reason of such intervening leave of absence or termination, nor shall any compensation or benefits accrue in excess of those required by law during such intervening leave of absence or termination. Upon the expiration of any such rights, unless Executive has been restored to a position with the Company, he shall thereupon be considered terminated.

Executive acknowledges that the payments referred to in this Section 4.4, together with any rights or benefits under any written plan or agreement which have vested on or prior to the termination date of Executive's employment under this Section 4.4, constitute the only payments which Executive (or his legal representative, as the case may be) shall be entitled to receive from the Company hereunder in the event of a termination of his employment for death or Disability, and the Company shall have no further liability or obligation to him (or his legal representatives, as the case may be) hereunder or otherwise in respect of his employment.

4.5 No Mitigation by Executive. Except as otherwise expressly provided herein, Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for herein be reduced by any compensation earned by Executive as the result of employment by another employer; provided, however, that if Executive becomes employed with another employer and is eligible to receive health and/or medical benefits under such other employer's plans, Executive's continued benefits and/or plan coverage as set forth in Section 4.2 or 4.3, as the case may be, shall be reduced to the extent that comparable benefits and/or coverage is provided under such other employer's plans.

4.6 Severance Agreement and Release. In the event that Executive incurs a termination of employment pursuant to (i) a Termination Without Cause (as defined in Section 4.2 above), or (ii) a Termination With Good Reason (as defined in Section 4.3 above), payment by the Company of the amounts described in said sections shall be subject to the execution and delivery to the Company by Executive of a severance agreement and release (the "Release") in a form substantially and materially similar to Attachment A hereto within the applicable time period described below.

The Release shall be delivered to Executive, in the case of a Termination Without Cause, at the time of delivery of the Termination Notice, and, in the case of a Termination With Good Reason, upon delivery of written notice by Executive to the Company. Executive shall have a period of twenty-one (21) days (or, if required by applicable law, a period of forty-five (45) days) after the effective date of termination of this Agreement (the "Consideration Period") in which to execute and return the original, signed Release to the Company. If Executive delivers the original, signed Release to the Company prior to the expiration of the Consideration Period and does not thereafter revoke such Release within any period of time provided therefor under applicable law, Executive shall, subject to Sections 4.7 and 5.3 below, be entitled to the Severance Payment as described in Section 4.2 (including by reason of Section 4.3, if applicable).

If Executive does not deliver the original, signed Release to the Company prior to the expiration of the Consideration Period, or if Executive delivers the original, signed Release to the Company prior to the

expiration of the Consideration Period and thereafter revokes such Release within any period of time provided therefor under applicable law, then:

- (a) the Company shall pay Executive an amount equal to the sum of (i) any Base Salary and vacation time accrued but unpaid as of the date of termination, plus (ii) any reimbursement for expenses incurred in accordance with Section 3.2, plus (iii) any Unpaid Bonus; and
- (b) the Company shall have no obligation to pay to Executive the Severance Payment (as that term is defined in Section 4.2(b) above) or the Benefits Payments (as that term is defined in Section 4.2).

4.7 Continued Compliance. Executive and the Company hereby acknowledge that any Severance Payments and Benefits Payments payable by the Company under Section 4.2 (including by reason of Section 4.3) are part of the consideration for Executive's undertakings under Article V below. Such amounts are subject to Executive's continued compliance with the provisions of Article V. If Executive violates the provisions of Article V, then the Company will have no obligation to make any of the Severance Payments or Benefits Payments that remain payable by the Company under Section 4.2 (including by reason of Section 4.3) on or after the date of such violation.

4.8 Change in Control. For purposes of this Agreement, a "Change in Control" means any of the following that otherwise meets the definition of a "change in ownership," a "change in effective control" or a "change in ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury regulations promulgated thereunder:

- (i) the acquisition by any person or group (excluding John C. Malone and/or any family member(s) of John C. Malone and/or any trust or other entity or investment vehicle controlled by such persons or the holdings of which are for the primary benefit of any of such persons (collectively, the "Permitted Holders")) of ownership of stock of the Company that, together with stock already held by such person or group, constitutes more than 50% of the total fair market value or more than 50% of the total voting power of the stock of the Company;
- (ii) the acquisition by any person or group (other than the Permitted Holders), in a single transaction or in multiple transactions all occurring during the 12-month period ending on the date of the most recent acquisition by such person or group, assets from the Company that have a total gross fair market value equal to or exceeding 40% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; or
- (iii) the acquisition by any person or group (other than the Permitted Holders), in a single transaction or in multiple transactions all occurring during the 12-month period ending on the date of the most recent acquisition by such person or group, of ownership of stock of the Company possessing 30% or more of the total voting power of the stock of Company or the replacement of a majority of the Company's Board of Directors during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Company's Board of Directors before the date of appointment or election.

For purposes of this Section 4.8, "person" and "group" have the meanings given to them for purposes of Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any

successor provisions, and the term “group” includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act, or any successor provision.

## ARTICLE V

### OWNERSHIP OF PROCEEDS OF EMPLOYMENT; NON-DISCLOSURE;

#### NON-COMPETITION

##### 5.1 Ownership of Proceeds of Employment.

5.1.1. The Company shall be the sole and exclusive owner throughout the universe in perpetuity of all of the results and proceeds of Executive’s services, work and labor in connection with Executive’s employment by the Company, free and clear of any and all claims, liens or encumbrances. Executive shall promptly and fully disclose to the Company, with all necessary detail for a complete understanding of the same, any and all developments, client and potential client lists, know how, discoveries, inventions, improvements, conceptions, ideas, writings, processes, formulae, contracts, methods, works, whether or not patentable or copyrightable, which are conceived, made, acquired, or written by Executive, solely or jointly with another, while employed by the Company or within six months thereafter (whether or not at the request or upon the suggestion of the Company) and which are substantially related to the business or activities of the Company or any of its Affiliates, or which Executive conceives as a result of his employment by the Company or its Affiliates, or as a result of rendering advisory or consulting services to the Company or its Affiliates (collectively, “Proprietary Rights”).

5.1.2. Executive hereby assigns and transfers, and agrees to assign and transfer, all his rights, title, and interests in the Proprietary Rights to the Company or its nominee. In addition, Executive shall deliver to the Company any and all drawings, notes, specifications, and data relating to the Proprietary Rights. All copyrightable Proprietary Rights shall be considered to be “works made for hire.” Whenever requested to do so by the Company, Executive shall execute and deliver to the Company any and all applications, assignments and other instruments and do such other acts that the Company shall request to apply for and obtain patents and/or copyrights in any and all countries or to otherwise protect the Company’s interest in the Proprietary Rights and/or to vest title thereto to the Company; provided, however, the provisions of this Section 5.1 shall not apply to any Proprietary Rights that Executive developed entirely on his own time without using the Company’s equipment, supplies, facilities or proprietary information, except for Proprietary Rights that (a) at the time of conception or reduction to practice of the Proprietary Rights, relate to the Company’s business, or actual or demonstrably anticipated research or development of the Company, or (b) result from any work performed by Executive for the Company.

5.1.3. Executive shall assist the Company in obtaining such copyrights and patents during the term of this Agreement, and any time thereafter on reasonable notice and at mutually convenient times, and Executive agrees to testify in any prosecution or litigation involving any of the Proprietary Rights; provided, however, Executive shall be reasonably compensated for his time and reimbursed for any out-of-pocket expenses incurred in rendering such assistance or giving or preparing to give such testimony.

## 5.2 Non-Disclosure of Confidential Information.

5.2.1. As used herein, “Confidential Information” means any and all information affecting or relating to the business of the Company and its Affiliates, including without limitation, financial data, customer lists and data, licensing arrangements, business strategies, pricing information, product development, intellectual, artistic, literary, dramatic or musical rights, works, or other materials of any kind or nature (whether or not entitled to protection under applicable copyright laws, or reduced to or embodied in any medium or tangible form), including without limitation, all copyrights, patents, trademarks, service marks, trade secrets, contract rights, titles, themes, stories, treatments, ideas, concepts, technologies, art work, logos, hardware, software, and as may be embodied in any and all computer programs, tapes, diskettes, disks, mailing lists, lists of actual or prospective customers and/or suppliers, notebooks, documents, memoranda, reports, files, correspondence, charts, lists and all other written, printed or otherwise recorded material of any kind whatsoever and any other information, whether or not reduced to writing, including “know-how”, ideas, concepts, research, processes, and plans. “Confidential Information” does not include information that is in the public domain, information that is generally known in the trade, or information that Executive can prove he acquired wholly independently of his employment with the Company. Executive shall not, at any time during the Term or thereafter, directly or indirectly, disclose or furnish to any other person, firm or corporation any Confidential Information, except in the course of the proper performance of his duties hereunder or as required by law. Nothing in this Section 5.2 prohibits Executive from reporting possible violations of law or regulation to any governmental agency or entity (or of making any other protected disclosures). Promptly upon the expiration or termination of Executive’s employment hereunder for any reason or whenever the Company so requests, Executive shall surrender to the Company all documents, drawings, work papers, lists, memoranda, records and other data (including all copies) constituting or pertaining in any way to any of the Confidential Information.

5.2.2. Pursuant to the Defend Trade Secrets Act of 2016, Executive shall not be held criminally or civilly liable under any Federal or state trade secret law for the disclosure of any Confidential Information that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

5.3 Non-Competition. In consideration of the Company disclosing and providing access to Confidential Information after the date hereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and the Company, intending to be legally bound, hereby agree as follows. Executive shall not, during the Term or during the Consideration Period, directly: (a) compete with the Company; or (b) have an interest in, be employed by, be engaged in or participate in the ownership, management, operation or control of, or act in any advisory or other capacity for, any Competing Entity which conducts its business within the Territory (as such terms are hereinafter defined); provided, however, that notwithstanding the foregoing, Executive may make solely passive investments in any Competing Entity the common stock of which is “publicly held,” and of which Executive shall not own or control, directly or indirectly, in the aggregate securities which constitute more than one (1%) percent of the voting rights or equity ownership of such Competing Entity; or (c) solicit or divert any business or any customer from the Company or assist any person, firm or corporation in doing so or attempting to do so; or

(d) cause or seek to cause any person, firm or corporation to refrain from dealing or doing business with the Company or assist any person, firm or corporation in doing so or attempting to do so.

For purposes of this Section 5.3, (i) the term “Competing Entity” shall mean any entity which presently or during the period referred to above engages in any business activity in which the Company or any of its Affiliates is then engaged; and (ii) the term “Territory” shall mean any geographic area in which the Company or any of its Affiliates conducts business during such period.

Notwithstanding the foregoing, in the event that Executive elects, during the Consideration Period, to either (a) compete with the Company, or (b) have an interest in, be employed by, be engaged in or participate in the ownership, management, operation or control of, or act in any advisory or other capacity for, any Competing Entity which conducts its business within the Territory (the foregoing subsections (a) and (b), collectively, the “Competitive Activities”), then, at least ten (10) business days prior to commencing any such Competitive Activities, Executive shall deliver to the Company a written notice (the “Competition Notice”) advising the Company of (i) Executive’s intent to commence Competitive Activities, and (ii) the commencement date for such Competitive Activities. Executive’s election to participate in any Competitive Activities during the Consideration Period shall not be deemed a breach of this Agreement; rather, in the event Executive delivers the Competition Notice (and thereafter engages in Competitive Activities prior to the expiration of the Consideration Period), then (x) Executive shall forfeit any Severance Payment and Benefits Payment otherwise payable pursuant to Section 4.2 or 4.3 above, and (y) the Company shall have no obligation to make any Severance Payment or any Benefits Payment under Section 4.2 or 4.3.

#### 5.4 Non-Solicitation.

5.4.1. Executive shall not, for a period of eighteen (18) months from the date of any termination or expiration of his employment hereunder, directly or indirectly: (a) acquire any financial interest in or perform any services for himself or any other entity in connection with a business in which Executive’s interest, duties or activities would inherently require Executive to reveal any Confidential Information; or (b) solicit or cause to be solicited the disclosure of or disclose any Confidential Information for any purpose whatsoever or for any other party.

5.4.2. In consideration of the Company disclosing and providing access to Confidential Information after the date hereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and the Company, intending to be legally bound, hereby agree as follows. Executive shall not, for a period of eighteen (18) months from the date of any termination or expiration of his employment hereunder, solicit, directly or indirectly, or cause or permit others to solicit, directly or indirectly, any person employed by the Company (a “Current Employee”) to leave employment with the Company. The term “solicit” includes, but is not limited to the following (regardless of whether done directly or indirectly): (i) requesting that a Current Employee change employment, (ii) informing a Current Employee that an opening exists elsewhere, (iii) assisting a Current Employee in finding employment elsewhere, (iv) inquiring if a Current Employee “knows of anyone who might be interested” in a position elsewhere, (v) inquiring if a Current Employee might have an interest in employment elsewhere, (vi) informing others of the name or status of, or other information about, a Current Employee, or (vii) any other similar conduct, the effect of which is that a Current Employee leaves the employment of the Company.

5.5 Breach of Provisions. In the event that Executive shall breach any of the provisions of this Article V, or in the event that any such breach is threatened by Executive, in addition to and without limiting

or waiving any other remedies available to the Company at law or in equity, the Company shall be entitled to immediate injunctive relief in any court, domestic or foreign, having the capacity to grant such relief, without the necessity of posting a bond, to restrain any such breach or threatened breach and to enforce the provisions of this Article V. Executive acknowledges and agrees that there is no adequate remedy at law for any such breach or threatened breach and, in the event that any action or proceeding is brought seeking injunctive relief, Executive shall not use as a defense thereto that there is an adequate remedy at law.

5.6 Reasonable Restrictions. The parties acknowledge that the foregoing restrictions, the duration and the territorial scope thereof as set forth in this Article V, are under all of the circumstances reasonable and necessary for the protection of the Company and its business.

5.7 Protected Disclosures. Notwithstanding any provision to the contrary in this Agreement, nothing in this Agreement prohibits Executive from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Additionally, the parties acknowledge and agree that Executive does not need the prior authorization of the Company to make any such reports or disclosures and Executive is not required to notify the Company that Executive has made such reports or disclosures.

5.8 Definition. For purposes of this Article V, the term “Company” shall be deemed to include (i) any predecessor to, or successor of the Company, (ii) any subsidiary of the Company (including, without limitation, any entity in which the Company owns 50% or more of the issued and outstanding equity), and (iii) any entity that is under the control or common control of the Company (including, by way of illustration and not as a limitation, any joint venture to which the Company or one of its subsidiaries is a party).

## ARTICLE VI

### MISCELLANEOUS

6.1 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, distributees, successors and assigns.

6.2 Assignment. The Company may assign this Agreement to any successor in interest to its business, or to any subsidiary of the Company, and Executive hereby agrees to be employed by such assignee as though such assignee were originally the employer named herein. Executive hereby acknowledges that the services to be rendered by Executive are unique and personal, and, accordingly, Executive may not assign any of his rights or delegate any of his duties or obligations under this Agreement.

6.3 Notices. Any notice provided for herein shall be in writing and shall be deemed to have been given or made when personally delivered or three (3) days following deposit for mailing by first class registered or certified mail, return receipt requested, to the address of the other party set forth below or to such other address as may be specified by notice given in accordance with this Section 6.3:

(a) If to the Company:

Ascent Capital Group, Inc.  
5251 DTC Parkway, Suite 1000  
Greenwood Village, Colorado 80111

Attention: Chairman of the Board of Directors and Chairman,  
Compensation Committee

(b) If to Executive: William E. Niles at the most recent address for Executive listed in the payroll records of the Company.

6.4 Severability. If any provision of this Agreement, or portion thereof, shall be held invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall attach only to such provision or portion thereof, and shall not in any manner affect or render invalid or unenforceable any other provision of this Agreement or portion thereof, and this Agreement shall be carried out as if any such invalid or unenforceable provision or portion thereof were not contained herein. In addition, any such invalid or unenforceable provision or portion thereof shall be deemed, without further action on the part of the parties hereto, modified, amended or limited to the extent necessary to render the same valid and enforceable.

6.5 Confidentiality. The parties hereto agree that they will not, during the Term or thereafter, disclose to any other person or entity the terms or conditions of this Agreement (excluding the financial terms hereof) without the prior written consent of the other party, except as required by law, regulatory authority or as necessary for either party to obtain personal loans or financing. Approval of the Company and of Executive shall be required with respect to any press releases regarding this Agreement and the activities of Executive contemplated hereunder.

6.6 Arbitration. Except as provided otherwise in Section 5.5, if any controversy, claim or dispute arises out of or in any way relates to this Agreement, the alleged breach thereof, Executive's employment with the Company or termination therefrom, including without limitation, any and all claims for employment discrimination or harassment, civil tort and any other employment laws, excepting only claims which may not, by statute, be arbitrated, both Executive and the Company (and its directors, officers, employees or agents) agree to submit any such dispute exclusively to binding arbitration. Both Executive and the Company acknowledge that they are relinquishing their right to a jury trial in civil court. Executive and the Company agree that arbitration is the exclusive remedy for all disputes arising out of or related to Executive's employment with the Company.

The arbitration shall be administered, at the election of the party initiating the arbitration proceeding, either by JAMS in accordance with the Employment Arbitration Rules & Procedures of JAMS then in effect and subject to JAMS Policy on Employment Arbitration Minimum Standards or by the American Arbitration Association in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association, except as provided otherwise in this Agreement. Arbitration shall be commenced and heard in Denver County, Colorado. Only one arbitrator shall preside over the proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of Colorado or federal law, or both, as applicable to the claim(s) asserted. In any arbitration, the burden of proof shall be allocated as provided by applicable law. The arbitrator shall have the authority to award any and all legal and equitable relief authorized by the law applicable to the claim(s) being asserted in the arbitration, as of the claim(s) were brought in a court of law. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Discovery, such as depositions or document requests, shall be available to the Company and Executive as though the dispute were pending in Colorado state court. The arbitrator shall have the ability to rule on pre-hearing motions, as though the matter were in a Colorado state court, including the ability to rule on a motion for summary judgment.



Unless otherwise permitted under applicable law, the fees of the arbitrator and any other fees for the administration of the arbitration that would not normally be incurred if the action were brought in a court of law (e.g., filing fees, room rental fees, etc.) shall be paid by the Company, provided that Executive shall be required to pay the amount of filing fees equal to that which Executive would be required to pay to file an action in Colorado state court. The arbitrator must provide a written decision which is subject to limited judicial review consistent with applicable law. If any part of this arbitration provision is deemed to be unenforceable by an arbitrator or a court of law, that part may be severed or reformed so as to make the balance of this arbitration provision enforceable.

6.7 Waiver. No waiver by a party hereto of a breach or default hereunder by the other party shall be considered valid unless in writing signed by such first party, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or any other nature.

6.8 Controlling Nature of Agreement. To the extent any terms of this Agreement are inconsistent with the terms or provisions of the Company's Employee Handbook or any other personnel policy statements or documents, the terms of this Agreement shall control. To the extent that any terms and conditions of Executive's employment are not covered in this Agreement, the terms and conditions set forth in the Employee Handbook or any similar document shall control such terms.

6.9 Entire Agreement. This Agreement sets forth the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior agreements or understanding between the Company and Executive, whether written or oral, fully or partially performed relating to any or all matters covered by and contained or otherwise dealt with in this Agreement, including the Original Agreement.

6.10 Amendment. No modification, change or amendment of this Agreement or any of its provisions shall be valid unless in writing and signed by the party against whom such claimed modification, change or amendment is sought to be enforced.

6.11 Authority. The parties each represent and warrant that they have the power, authority and right to enter into this Agreement and to carry out and perform the terms, covenants and conditions hereof.

6.12 Applicable Law. This Agreement, and all of the rights and obligations of the parties in connection with the employment relationship established hereby, shall be governed by and construed in accordance with the substantive laws of the State of Colorado without giving effect to principles relating to conflicts of law.

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

6.14 Compliance with Section 409A

(a) This Agreement is intended to provide payments that are exempt from or compliant with the provisions of Section 409A of the Code and related regulations and Treasury pronouncements ("Section 409A"), and the Agreement shall be interpreted accordingly. To the extent any payment or benefit provided under this Agreement is subject to Section 409A, such benefit shall be provided in a manner that complies with Section 409A, including any IRS guidance promulgated with respect to Section 409A; provided, however, in no event shall any action to comply with Section 409A reduce the aggregate amount payable to Executive hereunder unless expressly agreed in writing by Executive.

(b) All reimbursements or provision of in-kind benefits pursuant to this Agreement shall be made in accordance with Treasury Regulation § 1.409A-3(i)(1)(iv) such that the reimbursement or provision will be deemed payable at a specified time or on a fixed schedule relative to a permissible payment event. Specifically, the amount reimbursed or in-kind benefits provided under this Agreement during Executive's taxable year may not affect the amounts reimbursed or provided in any other taxable year (except that total reimbursements may be limited by a lifetime maximum under a group health plan), the reimbursement of an eligible expense shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred, and the right to reimbursement or provision of in-kind benefit is not subject to liquidation or exchange for another benefit.

(c) To the extent required to comply with Section 409A (as determined by the Company), if Executive is a "specified employee," as determined by the Company, as of his date of termination, then all amounts due under this Agreement that constitute a "deferral of compensation" within the meaning of Section 409A, that are provided as a result of a "separation from service" within the meaning of Section 409A, and that would otherwise be paid or provided during the first six months following Executive's date of termination, shall be accumulated through and paid or provided on the first business day that is more than six months after Executive's date of termination (or, if Executive dies during such six month period, within thirty (30) days after Executive's death). Each payment under this Agreement, including each payment in a series of installment payments, is intended to be a separate payment for purposes of Treas. Reg. § 1.409A-2(b).

(d) For all purposes of this Agreement, Executive shall be considered to have terminated employment with the Company when Executive incurs a "separation from service" with the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code.

**[Remainder of this page intentionally left blank]**

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

"COMPANY"

ASCENT CAPITAL GROUP, INC.

By: /s/ William R. Fitzgerald

William R. Fitzgerald

Chairman

"EXECUTIVE"

By: /s/ William E. Niles

William E. Niles

**SEVERANCE AGREEMENT AND GENERAL RELEASE**

This Severance Agreement and General Release (the “Agreement”) is entered into by and between William E. Niles (“Executive”) and Ascent Capital Group, Inc. (the “Company”).

**RECITALS**

A. Executive has been employed by the Company pursuant to an Employment Agreement dated as of April 2, 2018, by and between Executive and the Company (including the Attachments thereto, the “Employment Agreement”), and the employment relationship with the Company has terminated effective [ ] (the “Termination Date”);

B. Pursuant to Section 4.6 of the Employment Agreement, Executive and the Company wish to enter into an agreement to clarify and resolve any disputes that may exist between them arising out of the employment relationship and its termination, and any continuing obligations of the parties to one another following the end of the employment relationship;

C. The Company has advised Executive to consult an attorney prior to signing this Agreement and has provided Executive with up to twenty-one (21) days to consider its severance offer and to seek legal assistance. Executive has either consulted an attorney of Executive’s choice or voluntarily elected not to consult legal counsel, and understands that Executive is waiving all potential claims against the Company;

D. This Agreement is not and should not be construed as an admission or statement by either party that it or any other party has acted wrongfully or unlawfully. Both parties expressly deny any wrongful or unlawful action. Terms not defined herein shall have the meaning set forth in the Employment Agreement.

**AGREEMENTS**

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises contained below, it is agreed as follows:

**1. Termination of Employment.** Executive’s employment with the Company has terminated effective as of the Termination Date. Subject to the terms of this Agreement, and except as otherwise expressly set forth in the Employment Agreement (i.e. obligations surviving termination of employment) Executive has no further employment duties or responsibilities to the Company after the Termination Date. Executive acknowledges that he has been paid all compensation due and owing to him as a consequence of his employment with the Company including any accrued but unused vacation and personal holidays, or bonuses.

**2. Severance and Benefits.**

(a) **Severance Payments.** Consistent with Section 4.2 of the Employment Agreement, subject to the execution of this Agreement by both parties, the Company shall pay to Executive an amount equal to \$[ ] less applicable withholding taxes, (the “Severance”), representing [*Describe amount and terms of the severance due pursuant to the terms of the Employment Agreement*], which shall be payable on [*Describe payment terms pursuant to terms of Employment Agreement*]. The

Severance shall be paid in addition to Executive's salary through the Termination Date and any accrued but unused vacation leave and personal holidays.

(b) Expense Reimbursements. In accordance with Company policy (e.g., Travel & Entertainment Policy) and normal payroll practices, Executive also will receive reimbursement for documented expenses (incurred through the Termination Date) and submitted on or before [\_\_\_\_\_].

(c) Benefits. The Company will also pay the employer-mandated premiums for Executive's health insurance benefit through [*Describe Terms of Employment Agreement*]. All other benefits shall cease effective the date that Executive's employment is terminated, except that Executive shall have the right to elect self-pay health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") after the Termination Date. In addition, subject to the execution of this Agreement by both parties and to the extent such coverage is available and is elected by Executive under COBRA, the Company shall contribute to the health insurance plan maintained by the Company and covering Executive and his dependents as of the date of termination, or any successor plan maintained by the Company, in an amount that reflects the proportionate part of the premium for such coverage that is paid by the Company as of the date of termination (the "Benefits Payments"), such Benefits Payments to be made monthly in accordance with the Company's normal procedures for the payment of health insurance premiums, throughout the period beginning on the date of termination and ending on the earlier of the 24-month anniversary of the date of termination and the expiration of the coverage period specified in COBRA, such period to be determined as of the date of termination (the "Reimbursement Period") (i.e., Executive shall bear responsibility for that portion of the health insurance premiums in excess of the Benefits Payments), or, alternately, in the Company's sole discretion, the Company shall reimburse Executive the amount of the Benefits Payment on a monthly basis during the Reimbursement Period, upon Executive's submission to the Company of adequate proof of payment of the full COBRA premium by Executive; provided, however, that if Executive becomes employed with another employer during the Reimbursement Period and is eligible to receive health and/or medical benefits under such other employer's plans, the Company's payment obligation under this Paragraph 2(c) shall be reduced to the extent that comparable benefits and/or coverage is provided under such other employer's plans. Notwithstanding the foregoing, in the event that the Company's group health plan is insured and under applicable guidance the reimbursement of COBRA premiums causes the Company's group health plan to violate any applicable nondiscrimination rule, the Company and Executive agree to negotiate in good faith a mutually agreeable alternative arrangement. Executive will notify the Company of his eligibility for such other employer-provided benefits within thirty (30) days of attaining of such eligibility. Notwithstanding the foregoing, in the event that the Company's payment obligation under this paragraph would violate the nondiscrimination rules applicable to non- grandfathered group health plans, or result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder ("PPACA"), the Company and Executive agree to reform this paragraph in a manner as is necessary to comply with PPACA while still providing economically equivalent benefits. For the avoidance of doubt, Executive shall be responsible for paying any U.S. federal or state income taxes associated with the Benefit Payments.

(d) No Mitigation by Executive. Pursuant to Section 4.5 of the Employment Agreement, except as otherwise expressly provided herein, Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any Severance payment provided for herein be reduced by any compensation earned by Executive as the result of employment by another employer; provided, however, that if Executive becomes employed with another employer and is eligible to receive health and/or medical benefits under

such other employer's plans, the Benefits Payments (as set forth in Paragraph 2(c) above) shall be reduced to the extent that comparable benefits and/or coverage is provided under such other employer's plans.

(e) **Continued Compliance.** Executive and the Company hereby acknowledge that the amounts and benefits payable by the Company under Paragraphs 2(a), and 2(c), above, are part of the consideration for Executive's undertakings under Article V of the Employment Agreement and Paragraphs 8 and 9 below ("Covenants"). Such amounts and benefits are subject to Executive's continued compliance with the Covenants. If Executive violates the provisions of the Covenants, then the Company will have no obligation to make any of the payments that remain payable by the Company under Paragraphs 2(a), or 2(c), above, on or after the date of such violation.

(f) **No Other Payments.** Executive hereby acknowledges that the payments and benefits referred to in this Agreement, together with any rights or benefits under any written plan or agreement which have vested on or prior to the Termination Date, constitute the only payments which Executive shall be entitled to receive from the Company as a consequence of the termination of his employment with the Company, and the Company shall have no further liability or obligation to Executive hereunder or otherwise in respect of his employment.

**3. Valid Consideration.** Executive and the Company agree that the Company's payment of the Severance and the Benefit Payments without a signed release is not required by the Company's policies or procedures or by any contractual obligation of the Company, and is given solely as consideration for Executive's covenants under this Agreement, which both parties acknowledge and agree is sufficient and adequate consideration.

**4. Confidentiality of Severance Agreement.** Executive agrees to keep the terms of this Agreement (including but not limited to the severance amount) completely confidential, and not to disclose any information concerning this Agreement or its terms to anyone other than Executive's immediate family, legal counsel, or financial advisors, who will be informed of and bound by this confidentiality clause. In addition, Executive may show only Paragraphs 8 and 9 of this Agreement to any prospective employer, in order to facilitate Executive's compliance with the obligations as stated therein.

**5. General Release of Claims.**

(a) Except for claims "carved-out" in Paragraph 5(c) below, Executive expressly waives any claims against the Company and releases the Company including the Company's predecessor, successor, parent, subsidiary and affiliated entities, as well as its and their officers, Executives, directors, stockholders, managers, agents, representatives, attorneys and assigns, past and present (collectively referred to herein as the "Company Releasees") from any and all claims, demands, and causes of action of every kind and nature, whether known or unknown, suspected or unsuspected, fixed or contingent, that Executive now owns or holds or at any time may have held or owned against the Company Releasees or any of them, arising out of or in any way related to any transaction, agreement, occurrence, act, or omission whatsoever occurring, existing, or omitted at any time before the date hereof (collectively "Claims"), including, without limitation, any Claims:

(i) Arising out of or in any way connected with Executive's employment with the Company (including, without limitation, any claims for wages, severance pay, bonuses, employment benefits whether related to the Company's policies or welfare benefit plans, or damages of any kind whatsoever) and the termination thereof;

(ii) Arising out of or in any way related to any employment agreement or any other contracts, express or implied, any covenant of good faith and fair dealings, express or implied, any theory of wrongful discharge, or any legal restriction on the Company's right to terminate Executives;

(iii) Arising out of or in any way related to any federal, state, or other governmental statute or ordinance or wage order, including, without limitation, Title VII of the Civil Rights Act of 1964, the Federal Age Discrimination in Employment Act of 1967, as amended, the Equal Pay Act, as amended, the Older Workers Benefit Protection Act, the Americans with Disabilities Act of 1990, and/or to the extent waivable, any other federal, state or local law (statutory or decisional), regulation, or ordinance, or any other legal limitation on the employment relationship including but not limited to any claims arising out of any federal, state or local statutes, orders or regulations prohibiting discrimination on account or race, color, creed or religion, sex, sexual harassment, national origin, age, handicap or disability, marital status, height, weight, pregnancy, or sexual preference or orientation thereof, retaliation;

(iv) Arising out of common law, whether sounding in contract or in tort, including, but not limited to, causes of action for wrongful discharge, quantum meruit, negligence, infliction of emotional distress, defamation, misrepresentation, fraud, conspiracy, invasion of privacy, interference with business advantage, interference with prospective economic advantage, interference with contractual relationship, failure to pay compensation of any kind, and/or failure to pay equal compensation for equal work.

(b) Executive further understands and acknowledges that:

(i) This Agreement constitutes a voluntary waiver of any and all rights and claims Executive has against the Company Releasees as of the date of the execution of this Agreement, including rights or claims arising under the Age Discrimination in Employment Act;

(ii) Executive has waived rights or claims pursuant to this Agreement in exchange for consideration, the value of which exceeds the payment or remuneration to which he was already entitled;

(iii) Executive is hereby advised that he may consult with an attorney of his choosing concerning this Agreement prior to executing it;

(iv) Executive has been afforded a period of at least 21 days to consider the terms of this Agreement, and in the event he should decide to execute this Agreement in fewer than 21 days, he has done so with the express understanding that he has been given and declined the opportunity to consider this Agreement for a full 21 days;

(v) Executive agrees that material and/or immaterial changes to this Agreement made by either party after the date Executive was given this Agreement do not effect or restart the running of the twenty-one (21) day period and Executive agrees to waive any such claim that the a material and/or immaterial change to this Agreement extended the applicable running time period; and

(vi) Executive may revoke this subparagraph 5(b) of the Agreement at any time during the seven (7) days following the date of execution of this Agreement, and this subparagraph 5(b) of the Agreement shall not become effective or enforceable until such revocation period has expired (the

“Effective Date”). Executive understands that his revocation under this subparagraph 5(b) of the Agreement constitutes rejection of the entire Severance amount and the Benefit Payments.

(c) This Agreement does not release (i) claims that cannot be released as a matter of law; (ii) claims that relate to events which may occur after execution of this Agreement, nor shall it preclude Executive from filing a lawsuit for the exclusive purpose of enforcing Executive’s rights under this Agreement; (iii) any claim or right held by Executive (whether as an officer, director, stockholder or in any other capacity) for coverage under the Company’s D&O policies or any similar coverage or protection provided under the organizational documents of the Company; or (iv) any right to receive a reward for the provision of information to any governmental authority. This Agreement shall not prohibit Executive from challenging the validity of the release of ADEA claims by seeking assistance from the Equal Employment Opportunity Commission (“EEOC”) or any other government agency. This Agreement shall not preclude Executive from filing a charge with, or cooperating in an investigation by, any government administrative agency with respect to any other right waived herein, provided that Executive does not seek any damages, remedies, or other relief from the Company for himself personally, which Executive covenants not to do.

**6. No Lawsuits.** Executive represents that Executive has not filed any complaints, arbitration demands, charges or lawsuits against any of the Company Releasees with any governmental agency, or any arbitrator, or any court, including, but not limited, to the United States Equal Employment Opportunity Commission or the United States District Court. Executive further agrees that, to the extent permitted under applicable law, Executive will not initiate, assist, or encourage any actions unless compelled to do so by subpoena or court order. Executive agrees that if any claim is brought on Executive’s behalf by any governmental agency or third party, he agrees not to accept any monetary award or restitution resulting therefrom.

**7. Release of Unknown Claims.** It is the intention of Executive and the Company that this Severance Agreement is a General Release which shall be effective as a bar to each and every Claim released hereby. Executive recognizes that Executive may have some Claims against the Company Releasees of which Executive is totally unaware and unsuspecting which Executive is giving up by execution of the General Release. It is the intention of Executive in executing this Agreement to forego each such Claim.

In connection with such waiver and relinquishment, Executive acknowledges that Executive is aware that Executive may hereafter discover facts in addition to, or different from, those which Executive now knows or believes to be true with respect to the subject matter of this Agreement, but that it is Executive’s intention hereby to fully, finally and forever to settle and release all released matters. In furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence on any such additional facts. Executive expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all of Executive’s Claims which Executive does not know or suspect to exist in Executive’s favor at the time of execution of this Agreement, and that this Agreement contemplates the extinguishment of any such Claims.

## **8. Confidential Information**

(a) Consistent with Section 5.2 of the Employment Agreement, Executive understands and agrees that trade secret restrictions apply to Executive, including but not limited to Executive’s agreement that Confidential Information learned by Executive in the course of Executive’s employment with the Company may not be used by Executive nor transmitted to any other person or entity.



(b) Consistent with Section 5.2 of the Employment Agreement, Executive shall not, directly or indirectly, disclose or furnish to any other person, firm or corporation any Confidential Information, except as required by law (in which event Executive shall give prior written notice to the Company and shall cooperate with the Company and the Company's counsel in complying with such legal requirements). As used herein, "Confidential Information" means any and all information affecting or relating to the business of the Company and its subsidiaries and affiliates, financial data, customer lists and data, licensing arrangements, business strategies, pricing information, product development, or other materials of any kind or nature (whether or not entitled to protection under applicable copyright laws, or reduced to or embodied in any medium or tangible form), including without limitation, all copyrights, patents, trademarks, service marks, trade secrets, contract rights, titles, themes, stories, treatments, ideas, concepts, technologies, art work, logos, hardware, software, and as may be embodied in any and all computer programs, tapes, diskettes, disks, mailing lists, lists of actual or prospective customers and/or suppliers, notebooks, documents, memoranda, reports, files, correspondence, charts, lists and all other written, printed or otherwise recorded material of any kind whatsoever and any other information, whether or not reduced to writing, including "know-how", ideas, work flows, concepts, research, processes, and plans. "Confidential Information" does not include information that is in the public domain, information that is generally known in the trade, or information that Executive can prove he acquired wholly independently of his employment with the Company. Notwithstanding any provision to the contrary in this Agreement, nothing in this Agreement prohibits Executive from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Additionally, the parties acknowledge and agree that Executive does not need the prior authorization of the Company to make any such reports or disclosures and Executive is not required to notify the Company that Executive has made such reports or disclosures.

**9. Non-Solicitation. Consistent with Section 5.4 of the Employment Agreement:**

(a) Executive shall not, for a period of eighteen (18) months from the Termination Date, directly or indirectly: (a) acquire any financial interest in or perform any services for himself or any other entity in connection with a business in which Executive's interest, duties or activities would inherently require Executive to reveal any Confidential Information; or (b) solicit or cause to be solicited the disclosure of or disclose any Confidential Information for any purpose whatsoever or for any other party.

(b) Executive agrees that for the period of eighteen (18) months following the execution date of this Agreement, Executive will not solicit, directly or indirectly, nor cause or permit others to solicit, directly or indirectly, any person employed by the Company ("Current Employee") to leave employment with the Company. The term "solicit" includes, but is not limited to the following (regardless of whether done directly or indirectly): (i) requesting that a Current Employee change employment, (ii) informing a Current Employee that an opening exists elsewhere, (iii) assisting a Current Employee to find employment elsewhere, (iv) inquiring if a Current Employee "knows anyone who might be interested" in a position elsewhere, (v) inquiring if a Current Employee might have an interest in employment elsewhere, (vi) informing others of the name or status of, or other information about, a Current Employee, or (vii) any other similar conduct, the effect of which is that a Current Employee leaves the employment of the Company.

**10. Return of Company Property and Proprietary Information.** Consistent with Sections 5.1 and 5.2 of the Employment Agreement, immediately upon termination of Executive's employment, Executive has turned over to the Company all files, memoranda, records, credit cards, work papers, and other documents or physical property that Executive received from the Company or its employees or that Executive generated in the course of employment with the Company. Executive also has immediately turned over to the Company all embodiments of proprietary information (including, without limitation, notes, letters, documents, computer files and other records) which were in Executive's possession or control and shall not retain any copies or summaries of such records or information. Furthermore, Executive agrees that the assignment of Proprietary Rights pursuant to Section 5.1 of the Employment Agreement remains in full force and effect.

**11. Reasonable Restrictions.** Pursuant to Section 5.6 of the Employment Agreement, Executive acknowledges and agrees that the restrictions set forth in Paragraphs 8 and 9 of this Agreement, specifically including the duration and territorial scope thereof, are under the circumstances reasonable and necessary for the protection of the Company and its business.

**12. No Work-Related Injuries.** Executive represents and warrants to the Company, under penalty of perjury, that Executive has not suffered any work-related injuries.

**13. Cooperation.** During the period commencing on the Termination Date and ending on the fourth anniversary thereof, Executive shall use reasonable efforts to make himself available as a witness in any action, investigation or other proceeding before any court, government agency, arbitrator, or mediator, in which he may be called to appear by the Company, regarding any business, property, or operations of the Company or any of its affiliates, parents or subsidiaries, and shall truthfully testify in any such action, proceeding or deposition in which he also appears. Upon request by Executive and prior approval by the Company, the Company shall reimburse Executive for reasonable travel expenses incurred by Executive in connection with any such appearance in which Executive is so called to appear.

**14. Severability.** The provisions of this Agreement are severable, and if any part of it is found to be unlawful or unenforceable, the other provisions of this Agreement shall remain fully valid and enforceable to the maximum extent consistent with applicable law.

**15. Knowing and Voluntary Agreement.** Executive represents and agrees that Executive has read this Agreement, understands its terms and the fact that Executive releases any claim Executive might have against the Company Releasees, understands that Executive has the right to consult counsel of choice and has either done so or knowingly waived the right to do so, and enters into this Agreement without duress or coercion from any source.

**16. Definition.** Consistent with Section 5.8 of the Employment Agreement, for purposes of Paragraphs 7, 8, 9 and 10 of this Agreement, above, the term "Company" shall be deemed to include (i) any predecessor to, or successor of the Company, (ii) any subsidiary of the Company (including, without limitation, any entity in which the Company owns 50% or more of the issued and outstanding equity), and (iii) any entity that is under the control or common control of the Company (including, by way of illustration and not as a limitation, any joint venture to which the Company or one of its subsidiaries is a party).

**17. Entire Agreement.** Except as otherwise expressly set forth in the Employment Agreement (i.e. obligations surviving termination of employment), this Agreement sets forth the entire understanding between Executive and the Company and supersedes any prior agreements or understandings, express or

implied, pertaining to the terms of Executive's employment with the Company and the termination of the employment relationship. Executive acknowledges that in executing this Agreement, Executive does not rely upon any representation or statement by any representative of the Company concerning the subject matter of this Agreement, except as expressly set forth in the text of the Agreement. This Agreement may only be modified by an amendment in writing executed by both parties.

**18. Arbitration:** Any controversy, claim or dispute arising out of or in any way relating to this Agreement including, but not limited to, the performance or breach thereof, shall be determined exclusively by binding arbitration. Both Executive and the Company acknowledge that they are relinquishing their right to a jury trial in civil court.

The arbitration shall be in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association, except as provided otherwise in this Agreement. The arbitration shall be commenced and heard in the Englewood, Colorado metropolitan area. Only one arbitrator shall preside over the proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of Colorado or federal law, or both, as applicable to the claim(s) asserted. In any arbitration, the burden of proof shall be allocated as provided by applicable law. The arbitrator shall have the authority to award any and all legal and equitable relief authorized by the law(s) applicable to the claim(s) being asserted in the arbitration, as if the claim(s) were brought in a court of law. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Discovery, such as depositions or document requests, shall be available to the Company and Executive as though the dispute were pending in Colorado state court. The arbitrator shall have the ability to rule on pre-hearing motions, as though the matter were in a Colorado state court, including the ability to rule on a motion for summary judgment.

The fees of the arbitrator and any other fees for the administration of the arbitration (*e.g.*, room rental fees, etc.) shall be paid in equal shares by the Company and Executive. The arbitrator must provide a written decision which is subject to limited judicial review consistent with applicable law. If any part of this arbitration provision is deemed to be unenforceable by an arbitrator or a court of law, that part may be severed or reformed so as to make the balance of this arbitration provision enforceable.

**19. Non-Admission of Liability or Wrongdoing.** By entering into this Agreement, neither Executive nor the Company admits any impropriety, illegality, wrongdoing or liability of any kind whatsoever, and on the contrary, each hereby expressly denies the same.

**20. Post-Employment Agreement.** The parties acknowledge that this Agreement, including the arbitration provision contained in Paragraph 18 above, was negotiated and executed outside of the context of any employment relationship between the Company and Executive, which has ended.

**21. Counterpart Execution.** This Agreement may be executed in counterparts so that when each Party has signed at least one counterpart of this Agreement, this Agreement shall be deemed fully executed as though each Party had signed one original of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates indicated below.

**Ascent Capital Group, Inc.**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

**Executive**

Dated: \_\_\_\_\_

\_\_\_\_\_  
William E. Niles

ASCENT CAPITAL GROUP, INC.

May 10, 2018

Mr. William R. Fitzgerald  
Chairman of the Board  
Ascent Capital Group, Inc.  
5251 DTC Blvd., Suite 1000  
Greenwood Village, CO 80111

Dear Bill:

This letter will serve to confirm that on March 30, 2018, the Board of Directors (“Board”) approved, and Ascent Capital Group, Inc. agrees that it will provide, the following compensation structure for you in your capacity as the Non-Executive Chairman of the Board of Ascent Capital Group, Inc. As you know, the minutes reflecting the foregoing action were subsequently ratified by the Board of Directors at the May 3, 2018 meeting.

Consistent with its standard policy, the Board evaluates its compensation structure on an annual basis and the following compensation structure (other than one-time performance awards, which were granted prior to the date of this letter) is subject to change in subsequent years at the directive of the Board.

Your compensation in 2018 as a non-executive director, as well as the special onetime incentive awards is summarized as follows:

- \$282,500 paid in cash (on an annualized basis). Cash compensation will be paid quarterly in accordance with the Company’s customary practice for directors.
- An annual award of restricted shares with a grant date value of \$117,500 (prorated for 2018). Vesting terms will be standard (same as all other directors i.e., ratably over eight quarters) (grant date of March 30, 2018).
- A one-time \$400,000 *performance award contingent* on [performance condition that relates to the capital structure of the Company] (grant date March 30, 2018).
  - 50% of the award will be evidenced by PRSUs with a grant date value of \$200,000 ( $\$200,000 / \$3.68 = 54,348$  units). Said units will vest when, and if, the Compensation Committee is satisfied that the condition has been met; and
  - 50% of the award will be paid in cash when, and if, the Committee is satisfied that the condition has been met.

Note: the closing share price for ACG Class A shares on March 29, 2018, was \$3.68. The market was closed March 30, 2018.

- A one-time \$400,000 *performance award contingent* on the execution and successful completion of a material transaction that enhances shareholder value as determined by the Compensation Committee (e.g., partnership, investment or material commercial relationship) (grant date March 30, 2018).
  - 50% of the award will be evidenced by PRSUs with a grant date value of \$200,000 ( $\$200,000 / \$3.68 = 54,348$  units). Said units will vest when, and if, the Committee is satisfied that the condition has been met; and
  - 50% of the award will be paid in cash when, and if, the Committee is satisfied that the condition has been met.

This letter will also confirm the following:

It is the regular practice of the Corporation to reimburse directors for business expenses incurred in the course of performing their duties and this policy will continue to apply to you. In addition, and in furtherance of your duties, as the non-executive chairman: (i) you will continue to have access to and use of the office you presently occupy at 5251 DTC Parkway, Suite 1000; and (ii) you will continue to have access to and use of secretarial services provided at the office. Notwithstanding the foregoing, the Board of Directors may, at their election, revoke these office and secretarial privileges at their discretion.

Best,

By: /s/ William E. Niles

William E. Niles  
Chief Executive Officer &  
General Counsel

## SEVERANCE AGREEMENT AND GENERAL RELEASE

This Severance Agreement and General Release (the “Agreement”) is entered into as of May 10, 2018, by and between William R. Fitzgerald (“Executive”), Ascent Capital Group, Inc. (the “Company”) and Monitronics International, Inc. (“Moni”).

### RECITALS

A. Executive has been employed by the Company pursuant to an Amended and Restated Employment Agreement dated as of January 25, 2013 by and between Executive and Ascent Media Corporation, as thereafter amended (the “Employment Agreement”), and the employment relationship with the Company has terminated effective March 31, 2018 (the “Termination Date”) at the expiration of the term of the Employment Agreement, and shall be treated as a termination by the Company without cause for purposes of Executive’s rights under the Employment Agreement;

B. Pursuant to Section 4.6 of the Employment Agreement, Executive and the Company wish to enter into an agreement to clarify and resolve any disputes that may exist between them arising out of the employment relationship and its termination, and any continuing obligations of the parties to one another following the end of the employment relationship;

C. The Company has advised Executive to consult an attorney prior to signing this Agreement and has provided Executive with at least twenty-one (21) days to consider its severance offer and to seek legal assistance. Executive has either consulted an attorney of Executive’s choice or voluntarily elected not to consult legal counsel;

D. This Agreement is not and should not be construed as an admission or statement by any party that it or any other party has acted wrongfully or unlawfully. Each party expressly denies any wrongful or unlawful action.

### AGREEMENTS

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises contained below, it is agreed as follows:

1. Termination of Employment. Executive’s employment with the Company has terminated effective as of the Termination Date. Subject to the terms of this Agreement, and except as otherwise expressly set forth in the Employment Agreement (i.e. obligations surviving termination of employment) Executive has no further employment duties or responsibilities to the Company after the Termination Date. Except as provided in Section 2, Executive acknowledges that he has been paid all compensation due and owing to him as a consequence of his employment with the Company through the Termination Date, including bonuses and a payment of \$95,192, less applicable withholding taxes, for accrued but unused vacation and personal holidays.

## 2. Severance and Benefits.

(a) Severance Payments. Subject to the execution of this Agreement by the parties hereto without revocation by Executive and the provisions of Paragraph 21, the Company will pay to Executive (i) an amount equal to \$2,887,500, less applicable withholding taxes (the “Severance”), payable in a lump sum on the sixtieth (60th) day following the Termination Date and (ii) a tax preparation assistance bonus of \$5,000 less applicable withholding taxes payable on October 1, 2018. The parties acknowledge that the Company has determined that the Severance is a “deferral of compensation” within the meaning of Section 409A that is provided as a result of a “separation from service” within the meaning of Section 409A and, accordingly, pursuant to the provisions of Paragraph 21, the Severance will be paid on October 1, 2018 (the first business day that is more than six months after the Termination Date) unless the exception contained in the parenthetical at the end of Paragraph 21 is applicable. The Severance shall be paid in addition to Executive’s salary through the Termination Date and any accrued but unused vacation leave and personal holidays.

(b) Equity. The equity awards held by Executive, which the parties agree consist solely of options to purchase the Company’s common stock, shall be treated as provided in the applicable plan and award agreement in accordance with their terms and shall remain exercisable until the expiration of the Term (as defined under the applicable award agreements).

(c) Expense Reimbursements. In accordance with Company policy (*e.g.*, Travel & Entertainment Policy) and normal payroll practices, Executive also will receive reimbursement for documented expenses (incurred through the Termination Date) and submitted on or before April 30, 2018.

(d) Benefits. The Company will also pay the employer-mandated premiums for Executive’s health insurance benefit through the end of the month in which the Termination Date occurs. All other benefits shall cease effective as of the Termination Date, except that Executive shall have the right to elect self-pay health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 (“COBRA”) after the Termination Date. In addition, subject to the execution of this Agreement by both parties and to the extent such coverage is available and is elected by Executive under COBRA, the Company shall contribute to the health insurance plan maintained by the Company and covering Executive and his dependents as of the Termination Date, or any successor plan maintained by the Company, in an amount that reflects the proportionate part of the premium for such coverage that is paid by the Company as of the Termination Date (the “Benefits Payments”), such Benefits Payments to be made monthly in accordance with the Company’s normal procedures for the payment of health insurance premiums, throughout the period beginning on the Termination Date and ending on the earlier of the 24-month anniversary of the Termination Date and the expiration of the coverage period specified in COBRA, such period to be determined as of the Termination Date (the “Reimbursement Period”) (*i.e.*, Executive shall bear responsibility for that portion of the health insurance premiums in excess of the Benefits Payments), or, alternately, in the Company’s sole discretion, the Company shall reimburse Executive the amount of the Benefits Payment on a monthly basis during the Reimbursement Period, upon Executive’s submission to the Company of adequate proof of payment of the full COBRA premium by Executive; provided, however, that if Executive becomes employed with another employer during the Reimbursement Period and is eligible to receive health and/or medical benefits under such other employer’s plans, the Company’s payment obligation under this Paragraph 2(d) shall be reduced to the extent that comparable benefits and/or coverage is provided under such other employer’s plans. Executive will notify the Company of his eligibility for such other employer-provided benefits within thirty (30) days of attaining of such eligibility. Notwithstanding the foregoing, in the event that the Company’s payment obligation under this paragraph would violate the nondiscrimination rules applicable to non-



grandfathered group health plans, or result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder (“PPACA”), the Company and Executive agree to reform this paragraph in a manner as is necessary to comply with PPACA while still providing economically equivalent benefits. For the avoidance of doubt, Executive shall be responsible for paying any U.S. federal or state income taxes associated with the Benefit Payments.

(e) No Mitigation by Executive. Pursuant to Section 4.5 of the Employment Agreement, except as otherwise expressly provided herein (including, without limitation, in Paragraph 2(d) above), Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any Severance payment provided for herein be reduced by any compensation earned by Executive as the result of employment by another employer.

(f) Continued Compliance. Executive and the Company hereby acknowledge that the amounts and benefits payable by the Company under Paragraphs 2(a), 2(b) and 2(d), above, are part of the consideration for Executive’s undertakings under Article V of the Employment Agreement and Paragraphs 8, 9 and 10 below (“Covenants”). Such amounts and benefits are subject to Executive’s continued compliance with the Covenants. If Executive violates the provisions of the Covenants, then the Company will have no obligation to make any of the payments that remain payable by the Company under Paragraphs 2(a) or 2(d), above, on or after the date of such violation.

(g) No Other Payments. Executive hereby acknowledges that the payments and benefits referred to in this Agreement, together with any rights or benefits under any written plan or agreement which have vested on or prior to the Termination Date, constitute the only payments which Executive shall be entitled to receive from the Company as a consequence of the termination of his employment with the Company, and the Company shall have no further liability or obligation to Executive hereunder or otherwise in respect of his employment.

3. Valid Consideration. Executive and the Company agree that the Company’s payment of the Severance and Benefit Payments is conditioned on Executive’s execution of this Agreement, including the release of claims described herein, pursuant to the Employment Agreement, and is given solely as consideration for Executive’s covenants under this Agreement, which both parties acknowledge and agree is sufficient and adequate consideration.

4. Confidentiality of Severance Agreement. Executive agrees to keep the terms of this Agreement (including but not limited to the severance amount) completely confidential, and not to disclose any information concerning this Agreement or its terms to anyone other than Executive’s immediate family, legal counsel, or financial advisors, who will be informed of and bound by this confidentiality clause. In addition, Executive may show only Paragraphs 8, 9 and 10 of this Agreement to any prospective employer, in order to facilitate Executive’s compliance with the obligations as stated therein.

5. General Release of Claims.

(a) Except for claims “carved-out” in Paragraph 5(c) below, Executive expressly waives any claims against the Company and releases the Company including the Company’s predecessor, successor, parent, subsidiary and affiliated entities, as well as its and their officers, employees, directors, stockholders, managers, agents, representatives, attorneys and assigns, past and present (collectively

referred to herein as the “Company Releasees”) from any and all claims, demands, and causes of action of every kind and nature, whether known or unknown, suspected or unsuspected, fixed or contingent, that Executive now owns or holds or at any time may have held or owned against the Company Releasees or any of them, arising out of or in any way related to any transaction, agreement, occurrence, act, or omission whatsoever occurring, existing, or omitted at any time before the date hereof (collectively “Claims”), including, without limitation, any Claims:

(i) Arising out of or in any way connected with Executive’s employment with the Company (including, without limitation, any claims for wages, severance pay, bonuses, employment benefits whether related to the Company’s policies or welfare benefit plans, or damages of any kind whatsoever) and the termination thereof;

(ii) Arising out of or in any way related to any employment agreement or any other contracts, express or implied, any covenant of good faith and fair dealings, express or implied, any theory of wrongful discharge, or any legal restriction on the Company’s right to terminate employees;

(iii) Arising out of or in any way related to any federal, state, or other governmental statute or ordinance or wage order, including, without limitation, Title VII of the Civil Rights Act of 1964, the Federal Age Discrimination in Employment Act of 1967, as amended, the Equal Pay Act, as amended, the Older Workers Benefit Protection Act, the Americans with Disabilities Act of 1990, and/or to the extent waivable any other federal, state or local law (statutory or decisional), regulation, or ordinance, or any other legal limitation on the employment relationship including but not limited to any claims arising out of any federal, state or local statutes, orders or regulations prohibiting discrimination on account of race, color, creed or religion, sex, sexual harassment, national origin, age, handicap or disability, marital status, height, weight, pregnancy, or sexual preference or orientation thereof, retaliation;

(iv) Arising out of common law, whether sounding in contract or in tort, including, but not limited to, causes of action for wrongful discharge, quantum meruit, negligence, infliction of emotional distress, defamation, misrepresentation, fraud, conspiracy, invasion of privacy, interference with business advantage, interference with prospective economic advantage, interference with contractual relationship, failure to pay compensation of any kind, and/or failure to pay equal compensation for equal work.

(b) Executive further understands and acknowledges that:

(i) This Agreement constitutes a voluntary waiver of any and all rights and claims Executive has against the Company Releasees as of the date of the execution of this Agreement, including rights or claims arising under the Age Discrimination in Employment Act;

(ii) Executive has waived rights or claims pursuant to this Agreement in exchange for consideration, the value of which exceeds the payment or remuneration to which he was already entitled;

(iii) Executive is hereby advised that he may consult with an attorney of his choosing concerning this Agreement prior to executing it;

(iv) Executive has been afforded a period of at least 21 days to consider the terms of this Agreement, and in the event he should decide to execute this Agreement in fewer than 21

days, he has done so with the express understanding that he has been given and declined the opportunity to consider this Agreement for a full 21 days;

(v) Executive agrees that material and/or immaterial changes to this Agreement made by any party after the date Executive was given this Agreement do not affect or restart the running of the twenty-one (21) day period and Executive agrees to waive any such claim that a material and/or immaterial change to this Agreement extended the applicable running time period; and

(vi) Executive may revoke this Agreement at any time during the seven (7) days following the date of execution of this Agreement, and this Agreement shall not become effective or enforceable until such revocation period has expired (the "Effective Date"). Executive understands that his revocation under this Paragraph 5(b) of the Agreement constitutes rejection of the entire Severance amount, all Benefit Payments and equity vesting pursuant to Paragraph 2(b).

(c) This Agreement does not release (i) claims that cannot be released as a matter of law; (ii) claims that relate to events which may occur after execution of this Agreement; (iii) claims for the exclusive purpose of enforcing Executive's rights under this Agreement; (iv) any claim or right held by Executive (whether as an officer, director, stockholder or in any other capacity) for coverage under the Company's D&O policies or any similar coverage or protection or rights to indemnification provided under contract, the Company's policies or the organizational documents of the Company (the "Indemnity Arrangements"); (v) any right to receive a reward for the provision of information to any governmental authority; or (vi) any right to compensation on account of Executive's service as a non-employee director after the Termination Date. This Agreement shall not prohibit Executive from challenging the validity of the release of ADEA claims by seeking assistance from the Equal Employment Opportunity Commission ("EEOC") or any other government agency. This Agreement shall not preclude Executive from filing a charge with, or cooperating in an investigation by, any government administrative agency with respect to any other right waived herein, provided that Executive does not seek any damages, remedies, or other relief from the Company for himself personally, which Executive covenants not to do.

6. No Lawsuits. Executive represents that Executive has not filed any complaints, arbitration demands, charges or lawsuits against any of the Company Releasees with any governmental agency, or any arbitrator, or any court, including, but not limited, to the United States Equal Employment Opportunity Commission or the United States District Court. Executive further agrees that, to the extent permitted under applicable law, Executive will not initiate, assist, or encourage any actions unless compelled to do so by subpoena or court order. Executive agrees that if any claim is brought on Executive's behalf by any governmental agency or third party, he agrees not to accept any monetary award or restitution resulting therefrom.

7. Release of Unknown Claims. It is the intention of Executive and the Company that this Severance Agreement is a General Release which shall be effective as a bar to each and every Claim released hereby. Executive recognizes that Executive may have some Claims against the Company Releasees of which Executive is totally unaware and unsuspecting which Executive is giving up by execution of the General Release. It is the intention of Executive in executing this Agreement to forego each such Claim.

In connection with such waiver and relinquishment, Executive acknowledges that Executive is aware that Executive may hereafter discover facts in addition to, or different from, those which Executive now knows or believes to be true with respect to the subject matter of this Agreement, but that it is Executive's intention hereby to fully, finally and forever to settle and release all released matters. In

furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence on any such additional facts. Executive expressly acknowledges that this Agreement is intended to include in its effect, without limitation, all of Executive's Claims which Executive does not know or suspect to exist in Executive's favor at the time of execution of this Agreement, and that this Agreement contemplates the extinguishment of any such Claims.

8. Confidential Information.

(a) Consistent with Section 5.2 of the Employment Agreement, Executive understands and agrees that trade secret restrictions apply to Executive, including but not limited to Executive's agreement that Confidential Information (as defined below) learned by Executive in the course of Executive's employment with the Company may not be used by Executive nor transmitted to any other person or entity except as otherwise provided under the terms of the Employment Agreement.

(b) Consistent with Section 5.2 of the Employment Agreement, Executive shall not, directly or indirectly, disclose or furnish to any other person, firm or corporation any Confidential Information, except in the course of his proper performance of his duties under the Employment Agreement or as required by law (in which event Executive shall give prior written notice to the Company and shall cooperate with the Company and the Company's counsel in complying with such legal requirements). As used herein, "Confidential Information" means any and all information affecting or relating to the business of the Company and its subsidiaries and affiliates, financial data, customer lists and data, licensing arrangements, business strategies, pricing information, product development, or other materials of any kind or nature (whether or not entitled to protection under applicable copyright laws, or reduced to or embodied in any medium or tangible form), including without limitation, all copyrights, patents, trademarks, service marks, trade secrets, contract rights, titles, themes, stories, treatments, ideas, concepts, technologies, art work, logos, hardware, software, and as may be embodied in any and all computer programs, tapes, diskettes, disks, mailing lists, lists of actual or prospective customers and/or suppliers, notebooks, documents, memoranda, reports, files, correspondence, charts, lists and all other written, printed or otherwise recorded material of any kind whatsoever and any other information, whether or not reduced to writing, including "know-how", ideas, work flows, concepts, research, processes, and plans. "Confidential Information" does not include information that is in the public domain, information that is generally known in the trade, or information that Executive can prove he acquired wholly independently of his employment with the Company. Notwithstanding any provision to the contrary in this Agreement, nothing in this Agreement prohibits Executive from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Additionally, the parties acknowledge and agree that Executive does not need the prior authorization of the Company to make any such reports or disclosures and Executive is not required to notify the Company that Executive has made such reports or disclosures.

9. Non-Solicitation. Consistent with Section 5.4 of the Employment Agreement:

(a) Executive shall not, for a period of eighteen (18) months from the Termination Date, directly or indirectly: (a) acquire any financial interest in or perform any services for himself or any other entity in connection with a business in which Executive's interest, duties or activities would inherently require Executive to reveal any Confidential Information; or (b) solicit or cause to be solicited the disclosure of or disclose any Confidential Information for any purpose whatsoever or for any other party.

(b) Executive agrees that for the period of eighteen (18) months following the Termination Date, Executive will not solicit, directly or indirectly, nor cause or permit others to solicit, directly or indirectly, any person employed by the Company (a “Current Employee”) to leave employment with the Company. The term “solicit” includes, but is not limited to the following (regardless of whether done directly or indirectly): (i) requesting that a Current Employee change employment, (ii) informing a Current Employee that an opening exists elsewhere, (iii) assisting a Current Employee to find employment elsewhere, (iv) inquiring if a Current Employee “knows anyone who might be interested” in a position elsewhere, (v) inquiring if a Current Employee might have an interest in employment elsewhere, (vi) informing others of the name or status of, or other information about, a Current Employee, or (vii) any other similar conduct, the effect of which is that a Current Employee leaves the employment of the Company.

10. Return of Company Property and Proprietary Information. Consistent with Sections 5.1 and 5.2 of the Employment Agreement, immediately upon termination of Executive’s employment, Executive has turned over to the Company all files, memoranda, records, credit cards, work papers, and other documents or physical property that Executive received from the Company or its employees or that Executive generated in the course of employment with the Company. Executive also has immediately turned over to the Company all embodiments of proprietary information (including, without limitation, notes, letters, documents, computer files and other records) which were in Executive’s possession or control and shall not retain any copies or summaries of such records or information. Furthermore, Executive agrees that the assignment of Proprietary Rights pursuant to Section 5.1 of the Employment Agreement remains in full force and effect.

11. Reasonable Restrictions. Pursuant to Section 5.6 of the Employment Agreement, Executive acknowledges and agrees that the restrictions set forth in Paragraphs 8, 9 and 10 of this Agreement, specifically including the duration and territorial scope thereof, are under the circumstances reasonable and necessary for the protection of the Company and its business.

12. No Work-Related Injuries. Executive represents and warrants to the Company, under penalty of perjury, that Executive has not suffered any work-related injuries.

13. Cooperation. During the period commencing on the Termination Date and ending on the fourth anniversary thereof, Executive shall use reasonable efforts to make himself available as a witness in any action, investigation or other proceeding before any court, government agency, arbitrator, or mediator, in which he may be called to appear by the Company, regarding any business, property, or operations of the Company or any of its affiliates, parents or subsidiaries, and shall truthfully testify in any such action, proceeding or deposition in which he also appears. Upon request by Executive and prior approval by the Company, the Company shall reimburse Executive for reasonable travel expenses and expenses of responding to discovery incurred by Executive in connection with any such appearance in which Executive is so called to appear.

14. Severability. The provisions of this Agreement are severable, and if any part of it is found to be unlawful or unenforceable, the other provisions of this Agreement shall remain fully valid and enforceable to the maximum extent consistent with applicable law.

15. Knowing and Voluntary Agreement. Executive represents and agrees that Executive has read this Agreement, understands its terms and the fact that Executive releases any claim Executive might have against the Company Releasees, understands that Executive has the right to consult counsel of his

choice and has either done so or knowingly waived the right to do so, and enters into this Agreement without duress or coercion from any source.

16. Definition. Consistent with Section 5.7 of the Employment Agreement, for purposes of Paragraphs 8, 9, 10 and 11 of this Agreement, above, the term “Company” shall be deemed to include (i) any predecessor to, or successor of the Company, (ii) any subsidiary of the Company (including, without limitation, any entity in which the Company owns 50% or more of the issued and outstanding equity or voting power), and (iii) any entity that is under the control of or common control with the Company (including, by way of illustration and not as a limitation, any joint venture to which the Company or one of its subsidiaries is a party).

17. Entire Agreement. Except as otherwise expressly set forth in the Employment Agreement (i.e., obligations surviving termination of employment), applicable plan and award agreements, the Indemnity Arrangements and Executive’s services as a non-employee director, this Agreement sets forth the entire understanding between Executive and the Company and supersedes any prior agreements or understandings, express or implied, pertaining to the terms of Executive’s employment with the Company and the termination of the employment relationship. Executive acknowledges that in executing this Agreement, Executive does not rely upon any representation or statement by any representative of the Company concerning the subject matter of this Agreement, except as expressly set forth in the text of the Agreement. This Agreement may only be modified by an amendment in writing executed by both parties.

18. Arbitration: Any controversy, claim or dispute arising out of or in any way relating to this Agreement including, but not limited to, the performance or breach thereof, shall be determined exclusively by binding arbitration. Both Executive and the Company acknowledge that they are relinquishing their right to a jury trial in civil court.

The arbitration shall be in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association, except as provided otherwise in this Agreement. The arbitration shall be commenced and heard in the Englewood, Colorado metropolitan area. Only one arbitrator shall preside over the proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of Colorado or federal law, or both, as applicable to the claim(s) asserted. In any arbitration, the burden of proof shall be allocated as provided by applicable law. The arbitrator shall have the authority to award any and all legal and equitable relief authorized by the law(s) applicable to the claim(s) being asserted in the arbitration, as if the claim(s) were brought in a court of law. Any party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Discovery, such as depositions or document requests, shall be available to the Company and Executive as though the dispute were pending in Colorado state court. The arbitrator shall have the ability to rule on pre-hearing motions, as though the matter were in a Colorado state court, including the ability to rule on a motion for summary judgment.

The fees of the arbitrator and any other fees for the administration of the arbitration (*e.g.*, room rental fees, etc.) shall be paid by the Company. The arbitrator must provide a written decision which is subject to limited judicial review consistent with applicable law. If any part of this arbitration provision is deemed to be unenforceable by an arbitrator or a court of law, that part may be severed or reformed so as to make the balance of this arbitration provision enforceable.

19. Non-Admission of Liability or Wrongdoing. By entering into this Agreement, neither Executive nor the Company admits any impropriety, illegality, wrongdoing or liability of any kind whatsoever, and on the contrary, each hereby expressly denies the same.

20. Post-Employment Agreement. The parties acknowledge that this Agreement, including the arbitration provision contained in Paragraph 18 above, was negotiated and executed outside of the context of any employment relationship between the Company and Executive, which has ended.

21. Compliance with Section 409A. The provisions of this Agreement are intended to satisfy the requirements of Section 409A of the Internal Revenue Code, any Treasury regulations promulgated thereunder and any guidance issued by the Internal Revenue Service relating thereto (collectively, "Code Section 409A"), and will be interpreted in a manner that is consistent with such intent so that all payments and reimbursements made hereunder are made in compliance with or are exempt from Code Section 409A. Without limiting the generality of the foregoing, the Company and Executive agree that Executive's entitlement to any payment made pursuant to the Agreement shall be conditioned upon Executive's separation from service, as defined in Code Section 409A. To the extent required to comply with Section 409A (as determined by the Company), if Executive is a "specified employee," as determined by the Company, as of his Termination Date, then all amounts due under this Agreement that constitute a "deferral of compensation" within the meaning of Section 409A, that are provided as a result of a "separation from service" within the meaning of Section 409A, and that would otherwise be paid or provided during the first six months following Executive's Termination Date, shall be accumulated through and paid or provided on the first business day that is more than six months after Executive's Termination Date (or, if Executive dies during such six month period, within 90 days after Executive's death).

22. Expenses. Company shall pay the reasonable fees, charges, and disbursements of counsel for Executive in connection with the preparation, negotiation, execution and delivery of this Agreement and the transactions contemplated hereby. Except as otherwise specifically provided herein, each party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby.

23. Guaranty. Moni hereby absolutely and unconditionally guarantees, as a guarantee of payment and not merely as a guarantee of collection, prompt payment when due, and at all times thereafter, of any and all obligations and liabilities of every kind, nature and character, direct or indirect, absolute or contingent, liquidated or unliquidated, voluntary or involuntary, of Company to Executive arising under this Agreement and all instruments, agreements and other documents of every kind and nature now or hereafter executed in connection with the Agreement. This guaranty obligation shall not be affected by the genuineness, validity, regularity or enforceability of the guaranteed obligations or any instrument or agreement evidencing any guaranteed obligations, or by any fact or circumstance relating to the guaranteed obligations which might otherwise constitute a defense to the obligations of Moni under this Paragraph 23 or this Agreement.

24. Counterpart Execution. This Agreement may be executed in counterparts so that when each party has signed at least one counterpart of this Agreement, this Agreement shall be deemed fully executed as though each party had signed one original of this Agreement.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the dates indicated below.

**Ascent Capital Group, Inc.**

Dated: 5/10/2018

By: /s/ William Niles

Name: William Niles

Its: Chief Executive Officer and General Counsel

**Monitronics International, Inc.**

Dated: 5/10/2018

By: /s/ William Niles

Name: William Niles

Its: Chief Executive Officer and General Counsel

**Executive**

Dated: 5/10/2018

By: /s/ William R. Fitzgerald

Name: William R. Fitzgerald



## CERTIFICATION

I, William E. Niles, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ascent Capital Group, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) disclosed in this quarterly 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: August 3, 2018

/s/ William E. Niles  
William E. Niles  
Chief Executive Officer, General Counsel and Secretary

## CERTIFICATION

I, Fred A. Graffam, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ascent Capital Group, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) disclosed in this quarterly 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: August 3, 2018

/s/ Fred A. Graffam

Fred A. Graffam

Senior Vice President and Chief Financial Officer

**Certification**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Ascent Capital Group, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of June 30, 2018 and December 31, 2017 and for the three and six months ended June 30, 2018 and 2017.

Dated: August 3, 2018 /s/ William E. Niles  
William E. Niles  
Chief Executive Officer, General Counsel and Secretary

Dated: August 3, 2018 /s/ Fred A. Graffam  
Fred A. Graffam  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

