

ASCENT CAPITAL GROUP, INC.

FORM 10-Q (Quarterly Report)

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Address	5251 DTC PARKWAY SUITE 1000 GREENWOOD VILLAGE, CO, 80111
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**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 September 30, 2017

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, as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

The number of outstanding shares of Ascent Capital Group, Inc.'s common stock as of October 19, 2017 was:

Series A common stock 11,945,471 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)

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,920	\$ 12,319
Marketable securities, at fair value	100,498	77,825
Trade receivables, net of allowance for doubtful accounts of \$3,381 in 2017 and \$3,043 in 2016	13,206	13,869
Prepaid and other current assets	11,759	10,347
Assets held for sale	—	10,673
Total current assets	160,383	125,033
Property and equipment, net of accumulated depreciation of \$35,506 in 2017 and \$29,071 in 2016	30,993	28,331
Subscriber accounts, net of accumulated amortization of \$1,383,804 in 2017 and \$1,212,468 in 2016	1,333,627	1,386,760
Dealer network and other intangible assets, net of accumulated amortization of \$40,348 in 2017 and \$32,976 in 2016	9,452	16,824
Goodwill	563,549	563,549
Other assets	6,875	11,935
Total assets	\$ 2,104,879	\$ 2,132,432
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,521	\$ 11,516
Accrued payroll and related liabilities	6,345	5,067
Other accrued liabilities	66,873	34,970
Deferred revenue	14,191	15,147
Holdback liability	10,706	13,916
Current portion of long-term debt	11,000	11,000
Liabilities of discontinued operations	—	3,500
Total current liabilities	119,636	95,116
Non-current liabilities:		
Long-term debt	1,789,810	1,754,233
Long-term holdback liability	1,982	2,645
Derivative financial instruments	16,122	16,948
Deferred income tax liability, net	20,959	17,769
Other liabilities	6,671	7,076
Total liabilities	1,955,180	1,893,787
Commitments and contingencies		
Stockholders' 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 11,947,767 and 11,969,152 shares at September 30, 2017 and December 31, 2016, respectively	119	120
Series B common stock, \$0.01 par value. Authorized 5,000,000 shares; issued and outstanding 381,528 and 381,859 shares at September 30, 2017 and December 31, 2016, respectively	4	4
Series C common stock, \$0.01 par value. Authorized 45,000,000 shares; no shares issued	—	—
Additional paid-in capital	1,422,608	1,417,505
Accumulated deficit	(1,261,098)	(1,169,559)
Accumulated other comprehensive loss, net	(11,934)	(9,425)
Total stockholders' equity	149,699	238,645
Total liabilities and stockholders' equity	\$ 2,104,879	\$ 2,132,432

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenue	\$ 138,211	142,765	\$ 419,909	429,689
Operating expenses:				
Cost of services	30,213	29,049	89,799	86,161
Selling, general and administrative, including stock-based compensation	35,793	32,897	136,809	97,148
Radio conversion costs	74	1,263	383	17,938
Amortization of subscriber accounts, dealer network and other intangible assets	59,384	62,156	178,896	185,415
Depreciation	2,176	2,152	6,435	6,329
Gain on disposal of operating assets	—	—	(21,217)	—
	<u>127,640</u>	<u>127,517</u>	<u>391,105</u>	<u>392,991</u>
Operating income	10,571	15,248	28,804	36,698
Other income (expense), net:				
Interest income	617	548	1,575	1,593
Interest expense	(38,360)	(31,794)	(114,011)	(94,805)
Refinancing expense	—	(9,348)	—	(9,348)
Other income (expense), net	(222)	240	242	(1,079)
	<u>(37,965)</u>	<u>(40,354)</u>	<u>(112,194)</u>	<u>(103,639)</u>
Loss from continuing operations before income taxes	(27,394)	(25,106)	(83,390)	(66,941)
Income tax expense from continuing operations	(1,766)	(1,927)	(8,241)	(5,514)
Net loss from continuing operations	<u>(29,160)</u>	<u>(27,033)</u>	<u>(91,631)</u>	<u>(72,455)</u>
Discontinued operations:				
Income from discontinued operations, net of income tax of \$0	—	—	92	—
Net loss	<u>(29,160)</u>	<u>(27,033)</u>	<u>(91,539)</u>	<u>(72,455)</u>
Other comprehensive income (loss):				
Foreign currency translation adjustments	(16)	(224)	626	(780)
Unrealized holding gain on marketable securities, net	279	301	1,366	3,164
Unrealized gain (loss) on derivative contracts, net	227	(2,459)	(4,501)	(19,001)
Total other comprehensive income (loss), net of tax	<u>490</u>	<u>(2,382)</u>	<u>(2,509)</u>	<u>(16,617)</u>
Comprehensive loss	<u>\$ (28,670)</u>	<u>(29,415)</u>	<u>\$ (94,048)</u>	<u>\$ (89,072)</u>
Basic and diluted income (loss) per share:				
Continuing operations	\$ (2.39)	(2.23)	\$ (7.53)	(5.89)
Discontinued operations	—	—	0.01	—
Net loss	<u>\$ (2.39)</u>	<u>(2.23)</u>	<u>\$ (7.52)</u>	<u>(5.89)</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)

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (91,539)	(72,455)
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, dealer network and other intangible assets	178,896	185,415
Depreciation	6,435	6,329
Stock-based compensation	5,968	5,205
Deferred income tax expense	3,158	3,158
Gain on disposal of operating assets	(21,217)	—
Legal settlement reserve, net of cash payments	23,000	—
Amortization of debt discount and deferred debt costs	8,227	8,063
Refinancing expense	—	9,348
Bad debt expense	7,888	7,855
Other non-cash activity, net	4,887	4,231
Changes in assets and liabilities:		
Trade receivables	(7,225)	(7,906)
Prepaid expenses and other assets	(3,535)	717
Subscriber accounts - deferred contract costs	(2,299)	(2,080)
Payables and other liabilities	4,770	10,667
Operating activities from discontinued operations, net	(3,408)	—
Net cash provided by operating activities	<u>113,914</u>	<u>158,547</u>
Cash flows from investing activities:		
Capital expenditures	(9,999)	(5,071)
Cost of subscriber accounts acquired	(119,081)	(160,117)
Purchases of marketable securities	(22,633)	(5,036)
Proceeds from sale of marketable securities	1,108	12,909
Decrease in restricted cash	—	55
Proceeds from the disposal of operating assets	32,612	—
Net cash used in investing activities	<u>(117,993)</u>	<u>(157,260)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	159,850	1,249,000
Payments on long-term debt	(132,500)	(1,200,009)
Value of shares withheld for share-based compensation	(670)	(347)
Payments of financing costs	—	(16,711)
Purchases and retirement of common stock	—	(7,140)
Net cash provided by financing activities	<u>26,680</u>	<u>24,793</u>
Net increase in cash and cash equivalents	<u>22,601</u>	<u>26,080</u>
Cash and cash equivalents at beginning of period	12,319	5,577
Cash and cash equivalents at end of period	<u>\$ 34,920</u>	<u>31,657</u>
Supplemental cash flow information:		
State taxes paid, net	\$ 3,107	2,759
Interest paid	93,753	73,521
Accrued capital expenditures	386	638

See accompanying notes to condensed consolidated financial statements.

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

	Preferred Stock	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
		Series A	Series B	Series C				
Balance at December 31, 2016	\$ —	120	4	—	1,417,505	(1,169,559)	(9,425)	238,645
Net loss	—	—	—	—	—	(91,539)	—	(91,539)
Other comprehensive loss	—	—	—	—	—	—	(2,509)	(2,509)
Stock-based compensation	—	—	—	—	5,772	—	—	5,772
Value of shares withheld for minimum tax liability	—	(1)	—	—	(669)	—	—	(670)
Balance at September 30, 2017	\$ —	119	4	—	1,422,608	(1,261,098)	(11,934)	149,699

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. ("MONI") is the primary, wholly owned, operating subsidiary of the Company. MONI provides residential customers and commercial client accounts with monitored home and business security systems, as well as interactive and home automation services. MONI is supported by a network of independent Authorized Dealers providing products and support to customers in the United States, Canada and Puerto Rico. MONI's wholly owned subsidiary, LiveWatch Security LLC ("LiveWatch") is a Do-It-Yourself home security firm, offering professionally monitored security services through a direct-to-consumer sales channel.

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 ("U.S. GAAP") for complete financial statements. The Company's unaudited condensed consolidated financial statements as of September 30, 2017, and for the three and nine months ended September 30, 2017 and 2016, 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, 2016, filed with the SEC on March 8, 2017 (the "2016 Form 10-K").

The preparation of financial statements in conformity with U.S. 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 goodwill, other intangible assets, long-lived assets, deferred tax assets, derivative financial instruments, and the amount of the allowance for doubtful accounts. 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 May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Under the update, revenue will be recognized based on a five-step model. The core principle of the model 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. In the third quarter of 2015, the FASB deferred the effective date of the standard to annual and interim periods beginning after December 15, 2017. In March and April 2016, the FASB issued amendments to provide clarification on assessment of collectability criteria, presentation of sales taxes and measurement of non-cash consideration. In addition, the amendment provided clarification and included simplification to transaction guidance on contract modifications and completed contracts at transaction. In December 2016, the FASB issued amendments to provide clarification on codification and guidance application. The standard allows the option of either a full retrospective adoption, meaning the standard is applied to all periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period.

The Company currently plans to adopt ASU 2014-09 using the modified retrospective approach. However, a final decision regarding the adoption method has not been made at this time. The Company's final determination will depend on the significance of the impact of the new standard on the Company's financial results.

The Company is continuing its evaluation of the impact of ASU 2014-09 on the accounting policies, processes, and system requirements. The Company has assigned internal resources in addition to the engagement of a third party service provider to assist in the evaluation. While the Company is in the process of assessing revenue recognition and cost deferral policies across each type of its contracts, the Company does not know or cannot reasonably estimate the impact of the adoption ASU 2014-09 on its financial position, results of operations and cash flows.

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In February 2016, 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 expense. 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.

In January 2017, the FASB issued 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. ASU 2017-04 becomes effective on January 1, 2020 with early adoption permitted. The Company is currently evaluating when to adopt the standard.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting* ("ASU 2017-09"). ASU 2017-09 requires modification accounting in Topic 718 to be applied to a change to the terms or conditions of a share-based payment award unless the fair value, vesting conditions and classification of the modified award are the same immediately before and after the modification of the award. ASU 2017-09 is effective for annual and interim periods beginning after December 15, 2017, and requires a prospective approach. Early adoption is permitted. The Company plans to adopt the standard when it becomes effective. The adoption is not expected to have a material impact on the Company's financial position, results of operations and cash flows.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12") to amend 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. ASU 2017-12 is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact that ASU 2017-12 will have on its financial position, results of operations and cash flows.

(3) 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 September 30, 2017				
	Cost Basis (b)	Unrealized Gains	Unrealized Losses	Total	
Equity securities	\$ 3,432	\$ —	\$ —	\$ 3,432	
Mutual funds (a)	94,628	2,438	—	97,066	
Ending balance	\$ 98,060	\$ 2,438	\$ —	\$ 100,498	

	As of December 31, 2016				
	Cost Basis (b)	Unrealized Gains	Unrealized Losses	Total	
Equity securities	\$ 3,767	\$ —	\$ (396)	\$ 3,371	
Mutual funds (a)	72,986	1,483	(15)	74,454	
Ending balance	\$ 76,753	\$ 1,483	\$ (411)	\$ 77,825	

(a) Primarily consists of corporate bond funds.

(b) When an other-than-temporary impairment occurs, the Company reduces the cost basis of the marketable security involved. In the third quarter of 2017, the Company recognized a non-cash charge for an other-than-temporary impairment of \$220,000 on its equity securities. In the second quarter of 2016, the Company recognized non-cash charges for an other-than-temporary impairment of \$1,068,000 on its mutual funds and \$836,000 on its equity

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securities for a total other-than-temporary impairment loss on marketable securities of \$1,904,000. The mutual fund impairments were attributable to a low interest rate environment and widening credit spreads. The equity security impairments were primarily attributable to foreign exchange losses based on weakening of the trading currency of the underlying investment.

The following table provides the realized investment gains and losses and the total proceeds received from the sale of marketable securities (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gross realized gains	\$ —	\$ —	\$ 6	\$ 244
Gross realized losses	\$ 2	\$ 26	\$ 5	\$ 236
Total proceeds	\$ 51	\$ 959	\$ 1,108	\$ 12,909

(4) Assets Held for Sale

In the first and second quarters of 2017, the Company completed the sale of assets held for sale with a net book value of \$11,395,000 for a gain of approximately \$21,217,000.

(5) Other Accrued Liabilities

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

	September 30, 2017	December 31, 2016
Interest payable	\$ 28,048	\$ 15,675
Income taxes payable	5,149	2,989
Legal accrual, including settlement reserve	23,534 (a)	476
LiveWatch acquisition retention bonus	—	4,990
Derivative financial instruments	1,631	—
Other	8,511	10,840
Total Other accrued liabilities	\$ 66,873	\$ 34,970

(a) Amount includes \$23,000,000 related to a legal settlement reserve. See note 11, Commitments, Contingencies and Other Liabilities, for further information.

(6) Long-Term Debt

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

	September 30, 2017	December 31, 2016
Ascent Capital 4.00% Convertible Senior Notes due July 15, 2020 with an effective rate of 8.4%	\$ 81,473	\$ 78,279
MONI 9.125% Senior Notes due April 1, 2020 with an effective rate of 9.4%	579,669	578,254
MONI term loan, matures September 30, 2022, LIBOR plus 5.50%, subject to a LIBOR floor of 1.00% with an effective rate of 7.2%	1,061,199	1,066,130
MONI \$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 5.1%	78,469	42,570
	1,800,810	1,765,233
Less current portion of long-term debt	(11,000)	(11,000)
Long-term debt	\$ 1,789,810	\$ 1,754,233

Convertible Senior Notes

The 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 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 September 30, 2017	As of December 31, 2016
Principal	\$ 96,775	\$ 96,775
Unamortized discount	(14,332)	(17,324)
Deferred debt costs	(970)	(1,172)
Carrying value	<u>\$ 81,473</u>	<u>\$ 78,279</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 \$967,000 and \$2,903,000 for both the three and nine months ended September 30, 2017 and 2016. The Company amortized \$ 1,102,000 and \$3,194,000 of the Convertible Notes debt discount and deferred debt costs into interest expense for the three and nine months ended September 30, 2017, compared to \$958,000 and \$2,779,000 for three and nine months ended September 30, 2016.

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 with respect to the 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.

Senior Notes

The 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 MONI's existing domestic subsidiaries. Ascent Capital has not guaranteed any of MONI's obligations under the Senior Notes. As of September 30, 2017, the Senior Notes had deferred financing costs and unamortized premium, net of accumulated amortization of \$ 5,331,000.

Credit Facility

On September 30, 2016, MONI 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").

On September 28, 2017, MONI borrowed an incremental \$26,691,000 on its Credit Facility revolver to fund its October 2, 2017 interest payment due under the Senior Notes.

As of September 30, 2017, the Credit Facility term loan has a principal amount of \$ 1,089,000,000, 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 \$ 80,400,000 as of September 30, 2017 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 September 30, 2017, \$ 214,600,000 is available for borrowing under the Credit Facility revolver.

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 addition, 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 MONI and all of its existing subsidiaries and is guaranteed by all of MONI's existing domestic subsidiaries. Ascent Capital has not guaranteed any of MONI's obligations under the Credit Facility.

As of September 30, 2017, MONI has deferred financing costs and unamortized discounts, net of accumulated amortization, of \$ 29,732,000 related to the Credit Facility.

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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, MONI 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, MONI’s current effective weighted average interest rate on the borrowings under the Credit Facility term loan is 7.18% . See note 7, 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 September 30, 2017 , the Company was in compliance with all required covenants under these financing arrangements.

As of September 30, 2017 , principal payments scheduled to be made on the Company’s debt obligations are as follows (amounts in thousands):

Remainder of 2017	\$	2,750
2018		11,000
2019		11,000
2020		692,775
2021		91,400
2022		1,042,250
Thereafter		—
Total principal payments	\$	1,851,175
Less:		
Unamortized deferred debt costs, discounts and premium, net		50,365
Total debt on condensed consolidated balance sheet	\$	1,800,810

(7) Derivatives

Interest Rate Risk

MONI utilizes interest rate swap agreements to reduce the interest rate risk inherent in MONI’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 8, Fair Value Measurements, for additional information about the credit valuation adjustments.

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As of September 30, 2017, 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
\$ 519,750,000	March 28, 2013	March 23, 2018	1.884%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
137,750,000	March 28, 2013	March 23, 2018	1.384%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
107,694,723	September 30, 2013	March 23, 2018	1.959%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor
107,694,723	September 30, 2013	March 23, 2018	1.850%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor
191,475,002	March 23, 2018	April 9, 2022	3.110%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
250,000,000	March 23, 2018	April 9, 2022	3.110%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
50,000,000	March 23, 2018	April 9, 2022	2.504%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor
377,000,000	March 23, 2018	September 30, 2022	1.833%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor

- (a) On March 25, 2013 and September 30, 2016, MONI 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, MONI 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 loss relating to the dedesignation are recognized in Interest expense over the remaining life of the Amended Swaps.

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 loss. Any ineffective portions of the Swaps' change in fair value are recognized in current earnings in Interest expense. Changes in the fair value of the Swaps recognized in Accumulated other comprehensive loss are reclassified to Interest expense when the hedged interest payments on the underlying debt are recognized. Amounts in Accumulated other comprehensive loss expected to be recognized in Interest expense in the coming 12 months total approximately \$5,775,000.

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Effective portion of loss recognized in Accumulated other comprehensive loss	\$ (914)	(4,284)	\$ (8,890)	(24,447)
Effective portion of loss reclassified from Accumulated other comprehensive loss into Net loss (a)	\$ (1,141)	(1,825)	\$ (4,389)	(5,446)
Ineffective portion of amount of loss recognized into Net loss (a)	\$ (65)	16	\$ (157)	(61)

- (a) Amounts are included in Interest expense in the unaudited condensed consolidated statements of operations and comprehensive income (loss).

Foreign Exchange Risk

Ascent Capital entered into a foreign currency forward exchange contract to hedge British Pound exposure associated with the sale of a property in the United Kingdom. This foreign currency forward exchange contract matured on June 30, 2017. The notional amount of the foreign exchange contract was £13,500,000. For the nine months ended September 30, 2017, Ascent

Capital recognized a loss on the settlement of this instrument of approximately \$1,150,000. The loss on this instrument is recognized in Selling, general and administrative, including stock-based compensation expense on the condensed consolidated statements of operations and comprehensive income (loss).

(8) 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 September 30, 2017 and December 31, 2016 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
September 30, 2017				
Investments in marketable securities (a)	100,498	—	—	100,498
Interest rate swap agreement - assets (b)	—	4,664	—	4,664
Interest rate swap agreements - liabilities (b)	—	(17,753)	—	(17,753)
Total	\$ 100,498	(13,089)	—	\$ 87,409
December 31, 2016				
Investments in marketable securities (a)	77,825	—	—	77,825
Interest rate swap agreement - assets (b)	—	8,521	—	8,521
Interest rate swap agreements - liabilities (b)	—	(16,948)	—	(16,948)
Total	\$ 77,825	(8,427)	—	\$ 69,398

(a) Level 1 investments primarily consist of diversified corporate bond funds.

(b) Interest rate swap agreement asset values are included in Other assets and interest rate swap agreement liability values are included in current Other accrued liabilities or non-current Derivative financial instruments on the consolidated balance sheets depending on the maturity date of the swap.

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.

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

	September 30, 2017	December 31, 2016
Long term debt, including current portion:		
Carrying value	\$ 1,800,810	\$ 1,765,233
Fair value (a)	1,756,742	1,770,694

(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.

(9) Stockholders' Equity

Common Stock

The following table presents the activity in the 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 nine months ended September 30, 2017 :

	Series A Common Stock	Series B Common Stock
Outstanding balance at December 31, 2016	11,969,152	381,859
Conversion from Series B to Series A Shares	331	(331)
Issuance of stock awards	37,805	—
Restricted stock forfeitures and tax withholding	(59,521)	—
Outstanding balance at September 30, 2017	<u>11,947,767</u>	<u>381,528</u>

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 (a)	Unrealized gains and losses on derivative instruments, net (b)	Accumulated other comprehensive loss
As of December 31, 2016	\$ (1,540)	1,072	(8,957)	\$ (9,425)
Gain (loss) through Accumulated other comprehensive loss, net of income tax of \$0	626	1,147	(8,890)	(7,117)
Reclassifications of loss (gain) into Net loss, net of income tax of \$0	—	219	4,389	4,608
Net current period other comprehensive income (loss)	626	1,366	(4,501)	(2,509)
As of September 30, 2017	<u>\$ (914)</u>	<u>2,438</u>	<u>(13,458)</u>	<u>\$ (11,934)</u>

- (a) Amounts reclassified into net loss are included in Other income, net on the condensed consolidated statement of operations. See note 3, Investments in Marketable Securities, for further information.
- (b) Amounts reclassified into net loss are included in Interest expense on the condensed consolidated statement of operations. See note 7, Derivatives, for further information.

(10) 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 earnings (loss) by the weighted average number of shares of Series A Common Stock and Series B Common Stock outstanding for the period. Diluted EPS is computed by dividing net earnings (loss) by the sum of the weighted average number of shares of Series A Common Stock and Series B Common Stock outstanding and the effect of dilutive securities such as outstanding stock options, unvested restricted stock and restricted stock units.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Weighted average Series A and Series B shares — basic and diluted	12,207,649	12,101,214	12,170,367	12,304,879

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. For the three and nine months ended September 30, 2017, diluted shares outstanding excluded the effect of 247,148 potentially dilutive unvested restricted stock awards and performance stock units because their inclusion would have been anti-dilutive. For the three and nine months ended September 30, 2016, diluted shares outstanding excluded the effect of 332,403 potentially dilutive stock options and unvested restricted stock awards because their inclusion would have been anti-dilutive.

(11) Commitments, Contingencies and Other Liabilities

MONI 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 Monitronics Authorized Dealer, or any Authorized Dealer's lead generator or sub-dealer. In the second quarter of 2017, MONI and the plaintiffs agreed to settle this litigation for \$28,000,000 ("the Settlement Amount"). MONI 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, MONI 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.

(12) Reportable Business Segments

Description of Segments

The Company operates through two reportable business segments according to the nature and economic characteristics of its services as well as the manner in which the information issued internally by the Company's key decision maker, who is the Company's Chief Executive Officer. The Company's business segments are as follows:

MONI

The MONI segment is engaged in the business of providing security alarm monitoring services: monitoring signals arising from burglaries, fires, medical alerts and other events through security systems at subscribers' premises, as well as providing customer service and technical support. MONI primarily outsources the sales, installation and most of its field service functions to its dealers.

LiveWatch

LiveWatch is a Do-It-Yourself home security provider offering professionally monitored security services through a direct-to-consumer sales channel. LiveWatch offers a differentiated go-to-market strategy through direct response TV, internet and radio advertising. When a customer initiates the process to obtain monitoring services, LiveWatch pre-configures the alarm monitoring system based on customer specifications. LiveWatch 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.

Other Activities

Other Activities primarily consists of Ascent Capital's corporate costs, including administrative and other activities not associated with the operation of the reportable segments, and eliminations.

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As they arise, transactions between segments are recorded on an arm's length basis using relevant market prices. The following table sets forth selected data from the accompanying condensed consolidated statements of operations for the periods indicated (amounts in thousands):

	MONI	LiveWatch	Other	Consolidated
Three Months Ended September 30, 2017				
Net revenue	\$ 130,963	\$ 7,248	\$ —	\$ 138,211
Depreciation and amortization	\$ 60,390	\$ 1,164	\$ 6	\$ 61,560
Net loss from continuing operations before income taxes	\$ (17,943)	\$ (5,826)	\$ (3,625)	\$ (27,394)
Three Months Ended September 30, 2016				
Net revenue	\$ 136,910	\$ 5,855	\$ —	\$ 142,765
Depreciation and amortization	\$ 63,117	\$ 1,123	\$ 68	\$ 64,308
Net loss from continuing operations before income taxes	\$ (15,238)	\$ (5,835)	\$ (4,033)	\$ (25,106)
Nine Months Ended September 30, 2017				
Net revenue	\$ 398,907	\$ 21,002	\$ —	\$ 419,909
Depreciation and amortization	\$ 181,873	\$ 3,438	\$ 20	\$ 185,331
Net income (loss) from continuing operations before income taxes	\$ (74,722)	\$ (16,601)	\$ 7,933	\$ (83,390)
Nine Months Ended September 30, 2016				
Net revenue	\$ 413,180	\$ 16,509	\$ —	\$ 429,689
Depreciation and amortization	\$ 188,146	\$ 3,353	\$ 245	\$ 191,744
Net loss from continuing operations before income taxes	\$ (38,092)	\$ (16,167)	\$ (12,682)	\$ (66,941)

The following table sets forth selected data from the accompanying condensed consolidated balance sheets for the periods indicated (amounts in thousands):

	MONI	LiveWatch	Other	Consolidated
Balance at September 30, 2017				
Subscriber accounts, net of amortization	\$ 1,312,214	\$ 21,413	\$ —	\$ 1,333,627
Goodwill	\$ 527,502	\$ 36,047	\$ —	\$ 563,549
Total assets	\$ 2,044,106	\$ 62,830	\$ (2,057)	\$ 2,104,879
Balance at December 31, 2016				
Subscriber accounts, net of amortization	\$ 1,364,804	\$ 21,956	\$ —	\$ 1,386,760
Goodwill	\$ 527,502	\$ 36,047	\$ —	\$ 563,549
Total assets	\$ 2,062,838	\$ 63,916	\$ 5,678	\$ 2,132,432

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 assets and businesses, new service offerings, 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 MONI's largest demographic;
- uncertainties in the development of our business strategies, including MONI's increased direct marketing efforts and market acceptance of new products and services;
- the competitive environment in which we operate, in particular increasing competition in the alarm monitoring industry from larger existing competitors and new market entrants, including telecommunications and cable companies;
- the development of new services or service innovations by competitors;
- MONI'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 MONI 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 and the need for significant upgrade expenditures, including the phase-out of 2G networks by cellular carriers;
- the trend away from the use of public switched telephone network lines and resultant increase in servicing costs associated with alternative methods of communication;
- the operating performance of MONI'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 MONI business partners;
- the reliability and creditworthiness of MONI's independent alarm systems dealers and subscribers;
- changes in MONI's expected rate of subscriber attrition;
- the availability and terms of capital, including the ability of MONI to obtain future financing to grow its business;
- MONI'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, 2016 (the "2016 Form 10-K"). 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 2016 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 ("MONI"). MONI provides residential customers and commercial client accounts with monitored home and business security systems, as well as interactive and home automation services. MONI is supported by a network of independent Authorized Dealers providing products and support to customers in the United States, Canada and Puerto Rico. MONI's wholly owned subsidiary, LiveWatch Security LLC ("LiveWatch") is a Do-It-Yourself home security firm, offering professionally monitored security services through a direct-to-consumer sales channel.

Attrition

Account cancellation, otherwise referred to as subscriber attrition, has a direct impact on the number of subscribers that MONI 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 terminate their contract for a variety of reasons, including relocation, cost and switching to a competitor's service. The largest categories of canceled accounts relate to subscriber relocation or the inability to contact the subscriber. MONI 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. MONI 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. MONI 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 MONI the cost paid to acquire the contract. To help ensure the dealer's obligation to MONI, MONI 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.

The table below presents subscriber data for the twelve months ended September 30, 2017 and 2016 :

	Twelve Months Ended September 30,	
	2017	2016
Beginning balance of accounts	1,059,634	1,091,627
Accounts acquired	103,650	136,414
Accounts canceled	(152,951)	(150,091)
Canceled accounts guaranteed by dealer and other adjustments (a) (b)	(12,246)	(18,316)
Ending balance of accounts	998,087	1,059,634
Monthly weighted average accounts	1,033,150	1,079,100
Attrition rate - Unit	14.8%	13.9%
Attrition rate - RMR (c)	13.5%	12.2%

(a) Includes canceled accounts that are contractually guaranteed to be refunded from holdback.

(b) Includes an estimated 4,945 and 10,488 accounts included in our Radio Conversion Program that primarily canceled in excess of their expected attrition for the twelve months ending September 30, 2017 and 2016 , respectively.

(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 September 30, 2017 and 2016 was 14.8% and 13.9% , respectively. Contributing to the increase in attrition was the number of subscriber accounts with 5-year contracts reaching the end of their initial contract term in the period, as well as MONI's more aggressive price increase strategy. Overall attrition reflects the impact of the Pinnacle Security bulk buys, where MONI purchased approximately 113,000 accounts from Pinnacle Security in 2012 and 2013, which are now experiencing normal end-of-term attrition. The unit attrition rate without the Pinnacle Security accounts (core attrition) for the twelve months ended September 30, 2017 and 2016 was 14.0% and 13.3%, respectively.

MONI analyzes its attrition by classifying accounts into annual pools based on the year of acquisition. MONI 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, MONI'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 MONI. 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. The peak following the end of the initial contract term is primarily a result of subscribers that moved, no longer had need for the service or switched to a competitor. 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 September 30, 2017 and 2016, MONI acquired 21,268 and 32,570 subscriber accounts, respectively. During the nine months ended September 30, 2017 and 2016, MONI acquired 77,423 and 99,065 subscriber accounts, respectively. Accounts acquired for the nine months ended September 30, 2017 reflect bulk buys of approximately 3,500 accounts. Accounts acquired for the nine months ended September 30, 2016 reflect bulk buys of approximately 6,700 accounts. The decrease in accounts acquired for the three and nine months is primarily due to general softness in the dealer channel. The softness in the dealer channel is generally related to a longer than expected transition from their traditional go-to-market strategies, such as door to door sales, to more sophisticated methods including online sales and marketing. Additionally, during the three months ended September 30, 2017, MONI discontinued its relationship with its largest dealer in connection with the TCPA settlement. The decrease was partially offset by year over year growth in the direct to consumer sales channels.

RMR acquired during the three months ended September 30, 2017 and 2016 was \$1,028,000 and \$1,545,000, respectively. RMR acquired during the nine months ended September 30, 2017 and 2016 was \$3,768,000 and \$4,603,000, respectively.

Impact from Natural Disasters

Hurricanes Harvey, Irma and Maria, which made landfall in Texas, Florida and Puerto Rico, respectively, did not materially impact our results for the third quarter of 2017. MONI has approximately 38,000 and 55,000 subscribers in areas impacted by hurricanes Harvey and Irma, respectively. In addition, MONI has approximately 36,000 subscribers in the areas impacted by hurricane Maria. As a result of these events, we may experience increased revenue credits, field service costs, and 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 and long-term incentive 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 MONI's covenants are calculated under the agreements governing their 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.

Pre-SAC Adjusted EBITDA

In addition to MONI's dealer sales channel, MONI and LiveWatch also generate leads and acquire accounts through their direct-to-consumer sales channels. As such, certain expenditures and related revenue associated with subscriber acquisition

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(subscriber acquisition costs, or "SAC") are recognized as incurred. This is in contrast to the dealer sales channel, which capitalizes payments to dealers to acquire accounts. "Pre-SAC Adjusted EBITDA" is a measure that eliminates the impact of generating leads and acquiring accounts through the direct-to-consumer sales channels that is recognized in operating income. Pre-SAC Adjusted EBITDA is defined as total Adjusted EBITDA excluding SAC related to internally generated subscriber leads and accounts through the direct-to-consumer sales channels, as well as any related revenue. We believe Pre-SAC Adjusted EBITDA is a meaningful measure of the Company's financial performance in servicing its customer base. Pre-SAC 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. Pre-SAC Adjusted EBITDA is a non-GAAP financial measure. As companies often define non-GAAP financial measures differently, Pre-SAC Adjusted EBITDA as calculated by the Company should not be compared to any similarly titled measures reported by other companies.

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 September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenue	\$ 138,211	142,765	\$ 419,909	429,689
Cost of services	30,213	29,049	89,799	86,161
Selling, general, and administrative	35,793	32,897	136,809	97,148
Amortization of subscriber accounts, dealer network and other intangible assets	59,384	62,156	178,896	185,415
Interest expense	(38,360)	(31,794)	(114,011)	(94,805)
Income tax expense from continuing operations	(1,766)	(1,927)	(8,241)	(5,514)
Net loss from continuing operations	(29,160)	(27,033)	(91,631)	(72,455)
Net loss	(29,160)	(27,033)	(91,539)	(72,455)
<i>Adjusted EBITDA (a)</i>				
MONI business Adjusted EBITDA	\$ 76,910	86,795	\$ 239,786	262,454
Corporate Adjusted EBITDA	(1,239)	(1,852)	(6,379)	(5,446)
Total Adjusted EBITDA	\$ 75,671	84,943	\$ 233,407	257,008
<i>Adjusted EBITDA as a percentage of Net revenue</i>				
MONI business	55.6 %	60.8 %	57.1 %	61.1 %
Corporate	(0.9)%	(1.3)%	(1.5)%	(1.3)%
<i>Pre-SAC Adjusted EBITDA (b)</i>				
MONI business Pre-SAC Adjusted EBITDA	\$ 87,134	92,776	\$ 265,850	279,044
Corporate Pre-SAC Adjusted EBITDA	(1,239)	(1,852)	(6,379)	(5,446)
Total Pre-SAC Adjusted EBITDA	\$ 85,895	90,924	\$ 259,471	273,598
<i>Pre-SAC Adjusted EBITDA as a percentage of Pre-SAC net revenue (c)</i>				
MONI business	63.5 %	65.6 %	63.9 %	65.5 %
Corporate	(0.9)%	(1.3)%	(1.5)%	(1.3)%

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

(b) See reconciliation of Adjusted EBITDA to Pre-SAC Adjusted EBITDA below.

(c) Presented below is the reconciliation of Net revenue to Pre-SAC net revenue (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenue, as reported	\$ 138,211	142,765	\$ 419,909	429,689
Revenue associated with subscriber acquisition cost	(1,051)	(1,332)	(3,694)	(3,884)
Pre-SAC net revenue	\$ 137,160	141,433	\$ 416,215	425,805

Net revenue. Net revenue decreased \$4,554,000 , or 3.2% , and \$9,780,000 , or 2.3% , for the three and nine months ended September 30, 2017 , respectively, as compared to the corresponding prior year periods. The decrease in net revenue is attributable to the lower average number of subscribers in 2017. This decrease was partially offset by an increase in average RMR per subscriber due to certain price increases enacted during the past twelve months and an increase in average RMR per new subscriber acquired. Average RMR per subscriber increased from \$42.84 as of September 30, 2016 to \$43.79 as of September 30, 2017 .

Cost of services . Cost of services increased \$1,164,000 , or 4.0% , and \$3,638,000 , or 4.2% , for the three and nine months ended September 30, 2017 , respectively, as compared to the corresponding prior year periods. The increase is primarily attributable to increased field service costs due to a higher volume of retention jobs being completed and an increase in expensed subscriber acquisition costs attributable to MONI, as a result of the initiation of MONI's direct installation sales channel. Subscriber acquisition costs, which include expensed equipment and labor costs associated with the creation of new subscribers for MONI and LiveWatch, of \$3,307,000 and \$8,774,000 for the three and nine months ended September 30, 2017 , respectively, as compared to \$2,132,000 and \$6,466,000 for the three and nine months ended September 30, 2016 , respectively. Cost of services as a percent of net revenue increased from 20.3% and 20.1% for the three and nine months ended September 30, 2016 , respectively, to 21.9% and 21.4% for the three and nine months ended September 30, 2017 , respectively.

Selling, general and administrative. Selling, general and administrative costs ("SG&A") increased \$2,896,000 , or 8.8% , for the three months ended September 30, 2017 as compared to the corresponding prior year period. The increase is primarily attributable to increased subscriber acquisition costs, \$1,248,000 of severance charges related to a reduction in force event and transitioning executive leadership at MONI's Dallas, Texas headquarters and consulting fees related to implementation of strategic company initiatives. Subscriber acquisition costs increased to \$7,968,000 for the three months ended September 30, 2017 as compared to \$5,181,000 for the three months ended September 30, 2016 primarily as a result of increased direct-to-consumer sales activities at MONI. These increases were offset by decreases to the LiveWatch acquisition contingent bonus expense as the Company settled a portion of the bonus earlier in 2017. SG&A as a percent of net revenue increased from 23.0% for the three months ended September 30, 2016 to 25.9% for the three months ended September 30, 2017 .

SG&A increased \$39,661,000 , or 40.8% , for the nine months ended September 30, 2017 as compared to the corresponding prior year period. The increase is primarily attributable to a putative \$28,000,000 legal settlement reserve recognized in the second quarter of 2017 in relation to class action litigation that alleged violation of telemarketing laws. Subscriber acquisition costs increased to \$20,984,000 for the nine months ended September 30, 2017 as compared to \$14,008,000 for the nine months ended September 30, 2016 , primarily as a result of increased direct-to-consumer sales activities at MONI. Other increases are attributed to consulting fees incurred on strategic company initiatives as well as the severance event and transitioning executive leadership discussed above. Additionally, in the first quarter of 2017, Ascent Capital entered into a foreign currency forward exchange contract to hedge British Pound exposure associated with the sale of a property in the United Kingdom. Included in SG&A is a realized loss of \$1,150,000 on the maturity and settlement of this contract. These increases were offset by decreases to the LiveWatch acquisition contingent bonus expense as the Company settled a portion of the bonus earlier in 2017. SG&A as a percent of net revenue increased from 22.6% for the nine months ended September 30, 2016 to 32.6% for the nine months ended September 30, 2017 .

Amortization of subscriber accounts, dealer network and other intangible assets . Amortization of subscriber accounts, dealer network and other intangible assets decreased \$2,772,000 and \$6,519,000 , or 4.5% and 3.5% , for the three and nine months ended September 30, 2017 , respectively, as compared to the corresponding prior year periods. The decrease is related to the timing of amortization of subscriber accounts acquired prior to the third quarter of 2016 , which have a lower rate of amortization in 2017 based on the applicable double declining balance amortization method. The decrease is partially offset by increased amortization related to accounts acquired subsequent to September 30, 2016 .

Interest expense. Interest expense increased \$6,566,000 and \$19,206,000 , for the three and nine months ended September 30, 2017 , respectively, as compared to the corresponding prior year periods. The increase in interest expense is

attributable to increases in the Company's consolidated debt balance and higher applicable margins on Credit Facility borrowings as a result of the September 2016 Credit Facility refinancing.

Income tax expense from continuing operations. The Company had pre-tax loss from continuing operations of \$27,394,000 and \$83,390,000 and income tax expense of \$1,766,000 and \$8,241,000 for the three and nine months ended September 30, 2017, respectively. The Company had pre-tax loss from continuing operations of \$25,106,000 and \$66,941,000 and income tax expense of \$1,927,000 and \$5,514,000 for the three and nine months ended September 30, 2016, respectively. Income tax expense for the three months ended September 30, 2017 is attributable to MONI's state tax expense and the deferred tax impact from amortization of deductible goodwill related to MONI's business acquisitions. Income tax expense for the nine months ended September 30, 2017 is attributable to United Kingdom estimated corporation tax primarily related to the gain on sale of property in the second quarter of 2017, MONI's state tax expense and the deferred tax impact from amortization of deductible goodwill related to MONI's business acquisitions. Income tax expense for the three and nine months ended September 30, 2016 is attributable to MONI's state tax expense and the deferred tax impact from amortization of deductible goodwill related to MONI's business acquisitions.

Net loss from continuing operations. The Company had net loss from continuing operations of \$29,160,000 and \$91,631,000 for the three and nine months ended September 30, 2017, respectively, as compared to \$27,033,000 and \$72,455,000 for the three and nine months ended September 30, 2016, respectively. The increase in net loss from continuing operations for the three months ended September 30, 2017 is primarily driven by the decreases in operating income (which is discussed above) and increases in interest expense. These loss increases were offset by the \$9,348,000 in refinancing expenses that was a non-recurring charge incurred in the third quarter of 2016 related to MONI's Credit Facility refinancing. The increase in net loss from continuing operations for the nine months ended September 30, 2017 is primarily related to the \$28,000,000 legal settlement reserve recognized in the second quarter of 2017, as well as decreases in operating income. These changes were offset by a reduction in Radio conversion costs in 2017, as MONI has substantially completed its radio conversion program in 2016, and gains on disposal of assets held for sale recognized during the nine months ended September 30, 2017, respectively.

Adjusted EBITDA and Pre-SAC Adjusted EBITDA. The following table provides a reconciliation of net loss from continuing operations to total Adjusted EBITDA to Pre-SAC Adjusted EBITDA for the periods indicated (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net loss from continuing operations	(29,160)	(27,033)	(91,631)	(72,455)
Amortization of subscriber accounts, dealer network and other intangible assets	59,384	62,156	178,896	185,415
Depreciation	2,176	2,152	6,435	6,329
Stock-based compensation	2,393	1,760	5,968	5,205
Radio conversion costs	74	1,263	383	17,938
Rebranding marketing program	—	602	880	839
LiveWatch acquisition contingent bonus charges	391	1,104	1,746	3,096
Integration / implementation of company initiatives	390	—	2,420	—
Severance expense (a)	1,248	—	1,275	245
Impairment of capitalized software	—	—	713	—
Gain on revaluation of acquisition dealer liabilities	(954)	—	(1,358)	—
Gain on disposal of operating assets	—	—	(21,217)	—
Legal settlement reserve	—	—	28,000	—
Software implementation/integration	—	418	—	418
Other-than-temporary impairment losses on marketable securities	220	—	220	1,904
Interest income	(617)	(548)	(1,575)	(1,593)
Interest expense	38,360	31,794	114,011	94,805
Refinancing expense	—	9,348	—	9,348
Income tax expense from continuing operations	1,766	1,927	8,241	5,514
Adjusted EBITDA	75,671	84,943	233,407	257,008
Gross subscriber acquisition costs (b)	11,275	7,313	29,758	20,474
Revenue associated with subscriber acquisition costs (b)	(1,051)	(1,332)	(3,694)	(3,884)
Pre-SAC Adjusted EBITDA	\$ 85,895	90,924	259,471	273,598

(a) Severance expense related to a reduction in headcount event and transitioning executive leadership at MONI.

(b) Gross subscriber acquisition costs and Revenue associated with subscriber acquisition costs for the three and nine months ended September 30, 2016 has been restated to include \$665,000 and \$2,006,000 of costs, respectively, and \$207,000 and \$584,000 of revenue, respectively, related to MONI's direct-to-consumer sales channel activities for the period.

Adjusted EBITDA decreased \$9,272,000 , or 10.9% , and \$23,601,000 , or 9.2% , for the three and nine months ended September 30, 2017 , respectively, as compared to the corresponding prior year periods. The decrease is primarily the result of lower revenues, as discussed above, and an increase in subscriber acquisition costs, net of related revenue, which is primarily associated with an increase in MONI's direct-to-consumer sales activities. Subscriber acquisition costs, net of related revenue, increased from \$5,981,000 and \$16,590,000 for the three and nine months ended September 30, 2016 , respectively, to \$10,224,000 and \$26,064,000 for the three and nine months ended September 30, 2017 , respectively.

Pre-SAC Adjusted EBITDA decreased \$5,029,000 , or 5.5% , and \$14,127,000 , or 5.2% , for the three and nine months ended September 30, 2017 , respectively, as compared to the corresponding prior year periods which is primarily attributable to lower Pre-SAC revenues and increased field service retention costs as discussed above.

MONI's consolidated Adjusted EBITDA was \$76,910,000 and \$239,786,000 for the three and nine months ended September 30, 2017 , respectively, as compared to \$86,795,000 and \$262,454,000 for the three and nine months ended September 30, 2016 , respectively. MONI's consolidated Pre-SAC Adjusted EBITDA was \$87,134,000 and \$265,850,000 for the three and nine months ended September 30, 2017 , respectively, as compared to \$92,776,000 and \$279,044,000 for the three and nine months ended September 30, 2016 , respectively.

Liquidity and Capital Resources

At September 30, 2017, we had \$34,920,000 of cash and cash equivalents and \$100,498,000 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 MONI. During the nine months ended September 30, 2017 and 2016, our cash flow from operating activities was \$113,914,000 and \$158,547,000, 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.

During the nine months ended September 30, 2017 and 2016, the Company used cash of \$119,081,000 and \$160,117,000, respectively, to fund subscriber account acquisitions, net of holdback and guarantee obligations. In addition, during the nine months ended September 30, 2017 and 2016, the Company used cash of \$9,999,000 and \$5,071,000, respectively, to fund its capital expenditures.

On September 28, 2017, MONI borrowed an incremental \$26,691,000 on its Credit Facility revolver to fund its October 2, 2017 interest payment due under the Senior Notes.

The existing long-term debt of the Company at September 30, 2017 includes the principal balance of \$ 1,851,175,000 under its Convertible Notes, Senior Notes, Credit Facility term loan, and Credit Facility revolver. The Convertible Notes have an outstanding principal balance of \$ 96,775,000 as of September 30, 2017 and mature July 15, 2020. The Senior Notes have an outstanding principal balance of \$ 585,000,000 as of September 30, 2017 and mature on April 1, 2020. The Credit Facility term loan has an outstanding principal balance of \$ 1,089,000,000 as of September 30, 2017 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 \$ 80,400,000 as of September 30, 2017 and becomes due on September 30, 2021.

In considering our liquidity requirements for the remainder of 2017, we evaluated our known future commitments and obligations. We will require the availability of funds to finance the strategy of our primary operating subsidiary, MONI, which is to grow through the acquisition of subscriber accounts. We considered the expected cash flow from MONI, as this business is the driver of our operating cash flows. In addition, we considered the borrowing capacity of MONI's Credit Facility revolver, under which MONI could borrow an additional \$ 214,600,000 as of September 30, 2017. Based on this analysis, we expect that cash on hand, cash flow generated from operations and available borrowings under the MONI'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**

Due to the terms of our debt obligations, we have exposure to changes in interest rates related to these debt obligations. MONI 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 September 30, 2017. Debt amounts represent principal payments by maturity date as of September 30, 2017.

Year of Maturity	Fixed Rate Derivative Instruments, net (a)	Variable Rate Debt	Fixed Rate Debt	Total
	(Amounts in thousands)			
Remainder of 2017	\$ —	\$ 2,750	\$ —	\$ 2,750
2018	1,631	11,000	—	12,631
2019	—	11,000	—	11,000
2020	—	11,000	681,775	692,775
2021	—	91,400	—	91,400
2022	11,458	1,042,250	—	1,053,708
Thereafter	—	—	—	—
Total	\$ 13,089	\$ 1,169,400	\$ 681,775	\$ 1,864,264

- (a) The derivative financial instruments reflected in this column include four interest rate swaps with a maturity date in 2018 and four interest rate swaps with a maturity date in 2022. As a result of these interest rate swaps, MONI's current effective weighted average interest rate on the borrowings under the Credit Facility term loans is 7.18%. See notes 6, 7 and 8 to our 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 September 30, 2017 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 SEC'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 September 30, 2017 that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

PART II - OTHER INFORMATION

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

(c) Purchases of Equity Securities by the Issuer

The following table sets forth information concerning shares withheld in payment of withholding taxes, in each case, during the three months ended September 30, 2017.

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)
7/1/2017 - 7/31/2017	98	(2)	\$ 15.43	—	
8/1/2017 - 8/31/2017	1,978	(2)	11.28	—	
9/1/2017 - 9/30/2017	22,134	(2)	9.74	—	
Total	24,210		\$ 9.88	—	

(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, par value \$0.01, 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 September 30, 2017, 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 September 30, 2017, 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, par value \$0.01 per share, under the remaining availability of the program.

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

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	Employment Agreement, dated September 15, 2017, by and between Ascent Capital Group, Inc. ("Ascent Capital") and Michael R. Meyers. *
10.2	Employment Agreement, dated July 14, 2017, by and between Ascent Capital and Fred A. Graffam. *
31.1	Rule 13a-14(a)/15d-14(a) Certification. *
31.2	Rule 13a-14(a)/15d-14(a) Certification. *
32	Section 1350 Certification. **
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: November 2, 2017

By: /s/ William R. Fitzgerald
William R. Fitzgerald
Chairman, Chief Executive Officer, and President

Date: November 2, 2017

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

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”), dated as of September 15, 2017, is entered into by and between Ascent Capital Group, Inc., a Delaware corporation (the “Company”), and Michael R. Meyers (“Executive”).

INTRODUCTION

Executive and the Company entered into an Employment Agreement dated as of September 30, 2011, as thereafter amended (the “Original Agreement”). The Company and Executive desire to amend and restate the Original Agreement as set forth herein.

Executive has previously informed the Company of his intention to retire from his current roles as Senior Vice President and Chief Financial Officer of the Company and Executive Vice President and Chief Financial Officer of the Company’s wholly-owned subsidiary Monitronics International, Inc. (“Monitronics”), and the parties desire to arrange for an orderly transition of Executive’s duties.

NOW, THEREFORE, in consideration of the premises and 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. In consideration of the mutual covenants and agreements herein contained, including Executive’s agreement to sign a general waiver and release of claims on or after the Effective Date as provided in Section 4.6, the Company and Executive wish to establish an Agreement retaining Executive’s services as described herein, providing for Executive’s agreed retirement and otherwise fixing Executive’s benefits and compensation. Upon the terms and conditions hereinafter set forth, the Company hereby employs Executive, and Executive hereby accepts employment, as Senior Executive Advisor of the Company effective as of the date that Fred A. Graffam commences his employment with the Company as the acting CFO of ACG and Monitronics International Inc. (the “Effective Date”). Executive’s Original Agreement will remain in place until Mr. Graffam or another replacement for Executive assumes the role of Company’s CFO . If Mr. Graffam or another replacement Executive does not assume the role of the Company’s CFO by October 31, 2017 this Amendment and Restatement is void and the parties shall continue to operate under the auspices of the Original Agreement.

1.2 Term. Subject to Article IV below, Executive’s employment hereunder shall be for a term commencing on the Effective Date and terminating at the close of business on January 1, 2019 or such earlier date as provided for herein (the “Term”).

1.3 Duties. During the Term, Executive shall provide advice and consultation to the senior executive officers of the Company regarding all aspects of the business including by way of illustration and not a limitation capital structures, banking, finance, and strategic transactions. The Company and Executive currently expect that Executive’s level of services during the Term shall not exceed 20% of the average level of services performed by Executive for the Company or its Affiliates over the 36-month period immediately preceding the Effective Date. As of the Effective Date, Executive shall resign all officer positions with the

Company and its Affiliates. Executive shall abide by all rules, regulations and policies of the Company and its subsidiaries (“Affiliates”), as may be in effect from time to time. Executive may be engaged in other business endeavors so long as the time allocated to such activities does not interfere with the discharge of Executive’s duties as set forth in this Agreement. If Executive undertakes employment or any engagement which creates a conflict of interest with the Company or any of its subsidiaries, Executive shall promptly notify the Company of said engagement /employment including the name of the third party and the scope of Executives duties.

1.4 Reporting. Executive shall report directly to the Chief Executive Officer of the Company and the Chief Executive Officer of Monitronics International Inc.

1.5 Location. Except for services rendered during business trips as may be reasonably necessary, Executive may render his services under this Agreement primarily from his residence and shall not be required to render such services from the offices of Monitronics in the Dallas, Texas area or the offices of the Company in the Greater 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 services to the Company and its Affiliates 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 Severance Payment. Executive shall receive a cash lump sum equal to (i) \$680,000 plus (ii) any accrued but unused vacation as of the Effective Date (not to exceed to six weeks), payable on the thirtieth (30th) day following the Effective Date.

2.3 Base Salary. The base salary shall be an annual salary of \$25,000 (the “Base Salary”), payable by the Company in accordance with the Company’s normal payroll practices.

2.4 Bonus. Executive shall receive a bonus of \$50,000 payable on the thirtieth (30th) day following the Effective Date, which amount represents a prorated bonus for 2017 fiscal year. Executive will not be eligible to receive any other annual bonus during the Term.

2.5 Deductions. The Company shall deduct from the compensation described in Sections 2.2, 2.3 and 2.4, 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.

2.6 Disability Adjustment. Any compensation otherwise payable to Executive pursuant to Section 2.3 in respect of any period during which Executive is Disabled (as defined, and determined in accordance with, 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, retirement plans, and any other plan as the Company may make available to its other similarly situated 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. Notwithstanding the foregoing, as of the Effective Date, the Company will no longer pay for Executive's health insurance premiums in accordance with Monitronics' past practice and custom related to Executive.

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. During the Term, Executive will not accrue any paid vacation time.

3.4 COBRA Benefits. Upon "Termination With Cause" by Company, pursuant to Section 4.1 or upon "Termination Without Cause" by Company, pursuant to Section 4.2 or upon "Employment Terminated by Executive" pursuant to Section 4.3 or upon the end of the Term of this Agreement as defined in Section 1.2 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 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 execution of this Agreement while Executive still served as CFO in the amount of \$1,721.37 per month (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 12-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.

Executive acknowledges that the payments and benefits referred to in this Section, 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 constitute the only payments which Executive shall be entitled to receive from the Company or any of its Affiliates hereunder in the event of any termination of his employment pursuant to 4.2, 4.3 or as of the end of the Term of this Agreement as defined in Section 1.2 and the Company and its Affiliates shall have no further liability or obligation to him hereunder or otherwise in respect of his employment.

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 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 material 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 to comply with reasonable directions of the individual(s) set forth in Section 1.4 above; (c) any material violation by Executive of any (i) material policy, rule or regulation of the Company or any of its Affiliates or (ii) any material 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, 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 reasonable 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"). The termination of Executive's employment upon the expiration of the Term shall be

deemed to be a Termination Without Cause. In such event, the Company shall pay Executive an amount in cash equal to the sum of the following:

- (a) any Base Salary accrued but unpaid as of the date of termination;
- (b) any reimbursement for expenses incurred in accordance with Section 3.2; and
- (c) any equity awards held by Executive shall be treated as provided in the applicable award agreement and plan document.

4.3 Termination of Employment by Executive. 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, upon written notice to the Company, to terminate Executive's employment hereunder at any time for any reason. In the event of such a termination, 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 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).

4.4 Death; Disability. In the event that Executive dies or becomes Disabled during the Term, Executive's employment shall terminate either (i) when such death occurs, or (ii) upon written notice by the Company at any time after Disability occurs (provided that, in the event of any Disability, the Company shall have the right, but not the obligation, to terminate this Agreement), and, in either event, the Company shall pay Executive (or his legal representative, as the case may be) in a single lump sum cash payment within thirty (30) days of such termination of employment, an amount equal to the sum of:

- (a) any Base Salary accrued but unpaid as of the date of death or termination for Disability;
- (b) any reimbursement for expenses incurred in accordance with Section 3.2; and
- (c) any equity awards held by Executive shall be treated as provided in the applicable award agreement and plan document.

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 perceived 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. Nothing in this paragraph is intended to limit the Company's right to invoke the provisions of this paragraph with respect to any perceived Disability of Executive.

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, nor shall any compensation or benefits accrue in excess of those required by law during

such intervening leave of absence. 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 or any of its Affiliates hereunder in the event of a termination of his employment for death or Disability, and the Company and its Affiliates 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 that are substantially comparable to those offered by the Company under such other employer's plans, Executive's continued benefits and/or plan coverage as set forth in Section 4.2, as the case may be, shall end.

4.6 Release of Claims. On or after the Effective Date in consideration for the compensation and other benefits provided pursuant to this Agreement, Executive agrees to execute and deliver to the Company a general waiver and release (the "Release") a form of which is attached hereto as Attachment A within the applicable time period described below.

Executive shall have a period of twenty-one (21) days to consider whether to sign the Agreement and the Release (the "Consideration Period") and to execute and return the original, signed Release to the Company. The Company's obligations under this Agreement are expressly conditioned on the execution of the Release contemporaneously with the execution of this Agreement, no payments will be provided hereunder until the Release is executed and delivered, and Executive's failure to execute and deliver such Release, or Executive's revocation of the Release within the seven day period provided in the Release, will void the Company's obligations hereunder.

4.7 Indemnification of Executive. Subject to the condition that the Company shall not have determined in a written opinion provided to Executive by the Company's outside legal counsel that Executive would not be permitted to be indemnified under applicable law or the Company's bylaws, Company will defend, hold harmless, and indemnify Executive for any and all claims, causes of action, or demands made on Executive and arising from work performed in the course and scope of his employment with Company, such obligation to survive this Agreement. This duty to defend, hold harmless, and indemnify will include the following: attorney's fees, judgments, verdicts, settlements, expenses, and any other amount for which Executive is responsible or becomes obligated to pay. Company will continue to maintain D&O insurance coverage consistent with past practice during the term of this Agreement and Executive shall be eligible to participate thereunder in accordance with its terms and conditions. Executive will fully cooperate with Company in the response to, and defense of, any matter falling within the scope of this Section.

ARTICLE V

OWNERSHIP OF PROCEEDS OF EMPLOYMENT; NON-DISCLOSURE

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 (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 which Executive conceives as a result of his employment by the Company, or as a result of rendering advisory or consulting services to the Company (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 or its nominee 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 or its nominee; 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 business of the Company, 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.

As used herein, “Confidential Information” means any and all information affecting or relating to the business of the Company, 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 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.

5.4 Mutual Non-Disparagement. Executive agrees not to disparage or speak ill of the Company or any of its affiliates or any of its employees, officers, and existing and prospective customers, suppliers, investors and other associated third parties. The Company agrees and covenants that it shall use commercially reasonable efforts to direct its officers and directors not to disparage or speak ill of Executive. The obligations of this Section shall survive the term of this Agreement. This obligation will not apply to information provided by the parties through discovery in a legal proceeding or in response to a subpoena.

5.5 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.

5.6 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).

5.7 Third Party Trade Secrets. In the same way that the Company endeavors to protect its own Confidential Information, the Company endeavors not to engage in any conduct which would violate the legal protection afforded to the trade secret information of third parties. Under no circumstances will the Company accept the improper disclosure of other parties’ trade secrets. Therefore, in rendering Executive’s services hereunder, Executive agrees not to disclose to the Company or utilize in any manner trade secret information in Executive’s possession belonging to any other 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.

6.2.1. The Company may assign this Agreement to any successor in interest to its business, or to any Affiliate of the Company, and Executive hereby agrees to be employed by such assignee as though such assignee were originally the employer named herein.

6.2.2 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, CO 80111
Attention: Chief Executive Officer

With a copy to:

Ascent Capital Group, Inc.
5251 DTC Parkway, Suite 1000
Greenwood Village, CO 80111
Attention: General Counsel

(b) If to Executive: Michael R. Meyers 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 5.3, 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 Dallas County, Texas. Only one arbitrator shall preside over the proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of Texas 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 Texas state court. The arbitrator shall have the ability to rule on pre-hearing motions, as though the matter were in a Texas 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 Texas 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 Texas 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

6.14.1. 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.

6.14.2. 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.

6.14.3. 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).

6.14.4. For all purposes of this Agreement, Executive shall be considered to have incurred a "separation from service" with the Company within the meaning of Code Section 409A(a)(2)(A)(i) as of the Effective Date.

[Remainder of this page intentionally left blank]

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

"COMPANY"

ASCENT CAPITAL GROUP, INC.

By: /s/ William E. Niles

William E. Niles

Executive Vice President and General Counsel

"EXECUTIVE"

By: /s/ Michael R. Meyers

Michael R. Meyers

Attachment A
WAIVER AND RELEASE

In consideration of, and as a condition precedent to, the benefits payable pursuant to that certain Employment Agreement (the "Agreement") effective as of September 13, 2017 between Ascent Capital Group, Inc., a Delaware corporation (the "Company"), and Michael R. Meyers ("Executive"), which were offered to Executive in exchange for a general waiver and release of claims (this "Waiver and Release"). Executive having acknowledged the above-stated consideration as full compensation for and on account of any and all injuries and damages which Executive has sustained or claimed, or may be entitled to claim, Executive, for himself, and his heirs, executors, administrators, successors and assigns, does hereby release, forever discharge and promise not to sue the Company, its parents, subsidiaries, affiliates, successors and assigns, and their past and present officers, directors, partners, employees, members, managers, shareholders, agents, attorneys, accountants, insurers, heirs, administrators, executors (collectively the "Released Parties") from any and all claims, liabilities, costs, expenses, judgments, attorney fees, actions, known and unknown, of every kind and nature whatsoever in law or equity, which Executive had, now has, or may have against the Released Parties relating in any way to Executive's employment with the Company or termination thereof prior to and including the date of execution of this Waiver and Release, including but not limited to, all claims for contract damages, tort damages, special, general, direct, punitive and consequential damages, compensatory damages, loss of profits, attorney fees and any and all other damages of any kind or nature; all contracts, oral or written, between Executive and any of the Released Parties; any business enterprise or proposed enterprise contemplated by any of the Released Parties, as well as anything done or not done prior to and including the date of execution of this Waiver and Release. Notwithstanding anything to the contrary contained in this Waiver and Release, nothing in this Waiver and Release shall be construed to release the Company from any obligations set forth in the Agreement.

1. Executive understands and agrees that this release and covenant not to sue shall apply to any and all claims or liabilities arising out of or relating to Executive's employment with the Company and the termination of such employment, including, but not limited to: claims of discrimination based on age, race, color, sex (including sexual harassment), religion, national origin, marital status, parental status, veteran status, union activities, disability or any other grounds under applicable federal, state or local law prior to and including the date of execution of this Waiver and Release, including, but not limited to, claims arising under the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act, the Civil Rights Act of 1991, 42 U.S.C. § 1981, the Genetic Information Non-Discrimination Act of 2008, the Employee Retirement Income Security Act of 1974, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Rehabilitation Act of 1973, the Equal Pay Act of 1963 (EPA), all as amended, as well as any claims prior to and including the date of execution of this Waiver and Release, regarding wages; benefits; vacation; sick leave; business expense reimbursements; wrongful termination; breach of the covenant of good faith and fair dealing; intentional or negligent infliction of emotional distress; retaliation; outrage; defamation; invasion of privacy; breach of contract; fraud or negligent misrepresentation; harassment; breach of duty; negligence; discrimination; claims under any employment, contract or tort laws; claims arising under any other federal law, state law, municipal law, local law, or common law; any claims arising out of any employment contract, policy or procedure; and any other claims related to or arising out of his employment or the separation of his employment with the Company prior to and including the date of execution of this Waiver and Release.

2. In addition, Executive agrees not to cause or encourage any legal proceeding to be maintained or instituted against any of the Released Parties, save and except proceedings to enforce the terms of the Agreement or claims of Executive not released by and in this Waiver and Release.

3. This release does not apply to any claims for unemployment compensation or any other claims or rights which, by law, cannot be waived, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however that Executive disclaims and waives any right to share or participate in any monetary award from the Company resulting from the prosecution of such charge or investigation or proceeding. Notwithstanding the foregoing or any other provision in this Waiver and Release or the Agreement to the contrary, the Company and Executive further agree that nothing in this Waiver and Release or the Agreement (i) limits Executive's ability to file a charge or complaint with the EEOC, the NLRB, OSHA, the SEC or any other federal, state or local governmental agency or commission (each a "Government Agency" and collectively "Government Agencies"); (ii) limits Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information and reporting possible violations of law or regulation or other disclosures protected under the whistleblower provisions of applicable law or regulation, without notice to the Company; or (iii) limits Executive's right to receive an award for information provided to any Government Agencies.

Executive expressly acknowledges that he is voluntarily, irrevocably and unconditionally releasing and forever discharging the Company and its respective present and former parents, subsidiaries, divisions, affiliates, branches, insurers, agencies, and other offices from all rights or claims he has or may have against the Company including, but not limited to, without limitation, all charges, claims of money, demands, rights, and causes of action arising under the Age Discrimination in Employment Act of 1967, as amended ("ADEA"), up to and including the date Executive signs this Waiver and Release including, but not limited to, all claims of age discrimination in employment and all claims of retaliation in violation of ADEA. Executive further acknowledges that the consideration given for this waiver of claims under the ADEA is in addition to anything of value to which he was already entitled in the absence of this waiver. Executive further acknowledges: (a) that he has been informed by this writing that he should consult with an attorney prior to executing this Waiver and Release; (b) that he has carefully read and fully understands all of the provisions of this Waiver and Release; (c) he is, through this Waiver and Release, releasing the Company from any and all claims he may have against it; (d) he understands and agrees that this waiver and release does not apply to any claims that may arise under the ADEA after the date he executes this Waiver and Release; (e) he has at least twenty-one (21) days within which to consider this Waiver and Release; and (f) he has seven (7) days following his execution of this Waiver and Release to revoke the Waiver and Release; and (g) this Waiver and Release shall not be effective until the revocation period has expired and Executive has signed and has not revoked the Waiver and Release.

Executive acknowledges and agrees that: (a) he has had reasonable and sufficient time to read and review this Waiver and Release and that he has, in fact, read and reviewed this Waiver and Release; (b) that he has the right to consult with legal counsel regarding this Waiver and Release and is encouraged to consult with legal counsel with regard to this Waiver and Release; (c) that he has had (or has had the opportunity to take) twenty-one (21) calendar days to discuss the Waiver and Release with a lawyer of his choice before signing it and, if he signs before the end of that period, he does so of his own free will and with the full knowledge that he could have taken the full period; (d) that he is entering into this Waiver and Release freely and voluntarily and not as a result of any coercion, duress or undue influence; (e) that he is not relying upon any oral representations made to him regarding the subject matter of this Waiver and Release; (f) that by this Waiver and Release he is receiving consideration in addition to that which he was already entitled; and (g) that he has received all information he requires from the Company in order to make a knowing and voluntary release and waiver of all claims against the Company.

Executive acknowledges and agrees that he has seven (7) days after the date he signs this Waiver and Release in which to rescind or revoke this Waiver and Release by providing notice in writing to the Company.

Executive further understands that the Waiver and Release will have no force and effect until the end of that seventh day (the “**Waiver Effective Date**”). If Executive revokes the Waiver and Release, the Company will not be obligated to pay or provide Executive with the benefits described in this Waiver and Release, and this Waiver and Release shall be deemed null and void.

AGREED TO AND ACCEPTED this
15th day of September, 2017

By: /s/ Michael R. Meyers
Michael R. Meyers

EMPLOYMENT AGREEMENT

This Employment Agreement (the “Agreement”), dated as of 14 July, 2017, is entered into by and between Ascent Capital Group, Inc., a Delaware corporation (the “Company”), and Fred A. Graffam (“Executive”).

INTRODUCTION

The Company, through its subsidiaries (“Affiliates”), is engaged primarily in the business of providing security alarm monitoring and related services to residential and business subscribers throughout the United States and parts of Canada. The Company desires to employ Executive, and Executive desires to accept such employment, under the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and 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 Senior Vice President and Chief Financial Officer of the Company and Senior Vice President and Chief Financial Officer of Monitronics International, Inc., a Texas corporation and a wholly-owned operating subsidiary of the Company (“Monitronics”).

1.2 Term. Subject to Article IV below, Executive’s employment hereunder shall be for a term commencing effective as of a date selected by Executive but in all events no later than September 1, 2017 (the “Commencement Date”), and terminating at the close of business on the third anniversary of the Commencement Date or such earlier date as provided for herein (the “Term”). If Executive is unable to commence employment by the Commencement Date, then the Company may in its sole discretion, terminate this Agreement with ten business (10) days written notice to the Executive. If, Executive commences employment prior to the expiration of the 10 business day notice period, then this Agreement will remain in full force and effect and shall not be terminated in accordance with this Section 1.2. For the avoidance of doubt, in the event this Agreement is terminated pursuant to the preceding sentence, Executive shall not be entitled to any compensation or benefits pursuant to this Agreement, including, without limitation any Severance Payment or Benefits Payments as such terms are defined below.

1.3 Duties. During the Term, Executive shall perform such executive duties for the Company and/or its Affiliates, consistent with his position hereunder, as may be assigned to him from time to time by the individual(s) set forth in Section 1.4 below. 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 all rules, regulations and policies of the Company and its Affiliates, as may be in effect from time to time. Notwithstanding the foregoing, 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, or entities (including charitable entities) where the time allocated for those activities does not interfere with or create a conflict of

interest with the discharge of his duties for the Company and its Affiliates.

1.4 Reporting. Executive shall report directly to the Chief Executive Officer of Monitronics and the Chief Executive Officer 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 offices of Monitronics in the Dallas, Texas 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 and its Affiliates 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. The base salary shall be an annual minimum salary of \$365,000 (the "Base Salary"), payable by the Company in accordance with the Company's normal payroll practices. Beginning as of the first anniversary of the Commencement Date, the Base Salary shall be reviewed on an annual basis during the Term for increase (but not decrease) 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, commencing with the 2018 fiscal year, in addition to the Base Salary, Executive shall be eligible for an annual bonus (the "Bonus") of 60% of Executive's Base Salary (the "Target Bonus"). (The Company's fiscal year is currently January 1 through December 31 of each year.) Executive's entitlement to any Bonus will be determined by the Committee in its good faith discretion, based upon the achievement of key performance indicators to be established by the Committee in its good faith 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. Executive shall be eligible for a pro-rated Target Bonus for the period from the Commencement Date through December 31, 2017 to be determined in the good faith discretion of the Committee in a manner consistent with the terms of this Section 2.3.

2.4 Relocation. The Company shall reimburse Executive for all "Qualified Expenses" incurred in connection with Executive's relocation to the Dallas, Texas area, including any applicable tax gross up directly related thereto up to a maximum of \$40,000. For purposes of this Section 2.4, "Qualified Expenses" shall mean all reasonable and customary expenses incurred by Executive and his immediate family in connection with their relocation to the Dallas, Texas area, including, but not limited to, (1) packing, moving, unpacking, travel, and insurance expenses for Executive, his family, and their personal possessions, including cars; (2) temporary housing costs for up to one-hundred twenty (120) days, or until Executive purchases and closes on a home in the Dallas, Texas area, whichever event occurs first; and (3) travel, lodging, and meal expenses for Executive on five (5) house-hunting trips conducted prior to relocation. For the avoidance of doubt, Qualified Expenses do not include any costs associated with purchasing a new residence, such as the purchase price, financing costs, or buying "points" on a mortgage.

The Company will reimburse Executive for any Qualified Expenses within thirty (30) days of receipt of a reimbursement request.

2.5 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, and determined in accordance with, Section 4.5) 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, retirement plans, and any other plan as the Company may make available to its other similarly situated 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. Executive understands and acknowledges that any such payments made by the Company on behalf of Executive will be deemed and reported as taxable income to Executive.

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.

3.5 Equity Grant. As part of the consideration for Executive's services to the Company, annually during the Term beginning in the first quarter of 2018, the Company will grant to Executive an incentive award with a fair value of not less than \$450,000 (as reasonably determined by the Company's Compensation Committee) pursuant to either (or any combination thereof) the Ascent Capital Group, Inc. 2015 Omnibus Incentive Plan, as amended and restated effective as of May 24, 2017 (the "Ascent Plan") or the Monitronics International, Inc. 2017 Cash Incentive Plan (the "Monitronics Plan"), in the Company's sole discretion. Additionally, effective as of the Commencement Date, the Company will grant to Executive an incentive award with a grant date value of \$150,000 pursuant to either the Ascent Plan or the Monitronics Plan, (or any combination) in the Company's sole discretion. Such incentive awards will be subject to the terms and conditions of the Ascent Plan or Monitronics Plan, as applicable, and the award agreement evidencing such award.

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, in each case, 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 material 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 or Monitronics and/or (ii) to comply with reasonable directions of the individual(s) set forth in Section 1.4 above; (c) any material violation by Executive of any (i) material policy, rule or regulation of the Company or any of its Affiliates or (ii) any material 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, 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 willful 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 in cash equal to the sum of the following:

- (a) any Base Salary and vacation time, in each case, accrued but unpaid as of the date of termination;
- (b) subject to Sections 4.6, 4.7, 4.8, 5.3 and 5.4 below, an amount (the "Severance Payment") equal to:
 - (i) if the termination of Executive's employment occurs prior to a Change of Control (as defined in Section 4.4), the product of (A) 1.5 times (B) the sum of (1) Executive's Base Salary, as in effect immediately prior to such termination and (2) an amount equal to the Target Bonus in effect immediately prior to such termination; or
 - (ii) if the termination of Executive's employment occurs concurrently with or following a Change of Control, the product of (A) two (2) times (B) the sum of (1) Executive's Base Salary, as in effect immediately prior to such termination and (2) an amount equal to the Target Bonus in effect immediately prior to such termination;
- (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 under this Section 4.2 or Section 4.3 shall be payable in cash in a lump sum on the sixtieth (60th) 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 4.6, 4.7, 4.8, 5.3 and 5.4 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 12-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 4.6, 4.7, 4.8, 5.3 and 5.4 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 referred to 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 or any of its Affiliates hereunder in the event of any termination of his employment pursuant to this Section 4.2, and the Company and its Affiliates 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 material diminution in Executive's then current Base Salary; (b) the Company requires Executive to devote a majority of Executive's time to the performance of duties that are materially inconsistent with the status of Executive's position with the Company as set forth in this Agreement; (c) the Company relocates the principal office at which Executive performs services on behalf of the Company to a location more than 50 miles from its present location; or (d) a material breach by the Company of any material provision of this Agreement (a "Termination With Good Reason"). For purposes of clarity and the avoidance of doubt, the parties acknowledge and agree that Executives rights hereunder shall continue to apply notwithstanding any assignment of this Agreement pursuant to Section 6.2.2.

Notwithstanding the foregoing, no purported Termination With Good Reason pursuant to this Section 4.3 shall be effective unless all of the following provisions shall have been complied with: (i) Executive shall give the Company a written notice of Executive's 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 4.6, 4.7, 4.8, 5.3 and 5.4 below, Executive shall have the same entitlement to the 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 or any of its Affiliates hereunder in the event of any termination of his employment pursuant to this Section 4.3, and the Company and its Affiliates shall have no further liability or obligation to him hereunder or otherwise in respect of his employment.

4.4 Change of Control. "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 Code Section 409A (as defined below):

(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 company, partnership, 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 4.4, "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.

4.5 Death; Disability. In the event that Executive dies or becomes Disabled during the Term, Executive's employment shall terminate either (i) when such death occurs, or (ii) upon written notice by the Company at any time after Disability occurs (provided that, in the event of any Disability, the Company shall have the right, but not the obligation, to terminate this Agreement), and, in either event, the Company shall pay Executive (or his legal representative, as the case may be) in a single lump sum cash payment within thirty (30) days of such termination of employment, an amount equal to the sum of:

- (a) any Base Salary and vacation time, in each case, accrued but unpaid as of the date of death or termination for Disability;
- (b) any Bonus to which Executive has become entitled for the calendar year prior to the year in which such death or termination for Disability occurs but which remains unpaid at the date of death or such termination; and
- (c) any reimbursement for expenses incurred in accordance with Section 3.2.

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 Monitronics or (b) unable to reasonably and effectively carry out his duties because any reasonable accommodation which may be required would cause the Company or Monitronics undue hardship. In the event of a disagreement concerning Executive’s perceived 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. Nothing in this paragraph is intended to limit the Company’s right to invoke the provisions of this paragraph with respect to any perceived Disability of Executive.

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, nor shall any compensation or benefits accrue in excess of those required by law during such intervening leave of absence. 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 4.5, 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 4.5, constitute the only payments which Executive (or his legal representative, as the case may be) shall be entitled to receive from the Company or any of its Affiliates hereunder in the event of a termination of his employment for death or Disability, and the Company and its Affiliates 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.

4.6 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 that are substantially comparable to those offered by the Company 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 end.

4.7 Severance Agreement and Release. In the event that Executive's employment hereunder is terminated 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 Executive's employment hereunder (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 4.8, 5.3 and 5.4 below, be entitled to receive the Severance Payment at the same time and in the same form as specified in Section 4.2 or 4.3, as 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, in each case, 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 any Severance Payment or make any Benefits Payments.

4.8 Continued Compliance. Executive and the Company hereby acknowledge that any Severance Payments and Benefits Payments payable by the Company under Section 4.2 or 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 or 4.3 on or after the date of such violation.

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 (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 which Executive conceives as a result of his employment by the Company, or as a result of rendering advisory or consulting services to the Company (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 or its nominee 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 or its nominee; 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 business of the Company, 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, 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 any 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 is then engaged; and (ii) the term “Territory” shall mean any geographic area in which the Company conducts business during such period.

Notwithstanding the foregoing, in the event that Executive elects (a “Competitive Election”), 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 (the “Effective Date”). No such Competitive Election during the Consideration Period will be deemed a breach of this Agreement; rather, in the event Executive makes a Competitive Election prior to the expiration of the Consideration Period, then (x) Executive shall forfeit any Severance Payment and Benefits Payments 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 Benefits Payments to Executive under Section 4.2 or 4.3 for any periods beyond the Effective Date.

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, (a) any person employed by the Company (a “Current Employee”) to leave employment with the Company or (b) any Monitronics dealer (a “Dealer”) to leave the Monitronics dealer network (the “Dealer Network”) or sell alarm monitoring contracts to another alarm monitoring 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 or that a Dealer leave the Dealer Network, (ii) informing a Current Employee that an opening exists elsewhere or inform a Dealer that alternative dealer arrangements are available, (iii) assisting a Current Employee in finding employment elsewhere or a Dealer in finding alternative distribution opportunities elsewhere, (iv) inquiring if a Current Employee “knows of anyone who might be interested” in a position elsewhere or if a Dealer “knows of anyone who might be interested” in joining an alternative dealer network, (v) inquiring if a Current Employee might have an interest in employment elsewhere or if a Dealer might have an interest in joining an alternative dealer network, (vi) informing others of the name or status of, or other information about, a Current Employee or Dealer, or (vii) any other similar conduct, the effect of which is that a Current Employee leaves the employment of the Company or that a Dealer leaves the Dealer Network.

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).

5.9 Third Party Trade Secrets. In the same way that the Company endeavors to protect its own Confidential Information, the Company endeavors not to engage in any conduct which would violate the legal protection afforded to the trade secret information of third parties. Under no circumstances will the Company accept the improper disclosure of other parties’ trade secrets. Therefore, in rendering Executive’s services hereunder, Executive agrees not to disclose to the Company or utilize in any manner trade secret information in Executive’s possession belonging to any other 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.

6.2.1 The Company may assign this Agreement to any successor in interest to its business, or to any Affiliate of the Company, and Executive hereby agrees to be employed by such assignee as though such assignee were originally the employer named herein.

6.2.2 Notwithstanding anything to the contrary contained herein, and subject to Executives rights under Section 4.3 hereof, in the event that Monitronics ceases to be an Affiliate of the Company or the Company effects a sale, disposition, or transfer of a material portion of the business or assets of Monitronics to any person (a “Alternative Assignee”) that is not an Affiliate of the Company or will not be an Affiliate of the Company following the completion of the transaction of which such sale, disposition or transfer forms a part, (i) if Monitronics or such Alternative Assignee, as the case may be, executes a written commitment to abide by the terms of this Agreement, the Company may assign this Agreement to Monitronics or such Alternative Assignee, as the case may be (and, in each case, Executive hereby agrees to be employed by such assignee as though such assignee were originally the

employer named herein), and terminate Executive from his then current position at the Company, and, in the case of any such assignment to an Alternative Assignee, terminate Executive from his then current position at Monitronics, or (ii) the Company may retain Executive in his then current position at the Company and terminate Executive from his then current position at Monitronics, provided, however, that no assignment or termination contemplated by this Section 6.2.2 will constitute a breach of any provision of this Agreement.

6.2.3. 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, CO 80111
Attention: Chief Executive Officer

With a copy to:

Ascent Capital Group, Inc.
5251 DTC Parkway, Suite 1000
Greenwood Village, CO 80111
Attention: General Counsel

- (b) If to Executive: Fred A. Graffam 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 Sections 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 Dallas County, Texas. Only one arbitrator shall preside over the proceedings. The arbitrator shall apply the substantive law (and the law of remedies, if applicable) of Texas 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 Texas state court. The arbitrator shall have the ability to rule on pre-hearing motions, as though the matter were in a Texas 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 Texas 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.

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 Texas 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.

6.14.1. 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.

6.14.2. 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.

6.14.3. 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).

6.14.4. 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 Code Section 409A(a)(2)(A)(i).

[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 E. Niles

William E. Niles

Executive Vice President and General Counsel

"EXECUTIVE"

By: /s/ Fred A. Graffam

Fred A. Graffam

Attachment A
FORM OF WAIVER AND RELEASE

In consideration of, and as a condition precedent to, the severance and benefits payment described in that certain Employment Agreement (the "Agreement") effective as of July 14, 2017 between Ascent Capital Group, Inc., a Delaware corporation (the "Company"), and Fred A. Graffam ("Executive"), which were offered to Executive in exchange for a general waiver and release of claims (this "Waiver and Release"). Executive having acknowledged the above-stated consideration as full compensation for and on account of any and all injuries and damages which Executive has sustained or claimed, or may be entitled to claim, Executive, for himself, and his heirs, executors, administrators, successors and assigns, does hereby release, forever discharge and promise not to sue the Company, its parents, subsidiaries, affiliates, successors and assigns, and their past and present officers, directors, partners, employees, members, managers, shareholders, agents, attorneys, accountants, insurers, heirs, administrators, executors (collectively the "Released Parties") from any and all claims, liabilities, costs, expenses, judgments, attorney fees, actions, known and unknown, of every kind and nature whatsoever in law or equity, which Executive had, now has, or may have against the Released Parties relating in any way to Executive's employment with the Company or termination thereof prior to and including the date of execution of this Waiver and Release, including but not limited to, all claims for contract damages, tort damages, special, general, direct, punitive and consequential damages, compensatory damages, loss of profits, attorney fees and any and all other damages of any kind or nature; all contracts, oral or written, between Executive and any of the Released Parties; any business enterprise or proposed enterprise contemplated by any of the Released Parties, as well as anything done or not done prior to and including the date of execution of this Waiver and Release. Notwithstanding anything to the contrary contained in this Waiver and Release, nothing in this Waiver and Release shall be construed to release the Company from any obligations set forth in the Agreement.

1. Executive understands and agrees that this release and covenant not to sue shall apply to any and all claims or liabilities arising out of or relating to Executive's employment with the Company and the termination of such employment, including, but not limited to: claims of discrimination based on age, race, color, sex (including sexual harassment), religion, national origin, marital status, parental status, veteran status, union activities, disability or any other grounds under applicable federal, state or local law prior to and including the date of execution of this Waiver and Release, including, but not limited to, claims arising under the Age Discrimination in Employment Act of 1967, the Americans with Disabilities Act, the Family and Medical Leave Act, Title VII of the Civil Rights Act, the Civil Rights Act of 1991, 42 U.S.C. § 1981, the Genetic Information Non-Discrimination Act of 2008, the Employee Retirement Income Security Act of 1974, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Rehabilitation Act of 1973, the Equal Pay Act of 1963 (EPA), all as amended, as well as any claims prior to and including the date of execution of this Waiver and Release, regarding wages; benefits; vacation; sick leave; business expense reimbursements; wrongful termination; breach of the covenant of good faith and fair dealing; intentional or negligent infliction of emotional distress; retaliation; outrage; defamation; invasion of privacy; breach of contract; fraud or negligent misrepresentation; harassment; breach of duty; negligence; discrimination; claims under any employment, contract or tort laws; claims arising under any other federal law, state law, municipal law, local law, or common law; any claims arising out of any employment contract, policy or procedure; and any other claims related to or arising out of his employment or the separation of his employment with the Company prior to and including the date of execution of this Waiver and Release.

2. In addition, Executive agrees not to cause or encourage any legal proceeding to be maintained or instituted against any of the Released Parties, save and except proceedings to enforce the terms of the Agreement or claims of Executive not released by and in this Waiver and Release.

3. This release does not apply to any claims for severance payments under the Agreement, indemnity payments from the Company or any affiliate, reimbursement of appropriately reimbursable expenses, vested benefits (including equity) under the Company's compensation and benefits plans, unemployment compensation or any other claims or rights which, by law, cannot be waived, including the right to file an administrative charge or participate in an administrative investigation or proceeding; provided, however that Executive disclaims and waives any right to share or participate in any monetary award from the Company resulting from the prosecution of such charge or investigation or proceeding. Notwithstanding the foregoing or any other provision in this Waiver and Release or the Agreement to the contrary, the Company and Executive further agree that nothing in this Waiver and Release or the Agreement (i) limits Executive's ability to file a charge or complaint with the EEOC, the NLRB, OSHA, the SEC or any other federal, state or local governmental agency or commission (each a "Government Agency" and collectively "Government Agencies"); (ii) limits Executive's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information and reporting possible violations of law or regulation or other disclosures protected under the whistleblower provisions of applicable law or regulation, without notice to the Company; or (iii) limits Executive's right to receive an award for information provided to any Government Agencies.

Executive expressly acknowledges that he is voluntarily, irrevocably and unconditionally releasing and forever discharging the Company and its respective present and former parents, subsidiaries, divisions, affiliates, branches, insurers, agencies, and other offices from all rights or claims he has or may have against the Company including, but not limited to, without limitation, all charges, claims of money, demands, rights, and causes of action arising under the Age Discrimination in Employment Act of 1967, as amended ("ADEA"), up to and including the date Executive signs this Waiver and Release including, but not limited to, all claims of age discrimination in employment and all claims of retaliation in violation of ADEA. Executive further acknowledges that the consideration given for this waiver of claims under the ADEA is in addition to anything of value to which he was already entitled in the absence of this waiver. Executive further acknowledges: (a) that he has been informed by this writing that he should consult with an attorney prior to executing this Waiver and Release; (b) that he has carefully read and fully understands all of the provisions of this Waiver and Release; (c) he is, through this Waiver and Release, releasing the Company from any and all claims he may have against it; (d) he understands and agrees that this waiver and release does not apply to any claims that may arise under the ADEA after the date he executes this Waiver and Release; (e) he has at least twenty-one (21) days within which to consider this Waiver and Release; and (f) he has seven (7) days following his execution of this Waiver and Release to revoke the Waiver and Release; and (g) this Waiver and Release shall not be effective until the revocation period has expired and Executive has signed and has not revoked the Waiver and Release.

Executive acknowledges and agrees that: (a) he has had reasonable and sufficient time to read and review this Waiver and Release and that he has, in fact, read and reviewed this Waiver and Release; (b) that he has the right to consult with legal counsel regarding this Waiver and Release and is encouraged to consult with legal counsel with regard to this Waiver and Release; (c) that he has had (or has had the opportunity to take) twenty-one (21) calendar days to discuss the Waiver and Release with a lawyer of his choice before signing it and, if he signs before the end of that period, he does so of his own free will and with the full knowledge that he could have taken the full period; (d) that he is entering into this Waiver and Release freely and voluntarily and not as a result of any coercion, duress or undue influence; (e) that he is not relying upon any oral representations made to him regarding the subject matter of this Waiver and Release; (f) that by this Waiver and Release he is receiving consideration in addition to that which he was already entitled; and (g) that he has received all information he requires from the Company in order to make a knowing and voluntary release and waiver of all claims against the Company.

Executive acknowledges and agrees that he has seven (7) days after the date he signs this Waiver and Release in which to rescind or revoke this Waiver and Release by providing notice in writing to the Company. Executive further understands that the Waiver and Release will have no force and effect until the end of that seventh day (the “*Waiver Effective Date*”). If Executive revokes the Waiver and Release, the Company will not be obligated to pay or provide Executive with the benefits described in this Waiver and Release, and this Waiver and Release shall be deemed null and void.

AGREED TO AND ACCEPTED this
14th day of July, 2017

By: /s/ Fred A. Graffam
Fred A. Graffam

CERTIFICATION

I, William R. Fitzgerald, 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: November 2, 2017

/s/ William R. Fitzgerald

William R. Fitzgerald

Chairman of the Board, Chief Executive Officer and President

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: November 2, 2017

/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 September 30, 2017 (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 September 30, 2017 and December 31, 2016 and for the three and nine months ended September 30, 2017 and 2016 .

Dated: November 2, 2017

/s/ William R. Fitzgerald
William R. Fitzgerald
Chairman of the Board, Chief Executive Officer,
and President

Dated: November 2, 2017

/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.