UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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 333-110025

MONITRONICS INTERNATIONAL, INC.

(Exact name of Registrant as specified in its charter)

State of Texas (State or other jurisdiction of incorporation or organization)	**74-2719343** (I.R.S. Employer Identification No.)
2350 Valley View Lane, Suite 100 **Dallas, Texas** (Address of principal executive offices)	**75234** (Zip Code)

Registrant's telephone number, including area code: **(972) 243-7443**

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, or a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act.

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

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

As of August 13, 2014 Monitronics International, Inc. is a wholly owned subsidiary of Ascent Capital Group, Inc.

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Item 1. *Financial Statements.*

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
Amounts in thousands, except share amounts
(unaudited)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 6,099	$ 4,355
Restricted cash	112	40
Trade receivables, net of allowance for doubtful accounts of $1,983 in 2014 and $1,937 in 2013	13,298	13,019
Deferred income tax assets, net	8,530	8,530
Prepaid and other current assets	5,751	6,319
Total current assets	33,790	32,263
Property and equipment, net of accumulated depreciation of $21,438 in 2014 and $17,514 in 2013	23,004	24,561
Subscriber accounts, net of accumulated amortization of $618,564 in 2014 and $503,497 in 2013	1,349,594	1,340,954
Dealer network and other intangible assets, net of accumulated amortization of $44,187 in 2014 and $34,297 in 2013	54,745	64,635
Goodwill	527,502	527,502
Other assets, net	27,332	29,611
Total assets	$ 2,015,967	$ 2,019,526
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$ 5,487	$ 6,895
Accrued payroll and related liabilities	4,351	3,179
Other accrued liabilities	29,841	33,454
Deferred revenue	14,987	14,379
Holdback liability	18,164	19,758
Current portion of long-term debt	9,166	9,166
Total current liabilities	81,996	86,831
Non-current liabilities:		
Long-term debt	1,615,575	1,597,627
Long-term holdback liability	6,239	6,698
Derivative financial instruments	6,748	2,013
Deferred income tax liability, net	19,323	17,632
Other liabilities	15,251	16,065
Total liabilities	1,745,132	1,726,866
Commitments and contingencies		
Stockholder's equity:		
Common stock, $.01 par value. 1,000 shares authorized, issued and outstanding both at June 30, 2014 and December 31, 2013	—	—
Additional paid-in capital	337,728	337,038
Accumulated deficit	(60,828)	(44,452)
Accumulated other comprehensive income (loss)	(6,065)	74
Total stockholder's equity	270,835	292,660
Total liabilities and stockholder's equity	$ 2,015,967	$ 2,019,526

See accompanying notes to condensed consolidated financial statements.

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
Amounts in thousands, except share amounts
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net revenue	$ 134,696	102,273	$ 267,560	202,431
Operating expenses:				
Cost of services	22,982	15,594	45,072	30,796
Selling, general, and administrative, including stock-based compensation	23,127	18,113	46,099	34,016
Amortization of subscriber accounts, dealer network and other intangible assets	63,261	45,998	125,041	90,313
Depreciation	2,198	1,721	4,581	3,209
Restructuring charges	371	—	918	—
Gain on disposal of operating assets, net	(69)	(2)	(69)	(2)
	111,870	81,424	221,642	158,332
Operating income	22,826	20,849	45,918	44,099
Other expense:				
Interest expense	29,638	19,466	58,982	40,593
	29,638	19,466	58,982	40,593
Income (loss) before income taxes	(6,812)	1,383	(13,064)	3,506
Income tax expense	1,713	791	3,312	1,565
Net income (loss)	(8,525)	592	(16,376)	1,941
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative contracts, net	(4,468)	11,671	(6,139)	11,930
Total other comprehensive income (loss), net of tax	(4,468)	11,671	(6,139)	11,930
Comprehensive income (loss)	$ (12,993)	12,263	$ (22,515)	13,871

See accompanying notes to condensed consolidated financial statements.

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Amounts in thousands
(unaudited)

	Six Months Ended June 30,	
	2014	**2013**
Cash flows from operating activities:		
Net income (loss)	$ (16,376)	1,941
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of subscriber accounts, dealer network and other intangible assets	125,041	90,313
Depreciation	4,581	3,209
Stock-based compensation	896	763
Deferred income tax expense	1,691	204
Long-term debt amortization	531	387
Gain on disposal of operating assets, net	(69)	(2)
Other non-cash activity, net	5,693	4,712
Changes in assets and liabilities:		
Trade receivables	(3,967)	(4,126)
Prepaid expenses and other assets	391	1,928
Payables and other liabilities	(4,055)	1,385
Net cash provided by operating activities	114,357	100,714
Cash flows from investing activities:		
Capital expenditures	(3,212)	(3,978)
Cost of subscriber accounts acquired	(126,640)	(113,199)
Increase in restricted cash	(72)	—
Proceeds from disposal of operating assets	241	2
Other investing activities	(347)	—
Net cash used in investing activities	(130,030)	(117,175)
Cash flows from financing activities:		
Proceeds from long-term debt	75,200	62,100
Payments on long-term debt	(57,783)	(44,764)
Payments of financing costs	—	(1,771)
Dividend to Ascent	—	(1,000)
Net cash provided by financing activities	17,417	14,565
Net increase (decrease) in cash and cash equivalents	1,744	(1,896)
Cash and cash equivalents at beginning of period	4,355	3,433
Cash and cash equivalents at end of period	$ 6,099	1,537

Supplemental cash flow information:		
State taxes paid	$ 2,658	2,350
Interest paid	54,869	38,648

See accompanying notes to condensed consolidated financial statements.

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholder's Equity
Amounts in thousands, except share amounts
(unaudited)

	Common Stock		Additional paid-in	Accumulated other comprehensive	Accumulated	Total stockholder's
	Shares	Amount	capital	income (loss)	deficit	equity
Balance at December 31, 2013	1,000	—	337,038	74	(44,452)	292,660
Net loss	—	—	—	—	(16,376)	(16,376)
Other comprehensive loss	—	—	—	(6,139)	—	(6,139)
Stock-based compensation	—	—	896	—	—	896
Value of shares withheld for tax liability	—	—	(206)	—	—	(206)
Balance at June 30, 2014	1,000	—	337,728	(6,065)	(60,828)	270,835

See accompanying notes to consolidated financial statements.

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

(1) Basis of Presentation

Monitronics International, Inc. and its subsidiaries (collectively, the “Company” or “Monitronics”) are wholly owned subsidiaries of Ascent Capital Group, Inc. (“Ascent Capital”). On August 16, 2013, the Company acquired all of the equity interests of Security Networks LLC (“Security Networks”) and certain affiliated entities (the “Security Networks Acquisition”). The Company provides security alarm monitoring and related services to residential and business subscribers throughout the United States and parts of Canada. The Company monitors signals arising from burglaries, fires, medical alerts and other events through security systems at subscribers’ premises, as well as provides customer service and technical support.

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 June 30, 2014, and for the three and six months ended June 30, 2014 and 2013, include Monitronics 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 Monitronics Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 4, 2014 (the “2013 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.

The Company has reclassified certain prior period amounts to conform to the current period’s presentation.

(2) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. 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. The ASU is effective for annual and interim periods beginning after December 15, 2016. The Company is currently evaluating the impact that adopting this ASU will have on its financial position, results of operations and cash flows.

(3) Security Networks Acquisition

On August 16, 2013 (the “Closing Date”), the Company acquired all of the equity interests of Security Networks and certain affiliated entities. The purchase price (the “Security Networks Purchase Price”) of $500,557,000 consisted of $481,834,000 in cash and 253,333 shares of Ascent Capital’s Series A common stock, par value $0.01 per share, with a Closing Date fair value of $18,723,000. The Security Networks Purchase Price includes post-closing adjustments of $1,057,000.

The cash portion of the Security Networks Purchase Price was funded by cash contributions from Ascent Capital, the proceeds of the Company’s issuance of $175,000,000 in aggregate principal amount of 9.125% Senior Notes due 2020, the proceeds of incremental term loans of $225,000,000 issued under the Company’s existing credit facility and the proceeds of a $100,000,000 intercompany loan from Ascent Capital.

The Security Networks Acquisition was accounted for as a business combination utilizing the acquisition method in accordance with FASB Accounting Standards Codification Topic 805, Business Combinations ("FASB ASC Topic 805"). Under the acquisition method of accounting, the Security Networks Purchase Price has been allocated to Security Networks' tangible and identifiable intangible assets acquired and liabilities assumed based on their estimates of fair value as follows (amounts in thousands):

Cash	$	3,096
Trade receivables		1,305
Other current assets		1,677
Property and equipment		1,404
Subscriber accounts		307,800
Dealer network and other intangible assets		48,500
Goodwill		177,289
Holdback liability, current and non-current		(9,620)
Deferred income tax liabilities		(5,097)
Other current and non-current liabilities		(25,797)
Fair value of consideration	$	500,557

The Company's 2013 Form 10-K included an initial allocation of the purchase price based on preliminary data. Subsequent to filing the Company's 2013 Form 10-K, an adjustment was made to increase goodwill by $989,000, which is reflected in the revised December 31, 2013 consolidated balance sheet in accordance with FASB ASC Topic 805. The increase to goodwill is related to adjustments to the deferred income tax liabilities acquired as a result of obtaining Security Networks' final short period federal and state income tax returns for 2013, which were filed in the second quarter of 2014. The increase to the acquired deferred income tax liabilities resulted in a $936,000 reduction in the Company's valuation allowance. The corresponding decrease in income tax expense related to the reduction in valuation allowance has been retrospectively applied to the revised December 31, 2013 consolidated balance sheet in accordance with FASB ASC Topic 805.

The following table includes unaudited pro-forma information for the Company, which includes the historical operating results of Security Networks prior to ownership by the Company. This pro-forma information gives effect to certain adjustments, including increased amortization to reflect the fair value assigned to the subscriber accounts and dealer network and other intangible assets acquired and increased interest expense relating to the debt transactions entered into to fund the Security Networks Acquisition. The pro-forma results assume that the Security Networks Acquisition and the debt transactions had occurred on January 1, 2012 for all periods presented. They are not necessarily indicative of the results of operations that would have occurred if the acquisition had been made at the beginning of the periods presented or that may be obtained in the future.

		Three Months Ended June 30, 2013		Six Months Ended June 30, 2013
		(amounts in thousands)		
As reported:				
Net revenue	$	102,273	$	202,431
Net income		592		1,941
Supplemental pro-forma:				
Net revenue	$	127,424	$	250,838
Net loss		(8,304)		(14,109)

(4) Other Accrued Liabilities

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

	June 30, 2014	December 31, 2013
Interest payable	$ 18,089	$ 17,258
Income taxes payable	1,645	2,647
Legal accrual	599	705
Other	9,508	12,844
Total Other accrued liabilities	$ 29,841	$ 33,454

(5) Long-Term Debt

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

	June 30, 2014	December 31, 2013
9.125% Senior Notes due April 1, 2020	$ 585,000	$ 585,000
9.868% Promissory Note to Ascent Capital due October 1, 2020	100,000	100,000
Term loans, mature March 23, 2018, LIBOR plus 3.25%, subject to a LIBOR floor of 1.00% (a)	898,241	902,293
$225 million revolving credit facility, matures December 22, 2017, LIBOR plus 3.75%, subject to a LIBOR floor of 1.00% (a)	41,500	19,500
	1,624,741	1,606,793
Less current portion of long-term debt	(9,166)	(9,166)
Long-term debt	$ 1,615,575	$ 1,597,627

(a) The interest rate on the term loan and the revolving credit facility was LIBOR plus4.25%, subject to a LIBOR floor of1.25%, until March 25, 2013.

Senior Notes

On July 17, 2013, the Company closed on a $175,000,000 privately placed debt offering of 9.125% Senior Notes (the "New Senior Notes"). In December 2013, the Company completed an exchange of the New Senior Notes for identical securities in a registered offering under the Securities Act of 1933, as amended.

The New Senior Notes, together with the existing $410,000,000 of 9.125% senior notes due 2020 (collectively, the "Senior Notes"), total $585,000,000 in principal, mature on April 1, 2020 and bear interest at 9.125% per annum. Interest payments are due semi-annually on April 1 and October 1 of each year.

The Senior Notes are guaranteed by all of the Company's existing domestic subsidiaries. Ascent Capital has not guaranteed any of the Company's obligations under the Senior Notes.

Ascent Intercompany Loan

On August 16, 2013, in connection with the Security Networks Acquisition, the Company executed and delivered a Promissory Note to Ascent Capital in a principal amount of $100,000,000 (the "Ascent Intercompany Loan"). The entire principal amount under the Ascent Intercompany Loan is due on October 1, 2020. The Company may prepay any portion of the balance of the Ascent Intercompany Loan at any time from time to time without fee, premium or penalty (subject to certain financial covenants associated with the Company's other indebtedness). Any unpaid balance of the Ascent Intercompany Loan bears interest at a rate equal to 9.868%% per annum, payable semi-annually in cash in arrears on January 12 and July 12 of each year, commencing on January 12, 2014. Borrowings under the Ascent Intercompany Loan constitute unsecured obligations of the Company and are not guaranteed by any of the Company's subsidiaries.

Credit Facility

On March 25, 2013, the Company entered into an amendment ("Amendment No. 2") with the lenders of its existing senior secured credit agreement dated March 23, 2012, and as amended and restated on November 7, 2012 (the "Existing Credit Agreement"). Pursuant to Amendment No. 2, the Company repriced the interest rates applicable to the Existing Credit Agreement's facility (the "Repricing"), which is comprised of the term loans and revolving credit facility noted in the table above. Concurrently with the Repricing, the Company extended the maturity of the revolving credit facility by nine months to December 22, 2017.

On August 16, 2013, in connection with the Security Networks Acquisition, the Company entered into a third amendment ("Amendment No. 3") to the Existing Credit Agreement to provide for, among other things, (i) an increase in the commitments under the revolving credit facility in a principal amount of $75,000,000, resulting in an aggregate principal amount of $225,000,000, (ii) new term loans in an aggregate principal amount of $225,000,000 (the "Incremental Term Loans") at a 0.5% discount and (iii) certain other amendments to the Existing Credit Agreement, each as set forth in Amendment No. 3 (the Existing Credit Agreement together with Amendment No. 2 and Amendment No. 3, the "Credit Facility").

The Credit Facility term loans bear interest at LIBOR plus 3.25%, subject to a LIBOR floor of 1.00%, and mature on March 23, 2018. Principal payments of approximately $2,292,000 and interest on the term loans are due quarterly. The Credit Facility revolver bears interest at LIBOR plus 3.75%, subject to a LIBOR floor of 1.00%, and matures on December 22, 2017. There is an annual commitment fee of 0.5% on unused portions of the Credit Facility revolver. As of June 30, 2014, $183,500,000 is available for borrowing under the revolving credit facility.

At any time after the occurrence of an event of default under the Credit Facility, the lenders may, among other options, declare any amounts outstanding under the Credit Facility immediately due and payable and terminate any commitment to make further loans under the Credit Facility. In 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 the Company and all of its existing subsidiaries and is guaranteed by all of the Company's existing domestic subsidiaries. Ascent Capital has not guaranteed any of the Company's obligations under the Credit Facility.

As of June 30, 2014, the Company has deferred financing costs, net of accumulated amortization, of $23,159,000 related to the Senior Notes and the Credit Facility. These costs are included in Other assets, net on the accompanying consolidated balance sheet and will be amortized over the remaining term of the respective debt instruments using the effective-interest method.

In order to reduce the financial risk related to changes in interest rates associated with the floating rate term loans under the Credit Facility, the Company has entered into interest rate swap agreements with terms similar to the Credit Facility term loans. On March 25, 2013, the Company negotiated amendments to the terms of its existing swap agreements to coincide with the Repricing. In the third quarter of 2013, the Company entered into additional interest rate swap agreements in conjunction with the Incremental Term Loans (all outstanding interest rate swap agreements are collectively referred to as the "Swaps").

The Swaps have a maturity date of March 23, 2018 to match the term of the Credit Facility term loans. The Swaps have been designated as effective hedges of the Company's variable rate debt and qualify for hedge accounting. See note 6, Derivatives, for further disclosures related to these derivative instruments. As a result of the Swaps, the interest rate on the borrowings under the Credit Facility term loans have been effectively converted from a variable rate to a weighted average fixed rate of 5.06%.

The terms of the Senior Notes and Credit Facility provide for certain financial and nonfinancial covenants. As of June 30, 2014, the Company was in compliance with all required covenants.

Principal payments scheduled to be made on the Company's debt obligations are as follows (amounts in thousands):

Remainder of 2014	$	4,583
2015		9,166
2016		9,166
2017		50,667
2018		870,800
2019		—
Thereafter		685,000
Total principal payments		1,629,382
Less:		
Unamortized discount on the Credit Facility term loans		4,641
Total debt on condensed consolidated balance sheet	$	1,624,741

(6) Derivatives

The Company utilizes interest rate swap agreements to reduce the interest rate risk inherent in the Company's variable rate Credit Facility term loans. 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 7, Fair Value Measurements, for additional information about the credit valuation adjustments.

The Swaps' outstanding notional balance as of June 30, 2014 and terms are noted below:

Notional		Effective Date	Fixed Rate Paid	Variable Rate Received
$	537,625,000	March 28, 2013	1.884%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
	142,462,500	March 28, 2013	1.384%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor (a)
	111,369,347	September 30, 2013	1.959%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor
	111,369,347	September 30, 2013	1.850%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor

(a) On March 25, 2013, the Company negotiated amendments to the terms of these interest rate swap agreements to coincide with the Repricing (the "Amended Swaps"). The Amended Swaps are held with the same counterparties as the Existing Swap Agreements. Upon entering into the Amended Swaps, the Company simultaneously dedesignated the Existing Swap Agreements and redesignated the Amended Swaps as cash flow hedges for the underlying change in the swap terms. The amounts previously recognized in Accumulated other comprehensive income (loss) relating to the dedesignation will be 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 income (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 income (loss) are reclassified to Interest expense when the hedged interest payments on the underlying debt are recognized. Amounts in Accumulated other comprehensive income (loss) expected to be recognized in Interest expense in the coming 12 months total approximately $6,616,000.

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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Effective portion of gain (loss) recognized in Accumulated other comprehensive income (loss)	$ (6,234)	10,473	$ (9,605)	9,564
Effective portion of gain (loss) reclassified from Accumulated other comprehensive income (loss) into Net income (loss) (a)	$ (1,766)	(1,198)	$ (3,466)	(2,366)
Ineffective portion of amount of gain (loss) recognized into Net income (loss) on interest rate swaps (a)	$ (2)	61	$ (3)	80

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

(7) Fair Value Measurements

According to the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification, fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants and requires that assets and liabilities carried at fair value are classified and disclosed in the following three categories:

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

The following summarizes the fair value level of assets and liabilities that are measured on a recurring basis at June 30, 2014 and December 31, 2013 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
June 30, 2014				
Derivative financial instruments — assets (a)	$ —	1,273	—	1,273
Derivative financial instruments - liabilities	—	(6,748)	—	(6,748)
Total	$ —	(5,475)	—	(5,475)
December 31, 2013				
Derivative financial instruments - assets (a)	$ —	2,495	—	2,495
Derivative financial instruments - liabilities	—	(2,013)	—	(2,013)
Total	$ —	482	—	482

(a) Included in Other assets, net on the condensed consolidated balance sheets.

The Company has determined that the majority of the inputs used to value the Swaps fall within Level 2 of the fair value hierarchy. The credit valuation adjustments associated with the derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by their counterparties. As the counterparties have publicly available credit information, the credit spreads over LIBOR used in the calculations represent implied credit default swap spreads obtained from a third-party credit data provider. However, as of June 30, 2014, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Swaps. 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):

	June 30, 2014	December 31, 2013
Long term debt, including current portion:		
Carrying value	$ 1,624,741	$ 1,606,793
Fair value (a)	1,672,256	1,656,797

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

The Company'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.

(8) Restructuring Charges

In connection with the Security Networks Acquisition, management approved a restructuring plan to transition Security Networks' operations in West Palm Beach and Kissimmee, Florida to Dallas, Texas (the "2013 Restructuring Plan"). The 2013 Restructuring Plan provides certain employees with a severance package that entitles them to receive benefits upon completion of the transition in 2014. Severance costs related to the 2013 Restructuring Plan were recognized ratably over the future service period. During the three and six months ended June 30, 2014, the Company recorded $371,000 and $918,000, respectively, of restructuring charges related to employee termination benefits under the 2013 Restructuring Plan. The transition of Security Networks' operations to Dallas was completed in the second quarter of 2014.

There were no restructuring charges recorded for the three and six months ended June 30, 2013.

The following table provides the activity and balance of the Company's restructuring plan (amounts in thousands):

	December 31, 2013	Additions	Payments	June 30, 2014
2013 Restructuring Plan				
Severance and retention	$ 1,570	918	(2,042)	446

(9) 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):

	Accumulated other comprehensive income (loss)
As of December 31, 2013	$ 74
Unrealized loss on derivatives recognized through Accumulated other comprehensive income (loss)	(9,605)
Reclassifications of unrealized loss on derivatives into net income (a)	3,466
As of June 30, 2014	$ (6,065)

(a) Amounts reclassified into net income are included in Interest expense on the condensed consolidated statement of operations. See note 6, Derivatives, for further information.

(10) Commitments, Contingencies and Other Liabilities

The Company is involved in litigation and similar claims incidental to the conduct of its business. 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 is likely to have a material adverse impact on the Company's financial position or results of operations.

(11) Consolidating Guarantor Financial Information

The Senior Notes were issued and the Credit Facility was entered into by Monitronics (the “Parent Issuer”) and both are guaranteed by all of the Company’s existing domestic subsidiaries. Ascent Capital has not guaranteed any of the Company’s obligations under the Senior Notes or Credit Facility.

Consolidating guarantor financial information has not been presented in this Form 10-Q as substantially all of the Company’s operations are now conducted by the Parent Issuer entity. The Company believes that disclosing such information would not provide investors with any additional information that would be material in evaluating the sufficiency of the guarantees.

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 the Company's largest demographic;
- uncertainties in the development of the Company's business strategies, including market acceptance of new products and services;
- the competitive environment in which the Company operates, 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;
- the Company'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, including Security Networks;
- the regulatory environment in which the Company operates, including the multiplicity of jurisdictions and licensing requirements to which it is 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 the Company'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;
- 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 business partners;
- the reliability and creditworthiness of the Company's independent alarm systems dealers and subscribers;
- changes in the Company's expected rate of subscriber attrition;
- the availability and terms of capital, including the ability to obtain additional funds to grow its business;
- the Company'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 the 2013 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 2013 Form 10-K.

Overview

The Company provides security alarm monitoring and related services to residential and business subscribers throughout the United States and parts of Canada. On August 16, 2013, the Company acquired all of the equity interests of Security Networks LLC ("Security Networks") and certain affiliated entities (the "Security Networks Acquisition"). The Company monitors signals arising from burglaries, fires, medical alerts and other events through security systems at subscribers' premises, as well as provides customer service and technical support. Nearly all of the Company's revenues are derived from recurring monthly revenues under security alarm monitoring contracts purchased from independent dealers in its exclusive nationwide network.

Attrition

Account cancellation, otherwise referred to as subscriber attrition, has a direct impact on the number of subscribers that the Company 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 category of canceled accounts relate to subscriber relocation or the inability to contact the subscriber. The Company 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. The Company 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. The Company 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 the Company the cost paid to acquire the contract. To help ensure the dealer's obligation to the Company, the Company typically maintains a dealer funded holdback reserve ranging from 5-10% of subscriber accounts in the guarantee period. In some cases, the amount of the holdback liability may be less than actual attrition experience.

The table below presents subscriber data for the twelve months endedJune 30, 2014 and 2013:

	Twelve Months Ended June 30,	
	2014	2013
Beginning balance of accounts	838,723	711,832
Accounts acquired	352,973	228,040
Accounts canceled	(125,096)	(98,107)
Canceled accounts guaranteed by dealer and acquisition adjustments (a) (b)	(10,494)	(3,042)
Ending balance of accounts	1,056,106	838,723
Monthly weighted average accounts	1,014,902	787,735
Attrition rate	(12.3)%	(12.5)%

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

(b) Includes a net reduction of 561 subscriber accounts related to the Security Networks Acquisition. These acquisition adjustments include 2,064 subscriber accounts that were proactively canceled following the acquisition of Security Networks in August 2013 because they were active with both Monitronics and Security Networks. The impact of these cancellations was partially offset by a favorable adjustment of 1,503 accounts associated with multi-site subscribers that were considered single accounts prior to the completion of the Security Networks integration in April 2014.

We analyze our attrition by classifying accounts into annual pools based on the year of acquisition. We then track 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, in recent years we have averaged less than 1% attrition within the initial 12-month period after considering the accounts which were replaced or refunded by the dealers at no additional cost to us. 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 the buildup of subscribers that moved or no longer had need for the service but did not cancel their service until the end of their initial contract term. Subsequent to the peak following the end of the initial contract term, the number of subscribers that cancel as a percentage of the initial number of subscribers in that pool declines.

Accounts Acquired

During the three months ended June 30, 2014 and 2013, the Company acquired 42,851 and 47,733 subscriber accounts, respectively. During the six months ended June 30, 2014 and 2013, the Company acquired 74,625 and 76,193 subscriber accounts, respectively. Acquired contracts for thethree and six months ended June 30, 2014 reflect a bulk buy of approximately 2,900 accounts purchased in the second quarter of 2014. Acquired contracts for the three and six months ended June 30, 2013 reflect bulk buys of approximately 18,200 accounts purchased in the second quarter of 2013.

Acquired contracts for the twelve months ended June 30, 2014 includes 203,898 accounts acquired in the Security Networks Acquisition, which was completed on August 16, 2013, and approximately 2,900 accounts purchased in a bulk buy in the second quarter of 2014. In addition, subscriber accounts acquired for the twelve months ended June 30, 2013 include approximately 111,200 accounts purchased in various bulk buys throughout the period.

Recurring monthly revenue ("RMR") acquired during the three months endedJune 30, 2014 and 2013 was approximately $1,948,000 and $2,090,000, respectively. RMR acquired during the six months ended June 30, 2014 and 2013 was approximately $3,399,000 and $3,367,000, respectively.

Adjusted EBITDA

We evaluate the performance of our operations based on financial measures such as revenue and “Adjusted EBITDA.” Adjusted EBITDA is defined as net income (loss) before interest expense, interest income, income taxes, depreciation, amortization (including the amortization of subscriber accounts, dealer network and other intangible assets), restructuring charges, stock-based compensation, and other non-cash or nonrecurring charges. The Company 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 the Company's covenants are calculated under the agreements governing its debt obligations. Adjusted EBITDA does not represent cash flow from operations as defined by generally accepted accounting principles (“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 the Company 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 Monitronics 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net revenue	$ 134,696	102,273	$ 267,560	202,431
Cost of services	22,982	15,594	45,072	30,796
Selling, general, and administrative	23,127	18,113	46,099	34,016
Amortization of subscriber accounts, dealer network and other intangible assets	63,261	45,998	125,041	90,313
Restructuring charges	371	—	918	—
Interest expense	29,638	19,466	58,982	40,593
Income tax expense	1,713	791	3,312	1,565
Net income (loss)	(8,525)	592	(16,376)	1,941
Adjusted EBITDA (a)	$ 90,261	70,408	$ 179,536	139,822
Adjusted EBITDA as a percentage of Net Revenue	67.0%	68.8%	67.1%	69.1%

(a) See reconciliation to net income (loss) below.

Net revenue. Net revenue increased $32,423,000, or 31.7%, and $65,129,000, or 32.2%, for the three and six months ended June 30, 2014 as compared to the corresponding prior year periods. The increase in net revenue is attributable to the growth in the number of subscriber accounts and the increase in average RMR per subscriber. The growth in subscriber accounts reflects the effects of the Security Networks Acquisition in August 2013, which included over 200,000 subscriber accounts, and the acquisition of over 146,000 accounts through the Company's authorized dealer program subsequent to June 30, 2013. In addition, average monthly revenue per subscriber increased from $39.98 as of June 30, 2013 to $41.26 as of June 30, 2014.

Cost of services. Cost of services increased $7,388,000, or 47.4%, and $14,276,000, or 46.4%, for the three and six months ended June 30, 2014 as compared to the corresponding prior year periods. The increase is primarily attributable to subscriber growth over the last twelve months, as well as increases in cellular and service costs. Cellular costs have increased due to more accounts being monitored across the cellular network, which often include interactive and home automation services. This has also resulted in higher service costs as existing subscribers upgrade their systems. Cost of services as a percent of net revenue increased from 15.2% for both the three and six months ended June 30, 2013 to 17.1% and 16.8% for the three and six months ended June 30, 2014, respectively.

Selling, general and administrative. Selling, general and administrative costs ("SG&A") increased$5,014,000, or 27.7%, and $12,083,000, or 35.5%, for the three and six months ended June 30, 2014 as compared to the corresponding prior year periods. The increase is attributable to subscriber growth over the last twelve months and redundant staffing and operating costs at our Dallas, Texas headquarters in advance of transitioning Security Networks' operations from Florida to Texas. This transition was completed in April 2014. In addition, the Company incurred integration costs of $1,123,000 and $2,182,000 for the three and six months ended June 30, 2014, respectively, which primarily were for professional services rendered related to the transition. SG&A as a percent of net revenue decreased from 17.7% for the three months ended June 30, 2013 to 17.2% for the three months ended June 30, 2014. SG&A as a percent of net revenue increased from 16.8% for the six months ended June 30, 2013 to 17.2% for the six months ended June 30, 2014.

Amortization of subscriber accounts, dealer network and other intangible assets. Amortization of subscriber accounts, dealer network and other intangible assets increased $17,263,000 and $34,728,000 for the three and six months ended June 30, 2014 as compared to the corresponding prior year periods. The increase is attributable to amortization of subscriber accounts acquired subsequent to June 30, 2013, including amortization of approximately $15,313,000 and $31,830,000 for the three and six months ended June 30, 2014, respectively, related to the definite lived intangible assets acquired in the Security Networks Acquisition.

Restructuring charges. In connection with the Security Networks Acquisition, management approved a restructuring plan to transition Security Networks' operations in West Palm Beach and Kissimmee, Florida to Dallas, Texas (the "2013 Restructuring Plan"). The 2013 Restructuring Plan provides certain employees with a severance package that entitles them to receive benefits upon completion of the transition in 2014. Severance costs related to the 2013 Restructuring Plan were recognized ratably over the future service period. During the three and six months ended June 30, 2014, the Company recorded $371,000 and $918,000, respectively, of restructuring charges related to employee termination benefits under the 2013 Restructuring Plan. The transition of Security Networks' operations to Dallas was completed in the second quarter of 2014.

There were no restructuring charges recorded in continuing operations for thethree and six months ended June 30, 2013.

The following table provides the activity and balance of the Company's restructuring plan (amounts in thousands):

	December 31, 2013	Additions	Payments	June 30, 2014
2013 Restructuring Plan				
Severance and retention	$ 1,570	918	(2,042)	446

Interest expense. Interest expense increased $10,172,000 and $18,389,000 for the three and six months ended June 30, 2014 as compared to the corresponding prior year periods. The increases in interest expense is primarily attributable to increases in the Company's consolidated debt balance related to the borrowings incurred to fund the Security Networks Acquisition. For the six months ending June 30, 2014, the increase is partially offset by the favorable repricing of Monitronics credit facility interest rates effective March 25, 2013.

Income tax expense. The Company had a pre-tax loss of $6,812,000 and $13,064,000 for the three and six months ended June 30, 2014, respectively, and income tax expense of $1,713,000 and $3,312,000 for the three and six months ended June 30, 2014, respectively. The Company had pre-tax income of $1,383,000 and $3,506,000 for the three and six months ended June 30, 2013, respectively, and income tax expense of $791,000 and $1,565,000 for the three and six months ended June 30, 2013. Income tax expense for the three and six months ended June 30, 2014 is attributable to Texas state margin tax incurred on the Company's operations and the deferred tax impact from amortization of deductible goodwill related to the Security Networks Acquisition. Income tax expense for the three and six months ended June 30, 2013 is primarily attributable to Texas state margin tax incurred on the Company's operations.

Adjusted EBITDA. The following table provides a reconciliation of total Adjusted EBITDA to net income (loss) for the periods indicated (amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total Adjusted EBITDA	$ 90,261	70,408	$ 179,536	139,822
Amortization of subscriber accounts, dealer network and other intangible assets	(63,261)	(45,998)	(125,041)	(90,313)
Depreciation	(2,198)	(1,721)	(4,581)	(3,209)
Stock-based compensation	(482)	(402)	(896)	(763)
Restructuring charges	(371)	—	(918)	—
Security Networks acquisition related costs	—	(1,438)	—	(1,438)
Security Networks integration related costs	(1,123)	—	(2,182)	—
Interest expense	(29,638)	(19,466)	(58,982)	(40,593)
Income tax expense	(1,713)	(791)	(3,312)	(1,565)
Net income (loss)	$ (8,525)	592	$ (16,376)	1,941

Adjusted EBITDA increased $19,853,000, or 28.2%, and $39,714,000, or 28.4% for the three and six months ended June 30, 2014 as compared to the respective prior year periods. The increase in Adjusted EBITDA was primarily due to revenue growth.

Liquidity and Capital Resources

At June 30, 2014, we had $6,099,000 of cash and cash equivalents and $112,000 of current restricted cash. Our primary sources of funds are our cash flows from operating activities which are generated from alarm monitoring and related service revenues. During the six months ended June 30, 2014 and 2013, our cash flow from operating activities was $114,357,000 and

$100,714,000, 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 six months ended June 30, 2014 and 2013, the Company used cash of $126,640,000 and $113,199,000, respectively, to fund subscriber account acquisitions, net of holdback and guarantee obligations. In addition, during the six months ended June 30, 2014 and 2013, the Company used cash of $3,212,000 and $3,978,000, respectively, to fund its capital expenditures.

In considering our liquidity requirements for 2014, we evaluated our known future commitments and obligations. We will require the availability of funds to finance our strategy to grow through the acquisition of subscriber accounts. Additionally, as a result of announcements by AT&T and certain other telecommunication providers that they intend to discontinue 2G services in the near future, we expect to incur expenditures over the next few years as we replace the 2G equipment used in many of our subscribers' security systems. Costs incurred and subscriber attrition resulting from the 2G phase-out will, to some extent, be dependent on the level of advance notice received from the telecommunication providers. We expect costs associated with the phase-out to be relatively small in 2014 and then increase in 2015 and 2016. In addition, we considered the borrowing capacity of our Credit Facility revolver, under which we could borrow an additional $183,500,000 as of June 30, 2014. Based on this analysis, we expect that cash on hand, cash flow generated from operations and borrowings under our Credit Facility will provide sufficient liquidity, given our anticipated current and future requirements.

The existing long-term debt at June 30, 2014 includes the principal balance of $1,629,382,000 under our Senior Notes, the Ascent Intercompany Loan, our Credit Facility, and our Credit Facility revolver. The Senior Notes have an outstanding principal balance of $585,000,000 as of June 30, 2014 and mature on April 1, 2020. The Ascent Intercompany Loan has an outstanding principal balance of $100,000,000 and matures on October 1, 2020. The Credit Facility term loans have an outstanding principal balance of $902,882,000 as of June 30, 2014 and require principal payments of approximately $2,292,000 per quarter with the remaining outstanding balance becoming due on March 23, 2018. The Credit Facility revolver has an outstanding balance of $41,500,000 as of June 30, 2014 and becomes due on December 22, 2017.

We may seek capital contributions from Ascent Capital 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 capital contributions from Ascent Capital 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. The Company 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 fair value and by maturity date. Debt amounts represent principal payments by maturity date.

Year of Maturity	Fixed Rate Derivative Instruments (a)	Variable Rate Debt	Fixed Rate Debt	Total
	(Amounts in thousands)			
Remainder of 2014	$ —	$ 4,583	$ —	$ 4,583
2015	—	9,166	—	9,166
2016	—	9,166	—	9,166
2017	—	50,667	—	50,667
2018	5,475	870,800	—	876,275
2019	—	—	—	—
Thereafter	—	—	685,000	685,000
Total	$ 5,475	$ 944,382	$ 685,000	$ 1,634,857

(a) The derivative financial instruments reflected in this column include four interest rate swaps, all with a maturity date of March 23, 2018. As a result of these interest rate swaps, the interest rate on the borrowings under the Credit Facility term loans have been effectively converted from a variable rate to a weighted average fixed rate of 5.06%. See notes 5, 6 and 7 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 June 30, 2014 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 June 30, 2014 that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

PART II - OTHER INFORMATION

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):

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.

** Filed or furnished, as the case may be, 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.

MONITRONICS INTERNATIONAL, INC.

Date: August 13, 2014	By:	/s/ Michael R. Haislip
		Michael R. Haislip President and Chief Executive Officer
Date: August 13, 2014	By:	/s/ Michael R. Meyers
		Michael R. Meyers Chief Financial Officer, Vice President and Assistant Secretary (Principal Financial and Accounting Officer)

EXHIBIT INDEX

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):

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.

** Filed or furnished, as the case may be, herewith.

Exhibit 31.1

CERTIFICATION

I, Michael R. Haislip, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monitronics International, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2014

/s/ Michael R. Haislip

Michael R. Haislip

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael R. Meyers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monitronics International, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2014

/s/ Michael R. Meyers

Michael R. Meyers
Chief Financial Officer, Vice President and Assistant Secretary

EXHIBIT 32

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 Monitronics International, Inc., a Texas corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period endedJune 30, 2014 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of June 30, 2014 and December 31, 2013 and for the three and six months ended June 30, 2014 and 2013.

Dated:	August 13, 2014	/s/ Michael R. Haislip
		Michael R. Haislip
		President and Chief Executive Officer
Dated:	August 13, 2014	/s/ Michael R. Meyers
		Michael R. Meyers
		Chief Financial Officer, Vice President and Assistant Secretary
		(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.