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

FORM 10-K

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

For the fiscal year ended December 31, 2020

OR

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

For the transition period from to

Commission File Number 333-110025

MONITRONICS INTERNATIONAL, INC.
(Exact name of Registrant as specified in its charter)

State of Delaware	**74-2719343**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1990 Wittington Place	
Farmers Branch, Texas	**75234**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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

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

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

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

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

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

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2020 was $22.6 million. This amount is based on the sale price of a share of the registrant's common stock reported by OTC Bulletin Board on that date.

The number of outstanding shares of Monitronics International, Inc.'s common stock as of March 18, 2021 was 22,500,000 shares.

MONITRONICS INTERNATIONAL, INC.
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PART I

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K 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, new service offerings, the availability of debt refinancing, obtaining or maintaining any requested waiver of forbearance with respect to the Credit Facility and Senior Notes (each as defined below), the ability of our Company to continue as a going concern, potential restructurings and strategic transactions, financial prospects and anticipated sources and uses of capital. In particular, statements under Item 1. "Business," Item 1A. "Risk Factors", Item 2. "Properties," Item 3. "Legal Proceedings," Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contain forward-looking statements. 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:

- business or economic disruptions or global health concerns may materially and adversely affect our business, financial condition, future results and cash flow;
- macroeconomic conditions and their effect on the general economy and on the U.S. housing market, in particular single family homes, which represent our largest demographic;
- uncertainties in the development of our business strategies, including the rebranding to Brinks Home Security and market acceptance of new products and services;
- the competitive environment in which we operate, in particular, increasing competition in the alarm monitoring industry from larger existing competitors and new market entrants, including well-financed technology, telecommunications and cable companies;
- the development of new services or service innovations by competitors;
- our ability to acquire and integrate additional accounts, including competition for dealers with other alarm monitoring companies which could cause an increase in expected costs of acquiring an account ("Subscriber Acquisition Costs");
- technological changes which could result in the obsolescence of currently utilized technology with the need for significant upgrade expenditures, including the phase out of 2G, 3G and CDMA networks by cellular carriers;
- the trend away from the use of public switched telephone network lines and the resultant increase in servicing costs associated with alternative methods of communication;
- our high degree of leverage and the restrictive covenants governing its indebtedness;
- the operating performance of our 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 of our business partners;
- the reliability and creditworthiness of our independent alarm systems dealers and subscribers;
- changes in our expected rate of subscriber attrition;
- availability of, and our ability to retain, qualified personnel;
- 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 we and/or our dealers are subject and the risk of new regulations, such as the increasing adoption of "false alarm" ordinances; and
- general business conditions and industry trends.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Annual 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. When considering such forward-looking statements, you should keep in mind the factors described in Item 1A, "Risk Factors" and other cautionary statements contained in this Annual Report. Such risk factors and statements describe circumstances which could cause actual results to differ materially from those contained in any forward-looking statement.

ITEM 1. *BUSINESS*

Monitronics International, Inc. and its subsidiaries (collectively, "Monitronics" or the "Company", doing business as "Brinks Home Security™") provides residential customers and commercial client accounts with monitored home and business security systems, as well as multiple home automation, life safety and advanced security options, in the United States, Canada and Puerto Rico. Our principal executive office is located at 1990 Wittington Place, Farmers Branch, Texas, telephone number (972) 243-7443. We were wholly-owned subsidiaries of Ascent Capital Group, Inc. ("Ascent Capital") until August 30, 2019.

On June 30, 2019, Monitronics and certain of its domestic subsidiaries (collectively, the "Debtors"), filed voluntary petitions for relief (collectively, the "Petitions" and, the cases commenced thereby, the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Debtors' Chapter 11 Cases were jointly administered under the caption *In re Monitronics International, Inc., et al.,* Case No. 19-33650. On August 7, 2019, the Bankruptcy Court entered an order, Docket No. 199 (the "Confirmation Order"), confirming and approving the Debtors' Joint Partial Prepackaged Plan of Reorganization (including all exhibits thereto and, as modified by the Confirmation order, the "Plan") that was previously filed with the Bankruptcy Court on June 30, 2019. On August 30, 2019 (the "Effective Date"), the conditions to the effectiveness of the Plan were satisfied and the Company emerged from Chapter 11 after completing a series of transactions through which the Company and its former parent, Ascent Capital, merged (the "Merger") in accordance with the terms of the Agreement and Plan of Merger, dated as of May 24, 2019 (the "Merger Agreement"). Monitronics was the surviving corporation and, immediately following the Merger, was redomiciled in Delaware in accordance with the terms of the Merger Agreement.

Recent Events

De-Registration under the Exchange Act

The Company's Board has determined that due to the significant costs of operating as a public reporting company, the substantial time that being a public reporting company required of our management team and the availability of an option to suspend our public reporting obligations in accordance with SEC rules, we determined that it would be in the best interest of our stockholders and our company to file a Form 15 with the SEC to suspend our public reporting filing responsibilities. Once we file the Form 15, our obligation to file reports and other information under the Exchange Act, such as Forms 10-K, 10-Q and 8-K, will be immediately suspended. This will result in less information about the Company being available to stockholders and investors immediately following the filing of the Form 15 and may negatively affect the liquidity, trading volume and trading price of our common stock. It is expected that the deregistration of our common stock under the Exchange Act will become effective ninety (90) days after the date on which the Form 15 is filed. Following the de-registration, our common stock will be quoted on the OTC Pink Open Market (the "Pink Sheets"), a centralized electronic quotation service for over-the-counter securities, so long as market makers demonstrate an interest in trading in our common stock. However, we can give no assurance that trading in our common stock will continue on the Pink Sheets or any other securities exchange or quotation medium.

Select Security Transaction

On December 23, 2020, the Company completed a transaction (the "Select Security Transaction") to acquire approximately 32,000 residential and small business and 8,000 large commercial alarm monitoring contracts from Kourt Security Partners, LLC, doing business as Select Security (the "Seller"). The Company will take ownership of the alarm monitoring contracts through an earnout structure that includes a $10,914,000 upfront payment and a 50-month earnout period (the "Earnout Period"). Per the terms of the Select Security Transaction, the Seller transferred title of the monitoring contracts and other certain business assets to GS Security Alarm LLC ("GSSA"). GSSA is a bankruptcy-remote special purpose vehicle designed only to transact the sale of subscriber accounts and related assets to the Company. The Company was significantly involved in the design of GSSA; however, the Company does not own any equity interest in GSSA. GSSA transferred the specified business assets to the Company immediately after close as well as a certain subset of the monitoring contracts. Title to the remaining monitoring contracts will transfer from GSSA to the Company during the Earnout Period with title to all of the monitoring contracts transferred by month 50. The Company also signed a monitoring services agreement with GSSA that establishes the Company as the sole and exclusive service provider for all of the subscriber accounts regardless of legal ownership during the 50-month period. The Company is retaining the majority of the Seller's Commercial Sales, Field Technicians and Customer Service employees, as well as certain office locations. For 90 days after the close, the Seller will provide transition services to the Company.

Protect America Transaction

On June 17, 2020, the Company acquired title to over 110,000 contracts for the provision of alarm monitoring and related services (the "Accounts") as well as the related accounts receivable, intellectual property and equipment inventory of Protect America, Inc. The Company paid approximately $16,600,000 at closing and will make 50 subsequent monthly payments consisting of a portion of the revenue attributable to the Accounts, subject to adjustment for Accounts that are no longer active ("Earnout Payments" will here to be defined as contingent payments to acquire subscriber accounts under the Select Security and Protect America transactions).

* * * * *

Narrative Description of Business

We are one of the largest security alarm monitoring companies in North America, with customers under contract in all 50 states, the District of Columbia, Puerto Rico and Canada. We offer:

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

Our business model consists of two principal sales channels with customers sourced through our Network Sales Channel, which includes our authorized dealer network, and our Direct to Consumer Channel, which sources customers through direct-to-consumer advertising primarily through internet, print and partnership program marketing activities. From time to time, we also acquire new customers through negotiated bulk account acquisitions. Additionally, with the recent completion of the Select Security Transaction, the Company anticipates leveraging and growing the Select Security large commercial business.

Our Network Sales Channel is made up of our authorized dealer program and a growing authorized representative program. The authorized dealer program, which we consider exclusive based on our right of first refusal with respect to any accounts generated by such dealers, is our largest source of customers, representing 78% of gross additional customers during the year ended December 31, 2020, when excluding negotiated bulk account acquisitions in the period. Similarly, the authorized representative program outsources the sales and installation of our security offerings to a third party contractor sales team, but the Company retains the contractual relationship with the customer from the onset. Outsourcing a portion of the low margin, high fixed-cost elements of our business to a large network of dealers and representatives allows flexibility in managing our cost structure.

Our Direct to Consumer Channel is an important element of our channel diversity strategy. Our Direct to Consumer Channel accounted for 22% of our gross additional customers during the year ended December 31, 2020, when excluding negotiated bulk account acquisitions in the period. Our Direct to Consumer Channel provides customers with both a DIY installation option and a professional installation option. While our future strategy will be more focused on professional installation, our DIY offering provides an asset-light, geographically-unconstrained product. In contrast to our Network Sales Channel with local market presence, our Direct to Consumer Channel generates accounts through leads from direct response marketing and partnerships with direct marketing and other subscription based businesses. Additionally, the Company has been developing an employee based Field Sales team and has successfully launched in several major geographical areas.

We generate nearly all of our revenue from fees charged to customers (or "subscribers") under alarm monitoring agreements ("AMAs"), which include access to home automation, life safety and advanced security features for additional fees. During the year ended December 31, 2020, 98% of new customers purchased at least one of our these services alongside traditional security monitoring services. As of December 31, 2020, we had 933,620 subscribers generating $41,500,000 of Recurring Monthly Revenue ("RMR").

We generate incremental revenue through product and installation sales or by providing additional services, such as maintenance and wholesale contract monitoring. Contract monitoring includes fees charged to other security alarm companies for monitoring their accounts on a wholesale basis. As of December 31, 2020, we provided wholesale monitoring services for approximately 48,000 accounts. The incremental revenue streams do not represent a significant portion of our overall revenue.

Network Sales Channel

Our Network Sales Channel consists of 185 independent dealers and approximately 55 authorized representatives. Independent authorized dealers are typically small businesses that sell and install alarm systems. Authorized dealers generally do not retain the AMAs due to the scale and large upfront investment required to build and efficiently operate monitoring stations and the related infrastructure. Authorized dealers typically sell the AMAs to third parties and outsource the monitoring function for any AMAs they retain. Authorized representatives are generally individual sales consultants or a small teams of sales consultants that conduct their own sales and marketing efforts to contract the Company for both the sales and installation of equipment and the ongoing AMA with subscribers directly.

The initial contract term for subscribers generated by the Network Sales Channel are three to five years, with automatic renewals annually or on a month-to-month basis depending on state and local regulations. We have the ability to monitor signals from a significant majority of residential security systems.

We generally enter into exclusive contracts with authorized dealers and representatives that typically have initial terms ranging between one and five years, with renewal terms thereafter. In order to maximize revenue and geographic diversification, we partner with dealers and representatives from throughout the U.S. We believe our ability to maximize return on invested capital is largely dependent on the quality of our dealers and representatives and the accounts acquired. Rigorous underwriting standards are applied to, and a detailed review is conducted of, each AMA to be acquired.

We generally acquire each new AMA at a cost based on a multiple of the account's RMR. Authorized dealer contracts generally provide that if an acquired AMA is terminated within the first 12 months, the dealer must replace the AMA or refund the AMA purchase price. To secure the dealer's obligation, we typically retain a percentage of the AMA purchase price.

Network Development

We remain focused on expanding our network of independent authorized dealers and representatives. To do so, we have established programs that provides participants with a variety of support services to assist them as they grow their businesses. Authorized dealers are encouraged to use the Brinks Home Security brand name in their sales and marketing activities and on the products they sell and install. Authorized representatives are required to use the Brinks Home Security brand name in their sales and marketing activities. Authorized dealers and representatives benefit from their affiliation with us and our national reputation for high customer satisfaction, as well as the support they receive from us.

We offer our authorized dealers and representatives a marketing support program that is focused on developing professionally designed sales and marketing materials that will help market alarm systems and monitoring services with maximum effectiveness. All materials provided focus on the Brinks Home Security brand and our role as the single source of support for the customer. We believe that the use of our brand to promote affiliation with one of the nation's largest alarm monitoring companies boosts the dealers' and representatives' credibility and reputation in their local markets and also assists in supporting their sales success.

We also make available sales, business and technical training, sales literature, co-branded marketing materials, sales leads and management support to our authorized dealers and representatives. In most cases, these services and cost savings would not be available to security alarm dealers and representatives on an individual basis.

We employ a team of individuals to promote our Network Sales programs and find account acquisition opportunities. We target independent alarm dealers and sales representatives across the U.S. that can benefit from our program services and can generate high quality monitoring customers for us. We use a variety of marketing techniques to promote our programs and related services. These activities include direct mail, trade magazine advertising, trade shows, internet web site marketing, publicity and telemarketing.

Direct to Consumer Channel

Through the Direct to Consumer Channel, we offer professionally installed or DIY home security and automation solutions coupled with alarm monitoring security services. The Direct to Consumer Channel obtains subscribers through a trained inside sales phone operation, our developing employee Field Sales teams, e-commerce online sales and partnership programs with marketing or other subscription based businesses. We sell the equipment and installation services, if applicable, to new customers with a monthly rate for monitoring and home automation services. Further, we offer third party financing to qualifying customers for the up-front equipment and installation charges. Contract terms for AMAs originated through the

Direct to Consumer Channel can vary depending on packages selected, with the current standard offering being a three year contract.

When a customer initiates and completes the sales process to obtain alarm monitoring services, including signing an AMA, we pre-configure the alarm monitoring system based on the customer's specifications, then package and ship the equipment directly to the customer. The customer has the option to self-install the equipment or have a professional installation. The customer activates the monitoring service with our central station over the phone. With the development of our Field Sales teams, launched in several geographical areas in 2020, customers can have personalized in-home appointments to walk through all available options for security, home automation and life safety services, with professional installation occurring at the appointment or shortly thereafter.

Negotiated Bulk Account Acquisitions

In addition to the development of our primary channels, we periodically acquire alarm monitoring accounts from other alarm companies in bulk on a negotiated basis. Our management has extensive experience in identifying potential opportunities, negotiating account acquisitions and performing thorough due diligence, which helps facilitate execution of new acquisitions in a timely manner. The Company completed three separate large bulk acquisitions in 2020, two of which were completed using a unique earnout structure model which improves creation cost metrics and shares attrition risk with the seller.

Customer Operations

Once a customer has contracted for services, we provide 24-hour monitoring services through our alarm monitoring center as well as billing and 24-hour technical support through our customer care center, located in Farmers Branch, Texas. Our alarm monitoring center has received the Monitoring Association's prestigious Five Diamond certification. Five Diamond certification is achieved by having all alarm monitoring operators complete special industry training and pass an exam.

We have a back-up facility in Dallas, Texas that is capable of supporting monitoring and certain customer service operations in the event of a disruption at our primary alarm monitoring and customer care center. In addition, due to the impacts of COVID-19, we also have enacted measures to enable our call center operators to operate from home

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

Interactive and advance security features, home automation and life safety services are contracted with and provided by various third party technology companies to the subscriber.

We seek to increase subscriber satisfaction and retention by carefully managing customer and technical service. The customer care center handles all general inquiries from all subscribers, including those related to subscriber information changes, basic alarm troubleshooting, alarm verification, technical service requests and requests to enhance existing services. We have a proprietary centralized information system that enables us to satisfy a substantial amount of subscriber technical inquiries over the telephone, without dispatching a service technician. If the customer requires field service, we rely on our nationwide network of independent service dealers and over 130 employee field service technicians to provide such service. We closely monitor service dealer performance with customer satisfaction forms, follow-up quality assurance calls and other performance metrics. In 2020, we dispatched approximately 200 independent service dealers around the country to handle our field service.

Customers

We believe that our subscriber acquisition process, which includes both clearly defined customer account standards and a comprehensive due diligence process focusing on both the authorized dealer and representative programs and the AMAs to be acquired, contributes significantly to the high quality of our subscriber base. For each of the last five calendar years, the average credit score associated with AMAs that were acquired was 710 or higher on the FICO scale.

Substantially all of our subscribers are residential homeowners or small business commercial accounts, and the remainder are large commercial accounts that were acquired in the Select Security Transaction. In the residential sector, we focus our efforts on obtaining customers that are residential homeowners, rather than renters, which we believe can reduce attrition, because homeowners relocate less frequently than renters.

Intellectual Property

Pursuant to the terms of the Brink's License Agreement, Monitronics has exclusive use of the Brinks and Brinks Home Security trademarks related to the residential smart home and home security categories in the U.S. and Canada. The Brink's License Agreement provides for an initial term of seven years and, subject to certain conditions, allows for subsequent renewal periods whereby Monitronics can extend the agreement beyond 20 years. We also own certain proprietary software applications that are used to provide services to our dealers and subscribers, including various trademarks and patents. Other than as mentioned above, we do not hold any patents or other intellectual property rights on our proprietary software applications.

Strategy

Our strategy is centered around the tagline of "creating profitable accounts, at scale and holding for life." We believe that by ensuring that all initiatives drive toward this mantra, we will maximize return on invested capital. We aim to achieve best in class customer engagement by delivering premium and innovative smart home security solutions. The go to market strategy is grounded on attracting a loyal persona that has high ability and willingness to pay, demands expert support and ideally prefers professional installation along with lifetime excellence in support and timely service. For detailed discussion of specific strategic initiatives, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

For a description of the risks associated with the Company's strategies, and with the Company's business in general, see "ITEM 1A. RISK FACTORS."

Seasonality

Our business experiences a certain level of seasonality. Because more household moves take place during the second and third calendar quarters of each year, our disconnect rate and new customer additions may be higher in those quarters than in the first and fourth calendar quarters. In addition, we may see increased servicing costs related to higher alarm signals and customer service requests as a result of customer power outages and other issues due to weather-related incidents.

Industry; Competition

The security alarm industry is highly competitive and has become more complex with consumer demand for smart home integration. Our competitors include other major security alarm companies with nationwide coverage, numerous smaller providers with regional or local coverage and certain large multi-service organizations that operate in multiple industries, including the technology, telecommunications and cable businesses. Our significant competitors for obtaining subscriber AMAs include:

- ADT, Inc. ("ADT");
- Vivint Smart Home, Inc.;
- Comcast Corporation;
- SimpliSafe, Inc.; and
- Ring LLC.

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

Some of these security alarm companies have also adopted, in whole or in part, a dealer program similar to ours. In these instances, we must also compete with these programs in recruiting dealers. We believe we compete effectively with other dealer programs due to the quality of our dealer support services and our competitive acquisition terms. Our significant competitors for recruiting dealers include:

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

Regulatory Matters

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

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

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

Enhanced Call Verification has been implemented as standard policy by us.

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

For additional information on the regulatory framework in which we operate, please see "ITEM 1A. RISK FACTORS — Factors Relating to Regulatory Matters"

Employees

As of December 31, 2020, we had over 1,280 full-time employees and 6 part-time employees, all of which are located in the U.S.

Available Information

Our website address is http://www.brinkshome.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available on our website, without charge, as soon as reasonably practicable after they are filed electronically with the SEC. The SEC also maintains a website that contains reports, proxy and information statements and other information statements and other information regarding issuers who file electronically with the SEC. The SEC's website address is www.sec.gov.

ITEM 1A. *RISK FACTORS*

In addition to the other information contained in this Annual Report on Form 10-K, you should consider the following risk factors in evaluating our results of operations, financial condition, business and operations or an investment in our stock.

Although we describe below and elsewhere in this Annual Report on Form 10-K the risks we consider to be the most material, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that also could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, past financial performance may not be a reliable indicator of future performance and historical trends and should not be used to anticipate results or trends in future periods.

If any of the events described below, individually or in combination, were to occur, our businesses, prospects, financial condition, results of operations and/or cash flows could be materially adversely affected.

Factors Relating to Our Business

We face risks in acquiring and integrating new subscribers.

The acquisition of AMAs involves a number of risks, including the risk that the AMAs acquired may not be profitable due to higher than expected account attrition, lower than expected revenues from the AMAs, higher than expected costs for the creation of new subscribers or monitoring accounts or, when applicable, lower than expected recoveries from dealers. The cost incurred to acquire an AMA is affected by the monthly recurring revenue generated by the AMA, as well as several other factors, including the level of competition, prior experience with AMAs acquired from the dealer, the number of AMAs acquired, the subscriber's credit score and the type of security equipment used by the subscriber. To the extent that the servicing costs or the attrition rates are higher than expected or the revenues from the AMAs or, when applicable, the recoveries from dealers are lower than expected, our business and results of operations could be adversely affected.

Our customer generation strategies and the competitive market for customer accounts may affect our future profitability.

A significant element of our business strategy is the generation of new customer accounts through our Network Sales Channel, which accounts for a substantial portion of our new customer accounts. Our future operating results will depend in large part on our ability to manage our generation strategies effectively. Although we currently generate accounts through hundreds of authorized dealers, a significant portion of our accounts originate from a smaller number of dealers. We experience a loss of dealers from our dealer network due to various factors, such as dealers becoming inactive or discontinuing their alarm monitoring business and competition from other alarm monitoring companies. If we experience a loss of dealers representing a significant portion of our account generation engine or if we are unable to replace or recruit dealers in accordance with our business plans, our business, financial condition and results of operations could be materially and adversely affected.

In recent years, our acquisition of new customer accounts through our Network Sales Channel has been negatively impacted due to the attrition of large dealers, efforts to acquire new accounts from dealers at lower purchase prices, consumer buying behaviors, including trends of buying security products through online sources and increased competition from technology, telecommunications and cable companies in the market. We are increasingly reliant on our Direct to Consumer Channel and strategic relationships with third parties to counter-balance this declining account generation through our dealers. If we are unable to generate sufficient accounts through our Direct to Consumer Channel and strategic relationships to replace declining new accounts through dealers, our business, financial condition and results of operations could be materially and adversely affected.

We rely on a significant number of our subscribers remaining with us for an extended period of time.

We incur significant upfront costs for each new subscriber. We require a substantial amount of time, typically exceeding the initial term of the related AMA, to receive cash payments (net of variable cash operating costs) from a particular subscriber that are sufficient to offset this upfront cost. Accordingly, our long-term performance is dependent on our subscribers remaining with us for as long as possible. This requires us to minimize our rate of subscriber cancellations, or attrition. Factors that can increase cancellations include subscribers who relocate and do not reconnect, prolonged downturns in the housing market, problems with service quality, competition from other alarm monitoring companies, equipment obsolescence, adverse economic conditions, conversion of wireless spectrums and the affordability of our service. If we fail to keep our subscribers for a sufficiently long period of time, attrition rates would be higher than expected and our financial position and results of operations could be materially and adversely affected. In addition, we may experience higher attrition rates with respect to subscribers acquired in bulk buys than subscribers acquired pursuant to our authorized dealer program.

We are subject to credit risk and other risks associated with our subscribers.

A significant amount of our revenues are derived from the recurring monthly revenue due from subscribers under the AMAs. Therefore, we are dependent on the ability and willingness of subscribers to pay amounts due under the AMAs on a monthly basis in a timely manner. Although subscribers are contractually obligated to pay amounts due under an AMA and are generally prohibited from canceling the AMA for the initial term of the AMA, subscribers' payment obligations are unsecured, which could impair our ability to collect any unpaid amounts from our subscribers. To the extent payment defaults by subscribers under the AMAs are greater than anticipated, our business and results of operations could be materially and adversely affected.

We have an arrangement with a third-party financing company to provide financing to customers who wish to finance their equipment purchases from us. This financing arrangement could increase the credit risks associated with our subscribers and any efforts to mitigate risk may not be sufficient to prevent our results of operations from being materially adversely affected.

We are subject to credit risk and other risks associated with our dealers.

Under the standard alarm monitoring contract acquisition agreements that we enter into with our dealers, if a subscriber terminates the subscriber's service with us during the first twelve months after the AMA has been acquired, the dealer is typically required to elect between substituting another AMA for the terminating AMA or compensating us in an amount based on the original acquisition cost of the terminating AMA. We are subject to the risk that dealers will breach their obligation to provide a comparable substitute AMA for a terminating AMA. Although we withhold specified amounts from the acquisition cost paid to dealers for AMAs ("holdback"), which may be used to satisfy or offset these and other applicable dealer obligations under the alarm monitoring contract acquisition agreements, there can be no guarantee that these amounts will be sufficient to satisfy or offset the full extent of the default by a dealer of its obligations under its agreement. If the holdback does prove insufficient to cover dealer obligations, we are also subject to the credit risk that the dealers may not have sufficient funds to compensate us or that any such dealer will otherwise breach its obligation to compensate us for a terminating AMA. To the extent defaults by dealers of the obligations under their agreements are greater than anticipated, our financial condition and results of operations could be materially and adversely affected. In addition, a significant portion of our accounts originate from a small number of dealers. If any of these dealers discontinue their alarm monitoring business or cease operations altogether as a result of business conditions or due to increasingly burdensome regulatory compliance, the dealer may breach its obligations under the applicable alarm monitoring contract acquisition agreement and, to the extent such dealer has originated a significant portion of our accounts, our financial condition and results of operations could be materially and adversely affected to a greater degree than if the dealer had originated a smaller number of accounts.

An inability to provide the contracted monitoring service could adversely affect our business.

A disruption to the main monitoring facility, the back-up monitoring facility and/or third-party monitoring facility could affect our ability to provide alarm monitoring services to our subscribers. Our main monitoring facility holds Underwriter Laboratories listings as a protective signaling services station and maintains certain standards of building integrity, redundant computer and communications facilities and backup power, among other safeguards. However, no assurance can be given that our main monitoring facility will not be disrupted by a technical failure, including communication or hardware failures, catastrophic event or natural disaster, fire, weather, malicious acts or terrorism. Furthermore, no assurance can be given that our back-up or third-party monitoring center will not be disrupted by the same or a simultaneous event or that it will be able to perform effectively in the event its main monitoring center is disrupted. Any such disruption, particularly one of a prolonged duration, could have a material adverse effect on our business.

A significant number of our customers with alarm monitoring systems that use 2G, 3G or CDMA telecommunications technologies which are being discontinued by telecommunications providers. The costs to upgrade such customers could materially and adversely affect our business, financial condition, results of operations and cash flows.

Certain cellular carriers of 3G and CDMA cellular networks have announced that they will be retiring these networks between February and December of 2022. As of December 31, 2020, we have approximately 328,000 subscribers with 3G or CDMA equipment which may have to be upgraded as a result of these retirements. Additionally, our cellular provider has informed us that a certain 2G cellular network carrier has extended their sunset of its 2G cellular network until December 31, 2022. As of December 31, 2020, we have approximately 10,000 subscribers with 2G cellular equipment which may have to be upgraded as a result of this retirement. The remaining subscribers with 3G or 2G equipment include approximately 60,000 subscribers acquired from Protect America and Select Security. We currently estimate that the total cost of converting our 3G and 2G subscribers, including those acquired from Protect America and Select Security, will be between $80,000,000 and $90,000,000. For the year ended December 31, 2020, the Company incurred radio conversion costs of $21,433,000. Cumulative through December 31, 2020, we have spent approximately $25,629,000 on 3G and 2G conversions. For the year ended December 31, 2020, the Company incurred radio conversion costs of $21,433,000. Total costs for the conversion of such customers are subject to numerous variables, including our ability to work with our partners and subscribers on cost sharing initiatives, and the costs that we actually incur could be materially higher than our current estimates. If we are unable to adapt timely to changing technologies, market conditions, customer preferences, or convert a substantial portion of our current 2G, 3G and CDMA subscribers before the retirement of these networks, our business, financial condition, results of operations and cash flows could be materially and adversely affected. See also "*Shifts in customer choice of, or telecommunications providers' support for, telecommunications services and equipment could adversely impact our business and require significant capital expenditures*" below.

Shifts in customer choice of, or telecommunications providers' support for, telecommunications services and equipment could adversely impact our business and require significant capital expenditures.

Substantially all of our subscriber alarm systems use either cellular service or traditional land-line to communicate alarm signals from the subscribers’ locations to our monitoring facilities. The number of land-line customers has continued to decline as fewer new customers utilize land-lines and consumers give up their land-line and exclusively use cellular and IP communication technology in their homes and businesses. In addition, some telecommunications providers may discontinue land-line services in the future and cellular carriers may choose to discontinue certain cellular networks. As land-line and cellular network service is discontinued or disconnected, subscribers with alarm systems that communicate over these networks may need to have certain equipment in their security system replaced to maintain their monitoring service. The process of changing out this equipment will require us to subsidize the replacement of subscribers' outdated equipment and is likely to cause an increase in subscriber attrition. In the future, we may not be able to successfully implement new technologies or adapt existing technologies to changing market demands in the future. If we are unable to adapt timely to changing technologies, market conditions or customer preferences, our business, financial condition, results of operations and cash flows could be materially and adversely affected. See also "*A significant number of our customers with alarm monitoring systems use 2G, 3G or CDMA telecommunications technologies which are being discontinued by telecommunications providers. The costs to upgrade such customers could materially and adversely affect our business, financial condition, results of operations and cash flows*" above.

Our reputation as a service provider of high-quality security offerings may be adversely affected by product defects or shortfalls in customer service.

Our business depends on our reputation and ability to maintain good relationships with our subscribers, dealers and local regulators, among others. Our reputation may be harmed either through product defects, such as the failure of one or more of our subscribers' alarm systems, or shortfalls in customer service. Subscribers generally judge our performance through their interactions with the staff at the monitoring and customer care centers, dealers and technicians who perform on-site maintenance services. Any failure to meet subscribers' expectations in such customer service areas could cause an increase in attrition rates or make it difficult to recruit new subscribers. Any harm to our reputation or subscriber relationships caused by the actions of our staff at the monitoring and customer care centers, dealers, personnel or third-party service providers or any other factors could have a material adverse effect on our business, financial condition and results of operations.

Due to the ever-changing threat landscape, our products may be subject to potential vulnerabilities of wireless and Internet-of-things devices and our services may be subject to certain risks, including hacking or other unauthorized access to control or view systems and obtain private information.

Companies that collect and retain sensitive and confidential information are under increasing attack by cyber-criminals around the world. While we implement security measures within our products, services, operations and systems, those measures may not prevent cybersecurity breaches, the access, capture or alteration of information by criminals, the exposure or exploitation of potential security vulnerabilities, distributed denial of service attacks, the installation of malware or ransomware, acts of vandalism, computer viruses, misplaced data or data loss that could be detrimental to our reputation, business, financial condition, and results of operations. Third parties, including our dealers, partners and vendors, could also be a source of security risk to us in the event of a failure of their own products, components, networks, security systems, and infrastructure. In addition, we cannot be certain that advances in criminal capabilities, new discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the networks that access our products and services.

A significant actual or perceived (whether or not valid) theft, loss, fraudulent use or misuse of customer, employee, or other personally identifiable data, whether by us, our partners and vendors, or other third parties, or as a result of employee error or malfeasance or otherwise, non-compliance with applicable industry standards or our contractual or other legal obligations regarding such data, or a violation of our privacy and information security policies with respect to such data, could result in costs, fines, litigation, or regulatory actions against us. Such an event could additionally result in unfavorable publicity and therefore materially and adversely affect the market's perception of the security and reliability of our services and our credibility and reputation with our customers, which may lead to customer dissatisfaction and could result in lost sales and increased customer revenue attrition.

In addition, we depend on our information technology infrastructure for business-to-business and business-to-consumer electronic commerce. Security breaches of, or sustained attacks against, this infrastructure could create system disruptions and shutdowns that could negatively impact our operations. Increasingly, our products and services are accessed through the Internet, and security breaches in connection with the delivery of our services via the Internet may affect us and could be detrimental to our reputation, business, operating results, and financial condition. We continue to invest in new and emerging technology and other solutions to protect our network and information systems, but there can be no assurance that these investments and solutions will prevent any of the risks described above. While we maintain cyber liability insurance that provides both third-party liability and first-party insurance coverages, our insurance may not be sufficient to protect against all of our losses from any future disruptions or breaches of our systems or other event as described above.

Privacy concerns, such as consumer identity theft and security breaches, could hurt our reputation and revenues.

As part of our operations, we collect a large amount of private information from our subscribers, including social security numbers, credit card information, images and voice recordings. Unauthorized parties may attempt to gain access to our systems or facilities by, among other things, hacking into our systems or facilities or those of our customers, partners or vendors, or through fraud or other means of deceiving our employees, partners or vendors. In addition, hardware, software or applications we develop or obtain from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. The techniques used to gain such access to our information technology systems, our data or customers' data, disable or degrade service, or sabotage systems are constantly evolving, may be difficult to detect quickly, and often are not recognized until launched against a target. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data, but as with all companies, these security measures may not be sufficient for all eventualities and there is no guarantee that they will be adequate to safeguard against all data security breaches, system compromises or misuses of data. If we were to experience a breach of our data security, it may put private information of our subscribers at risk of exposure. To the extent that any such exposure leads to credit card fraud or identity theft, we may experience a general decline in consumer confidence in our business, which may lead to an increase in attrition rates or may make it more difficult to attract new subscribers. If consumers become reluctant to use our services because of concerns over data privacy or credit card fraud, our ability to generate revenues would be impaired. In addition, if technology upgrades or other expenditures are required to prevent security breaches of our network, boost general consumer confidence in our business, or prevent credit card fraud and identity theft, we may be required to make unplanned capital expenditures or expend other resources. Any such loss of confidence in our business or additional capital expenditure requirement could have a material adverse effect on our business, financial condition and results of operations.

Our independent, third-party authorized dealers may not be able to mitigate certain risks such as information technology breaches, data security breaches, product liability, errors and omissions, and marketing compliance.

We generate a portion of our new customers through our authorized dealer network. We rely on independent, third-party authorized dealers to implement mitigation plans for certain risks they may experience, including but not limited to, information technology breaches, data security breaches, product liability, errors and omissions, and marketing compliance. If our authorized dealers experience any of these risks, or fail to implement mitigation plans for their risks, or if such implemented mitigation plans are inadequate or fail, we may be susceptible to risks associated with our authorized dealers on which we rely to generate customers. Any interruption or permanent disruption in the generation of customer accounts or services provided by our authorized dealers could materially adversely affect our business, financial condition, results of operations, and cash flows.

Our business is subject to technological innovation over time.

Our monitoring services depend upon the technology (both hardware and software) of security alarm systems located at subscribers' premises as well as information technology networks and systems, including Internet and Internet-based or "cloud" computing services, to collect, process, transmit, and store electronic information. We may be required to implement new technology both to attract and retain subscribers or in response to changes in technology or other factors, which could require significant expenditures. Such changes could include making changes to legacy systems, replacing legacy systems with successor systems with new functionality, and implementing new systems. There are inherent costs and risks associated with replacing and changing these systems and implementing new systems, including potential disruption of our sales, operations and customer service functions, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time, and other risks and costs of delays or difficulties in transitioning to new systems or of integrating new systems into our current systems. In addition, our technology system implementations may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. The implementation of new technology systems may also cause disruptions in our business operations and have a material adverse effect on our business, cash flows, and results of operations.

Further, the availability of any new features developed for use in our industry (whether developed by us or otherwise) can have a significant impact on a subscriber's initial decision to choose our or our competitors' products and a subscriber's decision to renew with us or switch to one of our competitors. To the extent our competitors have greater capital and other resources to dedicate to responding to technological innovation over time, the products and services offered by us may become less attractive to current or future subscribers thereby reducing demand for such products and services and increasing attrition over time. Those competitors that benefit from more capital being available to them may be at a particular advantage to us in this respect. If we are unable to adapt in response to changing technologies, market conditions or customer requirements in a timely manner, such inability could adversely affect our business by increasing our rate of subscriber attrition. We also face potential competition from improvements in self-monitoring systems, which enable current or future subscribers to monitor their home environments without third-party involvement, which could further increase attrition rates over time and hinder the acquisition of new AMAs.

The high level of competition in our industry could adversely affect our business.

The security alarm monitoring industry is highly competitive and fragmented. As of December 31, 2020, we were one of the largest alarm monitoring companies in the U.S. when measured by the total number of subscribers under contract. We face competition from other alarm monitoring companies, including companies that have more capital and that may offer higher prices and more favorable terms to dealers for AMAs or charge lower prices to customers for monitoring services. We also face competition from a significant number of small regional competitors that concentrate their capital and other resources in targeting local markets and forming new marketing channels that may displace the existing alarm system dealer channels for acquiring AMAs. Further, we are facing competition from telecommunications, cable and technology companies who bundle their existing offerings with monitored security services. The existing access to and relationship with subscribers that these companies have could give them a substantial advantage over us, especially if they are able to offer subscribers a lower price by bundling these services. Any of these forms of competition could reduce the acquisition opportunities available to us, thus slowing our rate of growth, or requiring us to increase the price paid for subscriber accounts, thus reducing our return on investment and negatively impacting our revenues and results of operations.

Risks of liability from our business and operations may be significant.

The nature of the services we provide potentially exposes us to greater risks of liability for employee acts or omissions or system failures than may be inherent in other businesses. If subscribers believe that they incurred losses as a result of an action or failure to act by us, the subscribers (or their insurers) could bring claims against us, and we have been subject to lawsuits of this type from time to time. Similarly, if dealers believe that they incurred losses or were denied rights under the alarm monitoring contract acquisition agreements as a result of an action or failure to act by us, the dealers could bring claims against us. Although substantially all of our AMAs and alarm monitoring contract acquisition agreements contain provisions limiting our liability to subscribers and dealers, respectively, in an attempt to reduce this risk, the AMAs or alarm monitoring contract acquisition agreements that do not contain such provisions expose us to risks of liability that could materially and adversely affect our business. Moreover, even when such provisions are included in an AMA or alarm monitoring contract acquisition agreement, in the event of any such litigation, no assurance can be given that these limitations will be enforced, and the costs of such litigation or the related settlements or judgments could have a material adverse effect on our financial condition. In addition, there can be no assurance that we are adequately insured for these risks. Certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence. If significant uninsured damages are assessed against us, the resulting liability could have a material adverse effect on our financial condition or results of operations.

Future litigation could result in reputational damage for us.

In the ordinary course of business, from time to time, the Company and our subsidiaries are the subject of complaints or litigation from subscribers or inquiries or investigations from government officials, sometimes related to alleged violations of state or federal consumer protection statutes (including by our dealers), violations of "false alarm" ordinances or other regulations, negligent dealer installation or negligent service of alarm monitoring systems. We may also be subject to employee claims based on, among other things, alleged discrimination, harassment or wrongful termination claims. In addition to diverting management resources, damage resulting from such allegations may materially and adversely affect our reputation in the communities we service, regardless of whether such allegations are unfounded. Such reputational damage could result in higher attrition rates and greater difficulty in attracting new subscribers on terms that are attractive to us or at all.

A loss of experienced employees could adversely affect us.

The success of the Company has been largely dependent upon the active participation of our officers and employees. The loss of the services of key members of our management for any reason may have a material adverse effect on our operations and the ability to maintain and grow our business. We depend on the managerial skills and expertise of our management and employees to provide customer service by, among other things, monitoring and responding to alarm signals, coordinating equipment repairs, administering billing and collections under the AMAs and administering and providing dealer services under the contract acquisition agreements. There is no assurance that we will be able to retain our current management and other experienced employees or replace them satisfactorily to the extent they leave our employ. The loss of our experienced employees' services and expertise could materially and adversely affect our business. Our business may also be negatively impacted if one of our senior executives or key employees is hired by a competitor or decides to resign. Our success also depends on our ability to continue to attract, manage and retain other qualified management personnel as we grow. We may not be able to continue to attract or retain such personnel in the future.

The alarm monitoring business is subject to macroeconomic factors that may negatively impact our results of operations, including prolonged downturns in the economy.

The alarm monitoring business is dependent in part on national, regional and local economic conditions. In particular, where disposable income available for discretionary spending is reduced (such as by higher housing, energy, interest or other costs or where the actual or perceived wealth of customers has decreased because of circumstances such as lower residential real estate values, increased foreclosure rates, inflation, increased tax rates or other economic disruptions), the alarm monitoring business could experience increased attrition rates and reduced consumer demand. In periods of economic downturn, no assurance can be given that we will be able to continue acquiring quality AMAs or that we will not experience higher attrition rates. In addition, any deterioration in new construction and sales of existing single-family homes could reduce opportunities to grow our subscriber accounts from the sales of new security systems and services and the take-over of existing security systems that had previously been monitored by our competitors. If there are prolonged durations of general economic downturn, our results of operations and subscriber account growth could be materially and adversely affected.

The COVID-19 pandemic has and may continue to materially and adversely affect our business, financial condition, future results and cash flow.

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has now been detected globally on a widespread basis, including in the United States. As of December 31, 2020, efforts to contain COVID-19 have not succeeded in many regions, and the global pandemic remains ongoing. The COVID-19 pandemic has disrupted our operations and will affect our business, including as a result of governmental authorities imposing, stay-at-home orders, shelter-in-place orders, quarantines, executive orders and similar government orders and restrictions for their residents to control the spread of COVID-19. Preventative and protective actions that public health officials, governments or the Company have taken with respect to COVID-19 have and will continue to adversely impact our business, suppliers, distribution channels, and customers, including business shutdowns or disruptions for an indefinite period of time, reduced operations, reduced ability to supply products and reduced ability to service a customer’s home to service or to install a new system. For instance, in jurisdictions where local or state governments have implemented a “shelter in place” or similar order, we have instructed our dealers to cease doing door-to-door sales until such measures are lifted.

Our operations are dependent on the efforts of our employees as well as our dealers and suppliers, and their employees. In response to the COVID-19 pandemic, the Company has implemented several initiatives to address the safety of our employees, customers and dealers. These initiatives include providing essential and non-essential employees with the capability to work from home, increased sanitation efforts in the workplace, increased PTO for employees, and use of our backup facility. In addition, we have implemented safety procedures for field technicians to allow necessary maintenance that will enable us to continue to provide monitoring services to our customers. We cannot guarantee that these measures will prevent the pandemic from materially and negatively impacting our operations. Our operations are also dependent on our supply of inventory, and delays in the supply of our inventory due to the COVID-19 pandemic may lead to cost increases. While we are not dependent on any one supplier and have put into place plans to ensure that our dealers are not impacted by any shortage in inventory, we cannot guarantee that such plans will be successful or that our dealers will not be impacted by a shortage in inventory as a result of the COVID-19 pandemic. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the third parties with whom we engage, including the suppliers of our inventory, suppliers of our dealers, the employees of the businesses with which we interact and other third parties with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted.

The pandemic has significantly increased economic and demand uncertainty and has caused and may exacerbate an economic slowdown, and it is possible that it could lead to a global recession. The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the pandemic, continued travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the virus. Additionally, the COVID-19 pandemic may exacerbate other pre-existing political, social and economic risks in certain countries and could result in social, economic, and labor instability in the countries in which we, our employees, consumers, customers, suppliers, dealers and other third parties with whom we engage operate. The overall impact of the COVID-19 pandemic on our business continues to be uncertain at this time.

Adverse economic conditions or natural disasters in states where our subscribers are more heavily concentrated may negatively impact our results of operations.

Even as economic conditions may improve in the United States as a whole, this improvement may not occur or further deterioration may occur in the regions where our subscribers are more heavily concentrated such as, Texas, California, Florida and Arizona which, in the aggregate, comprise approximately 39% of our subscribers as of December 31, 2020. Further, certain of these regions are more prone to natural disasters, such as hurricanes, floods or earthquakes. Although we have a geographically diverse subscriber base, adverse conditions in one or more states where our business is more heavily concentrated could have a significant adverse effect on our business, financial condition and results of operations.

If the insurance industry were to change its practice of providing incentives to homeowners for the use of alarm monitoring services, we may experience a reduction in new customer growth or an increase in our subscriber attrition rate.

It has been common practice in the insurance industry to provide a reduction in rates for policies written on homes that have monitored alarm systems. There can be no assurance that insurance companies will continue to offer these rate reductions. If these incentives were reduced or eliminated, new homeowners who otherwise may not feel the need for alarm monitoring services would be removed from our potential customer pool, which could hinder the growth of our business, and existing subscribers may choose to disconnect or not renew their service contracts, which could increase our attrition rates. In either case our results of operations and growth prospects could be adversely affected.

Our acquisition strategy may not be successful.

We may seek opportunities to grow free cash flow through strategic acquisitions, which may include leveraged acquisitions. However, there can be no assurance that we will be able to invest our capital in acquisitions that are accretive to free cash flow which could negatively impact our growth. Our ability to consummate such acquisitions may be negatively impacted by various factors, including among other things:

- failure to identify attractive acquisition candidates on acceptable terms;
- competition from other bidders;
- inability to raise any required financing; and
- antitrust or other regulatory restrictions, including any requirements that may be imposed by government agencies as a condition to any required regulatory approval.

If we engage in any acquisition, we will incur a variety of costs, and may never realize the anticipated benefits of the acquisition. If we undertake any acquisition, the process of operating such acquired business may result in unforeseen operating difficulties and expenditures, including the assumption of the liabilities and exposure to unforeseen liabilities of such acquired business and the possibility of litigation or other claims in connection with, or as a result of, such an acquisition, including claims from terminated employees, customers, former stockholders or other third parties. Moreover, we may fail to realize the anticipated benefits of any acquisition as rapidly as expected or at all, and we may experience increased attrition in our subscriber base and/or a loss of dealer or other strategic relationships and difficulties integrating acquired businesses, technologies and personnel into our business or achieving anticipated operations efficiencies or cost savings. Future acquisitions could cause us to incur debt and expose us to liabilities. Further, we may incur significant expenditures and devote substantial management time and attention in anticipation of an acquisition that is never realized. Lastly, while we intend to implement appropriate controls and procedures as we integrate any acquired companies, we may not be able to certify as to the effectiveness of these companies' disclosure controls and procedures or internal control over financial reporting within the time periods required by U.S. federal securities laws and regulations.

We may pursue business opportunities that diverge from our current business model, which may cause our business to suffer.

We may pursue business opportunities that diverge from our current business model, including expanding our products or service offerings, investing in new and unproven technologies, adding or modifying the focus of our customer acquisition channels and forming new alliances with companies to market our services. We can offer no assurance that any such business opportunities will prove to be successful. Among other negative effects, our pursuit of such business opportunities could cause our cost of investment in new customers to grow at a faster rate than our recurring revenue. Additionally, any new alliances or customer acquisition channels could have higher cost structures than our current arrangements, which could reduce operating margins and require more working capital. In the event that working capital requirements exceed operating cash flow, we might be required to draw on our Credit Facilities (defined below) or pursue other external financing, which may not be readily available. Further, new alliances or customer acquisition channels may also result in the cannibalization of our products. Any of these factors could materially and adversely affect our business, financial condition, results of operations and cash flows.

Third-party claims with respect to our intellectual property, if decided against us, may result in competing uses of our intellectual property or require the adoption of new, non-infringing intellectual property.

We have received and may in the future receive notices claiming we committed intellectual property infringement, misappropriation or other intellectual property violations and third parties have claimed, and may, in the future, claim that we do not own or have rights to use all intellectual property rights used in the conduct of our business. While we do not believe that any of the claims we previously received are material, there can be no assurance that third parties will not assert future infringement claims against us or claim that our rights to our intellectual property are invalid or unenforceable, and we cannot guarantee that these claims will be unsuccessful. The "Brinks" and "Brinks Home Security" trademarks are licensed from Brink's. While Brink's is required to defend its intellectual property rights related to the "Brinks" or "Brinks Home Security" trademarks, any claims involving rights to use the "Brinks" or "Brinks Home Security" trademarks could have a material adverse effect on our business if such claims were decided against Brink's and Brink's was precluded from using or licensing the "Brinks" or "Brinks Home Security" trademarks or others were allowed to use such trademarks. If we were required to adopt a new name, it would entail marketing costs in connection with building up recognition and goodwill in such new name. In the event that we were enjoined from using any of our other intellectual property, there would be costs associated with the replacement of such intellectual property with developed, acquired or licensed intellectual property. There would also be costs associated with the defense and settlement of any infringement or misappropriation allegations and any damages that may be awarded.

We rely on third parties to transmit signals to our monitoring facilities and provide other services to our subscribers.

We rely on various third-party telecommunications providers and signal processing centers to transmit and communicate signals to our monitoring facilities in a timely and consistent manner. These telecommunications providers and signal processing centers could fail to transmit or communicate these signals to the monitoring facility for many reasons, including due to disruptions from fire, natural disasters, weather, transmission interruption, malicious acts or terrorism. The failure of one or more of these telecommunications providers or signal processing centers to transmit and communicate signals to the monitoring facility in a timely manner could affect our ability to provide alarm monitoring, home automation and interactive services to our subscribers. We also rely on third-party technology companies to provide home automation and interactive services to our subscribers, including video surveillance services. These technology companies could fail to provide these services consistently, or at all, which could result in our inability to meet customer demand and damage our reputation. There can be no assurance that third-party telecommunications providers, signal processing centers and other technology companies will continue to transmit, communicate signals to the monitoring facilities or provide home automation and interactive services to subscribers without disruption. Any such disruption, particularly one of a prolonged duration, could have a material adverse effect on our business. See also *"Shifts in customer choice of, or telecommunications providers' support for, telecommunications services and equipment will require significant capital expenditures and could adversely impact our business"* above with respect to risks associated with changes in signal transmissions.

In the absence of regulation, certain providers of Internet access may block our services or charge our customers more for using our services, or government regulations relating to the Internet could change, which could materially adversely affect our revenue and growth.

Our interactive and home automation services are primarily accessed through the Internet and our security monitoring services are increasingly delivered using Internet technologies. Users who access our services through mobile devices, such as smart phones, laptops, and tablet computers must have a high-speed Internet connection, such as Wi-Fi, 3G, or 4G, to use such services. Currently, this access is provided by telecommunications companies and Internet access service providers that have significant and increasing market power in the broadband and Internet access marketplace. In the absence of government regulation, these providers could take measures that affect their customers' ability to use our products and services, such as degrading the quality of the data packets we transmit over their lines, giving our packets low priority, giving other packets higher priority than ours, blocking our packets entirely, or attempting to charge their customers more for using our products and services. To the extent that Internet service providers implement usage-based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks, we could incur greater operating expenses and customer acquisition and retention could be negatively impacted. Furthermore, to the extent network operators were to create tiers of Internet access service and either charge us for or prohibit our services from being available to our customers through these tiers, our business could be negatively impacted. Some of these providers also offer products and services that directly compete with our own offerings, which could potentially give them a competitive advantage.

In addition, the elimination of net neutrality rules and any changes to the rules could affect the market for broadband Internet access service in a way that impacts our business, for example, if Internet access providers provide better Internet access for their own alarm monitoring or interactive services that compete with our services or limit the bandwidth and speed for the transmission of data from our equipment, thereby depressing demand for our services or increasing the costs of services we provide.

We may be subject to litigation in the future with respect to the Merger, which could be time consuming and divert the resources and attention of our management.

The Company and the individual members of our board of directors may be named in lawsuits relating to the Merger Agreement and the Merger, which could, among other things, seek monetary damages. The defense of any such lawsuits may be expensive and may divert management's attention and resources, which could adversely affect our business results of operations and financial condition.

Our certificate of incorporation has designated the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for any stockholder of Monitronics (including beneficial owners) to bring (i) any derivative action or proceeding brought on behalf of Monitronics, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of Monitronics' directors, officers, or other employees to Monitronics or its stockholders, (iii) any action asserting a claim against Monitronics, or its directors, officers or other employees arising pursuant to any provision of the General Corporation Law of the State of Delaware, Monitronics' certificate of incorporation or Monitronics' bylaws, or (iv) any action asserting a claim against Monitronics or any of its directors or officers or other employees that is governed by the internal affairs doctrine, except as to each of (i) through (iv) above, subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise holding any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our certificate of incorporation described in the preceding sentence. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect its business, financial condition or results of operations.

Our certificate of incorporation provides that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law. Section 27 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Accordingly, our certificate of incorporation provides that the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, Securities Act of 1933, as amended (the "Securities Act"), or any other claim for which the federal courts have exclusive jurisdiction.

Factors Relating to Our Indebtedness

We have a substantial amount of indebtedness and the costs of servicing that debt may materially affect our business.

We have a significant amount of indebtedness. Our indebtedness includes a takeback term loan facility (the "Takeback Loan Facility") with an outstanding principal balance of $812,219,000 as of December 31, 2020, a term loan facility (the "Term Loan Facility") with an outstanding principal balance of $150,000,000 as of December 31, 2020, and a revolving credit facility (the "Revolving Credit Facility," and together with the Takeback Loan Facility and Term Loan Facility, the "Credit Facilities") with an outstanding balance of $17,000,000 as of December 31, 2020. That substantial indebtedness, combined with our other financial obligations and contractual commitments, could have important consequences to us. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our existing and future indebtedness, and any failure to comply with the obligations under any of the agreements governing our indebtedness could result in an event of default under such agreements;
- require us to dedicate a substantial portion of any cash flow from operations (which also constitutes substantially all of our cash flow) to the payment of interest and principal due under our indebtedness, which will reduce funds available to fund future subscriber account acquisitions, working capital, capital expenditures and other general corporate requirements;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- limit our ability to obtain additional financing required to fund future subscriber account acquisitions, working capital, capital expenditures and other general corporate requirements;
- expose us to market fluctuations in interest rates;
- place us at a competitive disadvantage compared to some of our competitors that are less leveraged;
- reduce or delay investments and capital expenditures; and
- cause any refinancing of our indebtedness to be at higher interest rates and require us to comply with more onerous covenants, which could further restrict our business operations.

The agreements that govern our various debt obligations impose restrictions on our business and the business of our subsidiaries and such restrictions could adversely affect our ability to undertake certain corporate actions.

The agreements that govern our indebtedness restrict our ability to, among other things:

- incur additional indebtedness;
- make certain dividends or distributions with respect to any of our capital stock or repurchase any of our capital stock;
- make certain loans and investments;
- create liens;
- enter into transactions with affiliates;
- restrict subsidiary distributions;
- dissolve, merge or consolidate;
- make capital expenditures in excess of certain annual limits;
- transfer, sell or dispose of assets;
- enter into or acquire certain types of AMAs;
- make certain amendments to our organizational documents;
- make changes in the nature of our business;
- enter into certain burdensome agreements;
- make accounting changes; and
- use proceeds of loans to purchase or carry margin stock.

In addition, we are required to comply with certain financial covenants that require us to, among other things, maintain (i) a maximum senior secured debt to RMR ratio of 30.0:1.00, (ii) a maximum total debt to EBITDA ratio of 4.50:1.00 for each fiscal quarter ending on or prior to December 31, 2020, with a stepdown to 4.25:1.00 for the fiscal quarters ending on March 31, 2021, through December 31, 2021, and 4.00:1.00 beginning with the fiscal quarter ending on March 31, 2022, and for each fiscal quarter thereafter, and (iii) minimum liquidity of $25.0 million. If we fail to comply with any of the financial covenants, or if we or any of our subsidiaries fails to comply with the restrictions contained in the Credit Facilities, such failure could lead to an event of default and we may not be able to make additional drawdowns under the Revolving Credit Facility, which would limit our ability to manage our working capital requirements, and could result in the acceleration of a substantial amount of our indebtedness.

We may be unable to obtain future financing or refinance our existing indebtedness on terms acceptable to us or at all, which may hinder our ability to grow our business or satisfy our obligations and could adversely affect our ability to continue as a going concern.

We intend to continue to pursue growth through the acquisition of subscriber accounts through our authorized dealer network, our strategic relationships and our Direct to Consumer Channel, among other means. To continue our growth strategy, we intend to make additional drawdowns under the Revolving Credit Facility and may seek financing through new credit arrangements or the possible sale of new securities, any of which may lead to higher leverage or result in higher borrowing costs. In addition, any future downgrade in our credit rating could also result in higher borrowing costs. An inability to obtain funding through external financing sources on favorable terms or at all is likely to adversely affect our ability to continue or accelerate our subscriber account acquisition activities.

We have a history of losses and may incur losses in the future.

We have incurred losses in each of our last five fiscal years. In future periods, we may not be able to achieve or sustain profitability on a consistent quarterly or annual basis. Failure to maintain profitability in future periods may materially and adversely affect our ability to make payments on our outstanding debt obligations.

Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021 may adversely affect the market value of our current or future debt obligations.

The London Inter-bank Offered Rate ("LIBOR") and certain other interest "benchmarks" may be subject to regulatory guidance and/or reform that could cause interest rates under our current or future debt agreements to perform differently than in the past or cause other unanticipated consequences. The United Kingdom's Financial Conduct Authority, which regulates LIBOR, has announced that it intends to stop encouraging or requiring banks to submit LIBOR rates after 2021, and it is unclear if LIBOR will cease to exist or if new methods of calculating LIBOR will evolve. If LIBOR ceases to exist or if the methods of calculating LIBOR change from their current form, interest rates on our debt obligations under our Credit Facilities may be adversely affected.

Factors Relating to Our Emergence from Chapter 11 Bankruptcy

Our actual financial results after emergence from bankruptcy may not be comparable to our financial projections disclosed in the Bankruptcy Court as a result of the implementation of the Plan and the transactions contemplated thereby and our adoption of fresh start accounting.

In connection with the disclosure statement we filed with the Bankruptcy Court (the "Disclosure Statement"), and the hearing to consider confirmation of the Plan, we prepared projected financial information to demonstrate to the Bankruptcy Court the feasibility of the Plan and our ability to continue operations upon our emergence from bankruptcy. Those projections were prepared solely for the purpose of the bankruptcy proceedings and have not been, and will not be, updated on an ongoing basis and should not be relied upon by investors. Although the financial projections disclosed in our Disclosure Statement represent our view based on then current known facts and assumptions about the future operations of the Company there is no guarantee that the financial projections will be realized. We may not be able to meet the projected financial results or achieve projected revenues and cash flows assumed in projecting future business prospects. To the extent we do not meet the projected financial results or achieve projected revenues and cash flows, we may lack sufficient liquidity to continue operating as planned and may be unable to service our debt obligations as they come due or may not be able to meet our operational needs. Any one of these failures may preclude us from, among other things, taking advantage of future opportunities and growing our businesses.

In addition, upon our emergence from bankruptcy, we adopted fresh start accounting, as a consequence of which we allocated the reorganization value to our individual assets based on their estimated fair values. Accordingly, our financial condition and results of operations from and after the fresh start date are not comparable to the financial condition or results of operations reflected in our historical financial statements. Further, as a result of the implementation of the Plan and the transactions contemplated thereby, our historical financial information may not be indicative of our future financial performance.

Our ability to utilize our net operating loss carryforwards ("NOLs") will be limited as a result of our emergence from bankruptcy.

In general, Section 382 of the Internal Revenue Code ("the Code") of 1986, as amended, provides an annual limitation with respect to the ability of a corporation to utilize its tax attributes, as well as certain built-in-losses, against future taxable income in the event of a change in ownership. Our emergence from Chapter 11 bankruptcy proceedings resulted in a change in ownership for purposes of the Section 382 of the Code, which will limit our ability to utilize our NOLs to offset future taxable income.

Limitations imposed on our ability to use NOLs to offset future taxable income may cause U.S. federal income taxes to be paid earlier than otherwise would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of such NOLs. Similar rules and limitations may apply for state income tax purposes. Furthermore, any available NOLs would have value only to the extent there is income in the future against which such NOLs may be offset. We have recorded a full valuation allowance related to our NOLs due to the uncertainty of the ultimate realization of the future benefits of those assets.

Factors Relating to Regulatory Matters

Our business operates in a regulated industry.

Our business, operations and dealers are subject to various U.S. federal, state and local consumer protection laws, licensing regulation and other laws and regulations, and, to a lesser extent, similar Canadian laws and regulations. While there are no U.S. federal laws that directly regulate the security alarm monitoring industry, our advertising and sales practices and that of our dealer network are subject to regulation by the U.S. Federal Trade Commission (the "FTC") in addition to state consumer protection laws. The FTC and the Federal Communications Commission have issued regulations that place restrictions on, among other things, unsolicited automated telephone calls to residential and wireless telephone subscribers by means of automatic telephone dialing systems and the use of prerecorded or artificial voice messages. If the Company (through our direct marketing efforts) or our dealers were to take actions in violation of these regulations, such as telemarketing to individuals on the "Do Not Call" registry, we could be subject to fines, penalties, private actions, investigations or enforcement actions by government regulators. We have been named, and may be named in the future, as a defendant in litigation arising from alleged violations of the Telephone Consumer Protection Act (the "TCPA"). While we endeavor to comply with the TCPA, no assurance can be given that we will not be exposed to liability as a result of our or our dealers' direct marketing efforts or debt collections. For example, we recognized a legal settlement reserve in the second quarter of 2017 related to a class action lawsuit based on alleged TCPA violations. In addition, although we have taken steps to insulate our Company from any such wrongful conduct by our dealers, and to require our dealers to comply with these laws and regulations, no assurance can be given that we will not be exposed to liability as result of our dealers' conduct. If the Company or any such dealers do not comply with applicable laws, we may be exposed to increased liability and penalties and there can be no assurance, in the event of such liability, that Brinks Home Security would be adequately covered, if at all, by its insurance policies. Further, to the extent that any changes in law or regulation further restrict the lead generation activity of the Company or our dealers, these restrictions could result in a material reduction in subscriber acquisition opportunities, reducing the growth prospects of our business and adversely affecting our financial condition and future cash flows. In addition, most states in which we operate have licensing laws directed specifically toward the monitored security services industry. Our business relies heavily upon wireline and cellular telephone service to communicate signals. Wireline and cellular telephone companies are currently regulated by both federal and state governments. Changes in laws or regulations could require us to change the way we operate, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any such applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses, including in geographic areas where our services have substantial penetration, which could adversely affect our business and financial condition. Further, if these laws and regulations were to change or we failed to comply with such laws and regulations as they exist today or in the future, our business, financial condition and results of operations could be materially and adversely affected.

Increased adoption of statutes and governmental policies purporting to void automatic renewal provisions in AMAs, or purporting to characterize certain charges in the AMAs as unlawful, could adversely affect our business and operations.

AMAs typically contain provisions automatically renewing the term of the contract at the end of the initial term, unless a cancellation notice is delivered in accordance with the terms of the contract. If the customer cancels prior to the end of the contract term, other than in accordance with the contract, we may charge the customer an early cancellation fee as specified in the contract, which typically allows us to charge 80% of the amounts that would have been paid over the remaining term of the contract. Several states have adopted, or are considering the adoption of, consumer protection policies or legal precedents which purport to void or substantially limit the automatic renewal provisions of contracts such as the AMAs, or otherwise restrict the charges that can be imposed upon contract cancellation. Such initiatives could negatively impact our business. Adverse judicial determinations regarding these matters could increase legal exposure to customers against whom such charges have been imposed, and the risk that certain customers may seek to recover such charges through litigation. In addition, the costs of defending such litigation and enforcement actions could have an adverse effect on our business and operations.

False alarm ordinances could adversely affect our business and operations.

Significant concern has arisen in certain municipalities about the high incidence of false alarms. In some localities, this concern has resulted in local ordinances or policies that restrict police response to third-party monitored burglar alarms. In addition, an increasing number of local governmental authorities have considered or adopted various measures aimed at reducing the number of false alarms; measures include alarm fines to us and/or our customers, limits on number of police responses allowed, and requiring certain alarm conditions to exist before a response is granted. In extreme situations, authorities may not respond to an alarm unless a verified problem exists.

Enactment of these measures could adversely affect our future operations and business. Alarm monitoring companies operating in areas impacted by government alarm ordinances may choose to hire third-party guard firms to respond to an alarm. If we need to hire third-party guard firms, it could have a material adverse effect on our business through either increased servicing costs, which could negatively affect the ability to properly fund our ongoing operations, or increased costs to our customers, which may limit our ability to attract new customers or increase our subscriber attrition rates. In addition, the perception that police departments will not respond to monitored burglar alarms may reduce customer satisfaction or customer demand for an alarm monitoring service. Although we currently have less than 80,000 subscribers in areas covered by these ordinances or policies, a more widespread adoption of policies of this nature could adversely affect our business.

Factors Relating to Our Common Stock

We have filed a Form 15 with the Securities and Exchange Commission to deregister under the Exchange Act, which will result in a reduction in the amount and frequency of publicly-available information about us.

On February 16, 2021, we filed a Form 15 with the SEC to voluntarily deregister our common stock with the SEC and terminate our reporting obligations under the Exchange Act. Deregistration of our common stock will result in a reduction in the amount and frequency of publicly-available information about the Company because we will no longer be required to file Exchange Act reports with the SEC, such as annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements. As a result of the suspension of our reporting obligations, investors have significantly less information about the Company and may find it more difficult to obtain accurate quotations as to the market value of the Company's common stock. In addition, there has been limited liquidity in the common stock and the ability of stockholders to sell the Company's securities in the secondary market is limited.

The market price of our common stock is volatile.

The trading price of our common stock and the price at which we may sell common stock in the future are subject to large fluctuations in response to any of the following:

- consequences of our reorganization under Chapter 11 of the Bankruptcy Code, from which we emerged on August 30, 2019;
- consequences of our de-registration under the Exchange Act;
- limited trading volume in our common stock;
- variations in operating results;
- our involvement in litigation;
- general U.S. or worldwide financial market conditions;
- announcements by us and our competitors;
- our liquidity and access to capital;
- our ability to raise additional funds;
- lack of trading market;
- changes in government regulations; and
- other events.

There may be circumstances in which the interests of our significant stockholders could be in conflict with the interests of our other stockholders.

A large portion of our common stock is beneficially owned by a relatively small number of stockholders. Circumstances may arise in which these stockholders may have an interest in pursuing or preventing acquisitions, divestitures, hostile takeovers or other transactions, including the payment of dividends or the issuance of additional equity or debt, that, in their judgment, could enhance their investment in us or another company in which they invest. Such transactions might adversely affect us or other holders of our common stock. In addition, our significant concentration of share ownership may adversely affect the trading price of our common stock because investors may perceive disadvantages in owning shares in companies with significant stockholder concentrations.

We do not anticipate paying dividends on our common stock in the near future.

We do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any future determination relating to our dividend policy will be at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements and other factors deemed relevant by our board of directors. We are also restricted in our ability to pay dividends under our Credit Facilities.

Certain anti-takeover provisions may affect your rights as a stockholder.

Our certificate of incorporation, which became effective upon our emergence from bankruptcy, authorizes our board of directors to set the terms of and issue preferred stock, subject to certain restrictions. Our board of directors could use the preferred stock as a means to delay, defer or prevent a takeover attempt that a stockholder might consider to be in our best interest. In addition, our Credit Facilities contain terms that may restrict our ability to enter into change of control transactions, including requirements to repay borrowings under our Credit Facilities on a change in control. These provisions, along with specified provisions of the Delaware General Corporation Law and our certificate of incorporation and our bylaws, may discourage or impede transactions involving actual or potential changes in our control, including transactions that otherwise could involve payment of a premium over prevailing market prices to holders of our common stock.

We are not subject to compliance with rules requiring the adoption of certain corporate governance measures and as a result our stockholders have limited protections against interested director transactions, conflicts of interest and similar matters.

The Sarbanes-Oxley Act, as well as resulting rule changes enacted by the SEC, the New York Stock Exchange and the NASDAQ Stock Market, require the implementation of various measures relating to corporate governance. These measures are designed to enhance the integrity of corporate management and the securities markets and apply to securities which are listed on those exchanges. Because we are not listed on the NASDAQ Stock Market or the New York Stock Exchange, we are not presently required to comply with many of the corporate governance provisions. Until we comply with such corporate governance measures, regardless of whether such compliance is required, the absence of such standards of corporate governance may leave our stockholders without protections against interested director transactions, conflicts of interest and similar matters.

Sales of our common stock could cause the price of our common stock to decrease.

We may also sell shares of common stock in public offerings. The issuance of any securities for acquisitions, financing, upon conversion or exercise of convertible securities, or otherwise may result in a reduction of the book value and market price of our outstanding common stock. If we issue any such additional securities, the issuance will cause a reduction in the proportionate ownership and voting power of all current stockholders. We cannot predict the size of future issuances of our common stock or securities convertible into common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales our common stock (including shares issued in connection with an acquisition), or the perception that sales could occur, may adversely affect prevailing market prices of our common stock.

There is a limited trading market for our securities and the market price of our securities is subject to volatility.

Upon our emergence from bankruptcy, our old common stock was cancelled and we issued new common stock. Our common stock is not listed on any national or regional securities exchange. The market price of our common stock could be subject to wide fluctuations in response to, and the level of trading that develops with our common stock may be affected by, numerous factors, many of which are beyond our control. These factors include, among other things, our new capital structure as a result of the transactions contemplated by the Plan, our limited trading history subsequent to our emergence from bankruptcy, our limited trading volume, the concentration of holdings of our common stock, the lack of comparable historical financial information due to our adoption of fresh start accounting, the lack of publicly available information following our de-registration under the Exchange Act, actual or anticipated variations in our operating results and cash flow, the nature and content of our earnings releases, announcements or events that impact our products, customers, competitors or markets, business conditions in our markets and the general state of the securities markets and the market stocks in our industry, as well as general economic and market conditions and other factors that may affect our future results, including those related to the novel coronavirus outbreak. No assurance can be given that an active market will develop for the common stock or as to the liquidity of the trading market for the common stock. The common stock may be traded only infrequently in transactions arranged through brokers or otherwise, and reliable market quotations may not be available. Holders of our common stock may experience difficulty in reselling, or an inability to sell, their shares. In addition, if an active trading market does not develop or is not maintained, significant sales of our common stock, or the expectation of these sales, could materially and adversely affect the market price of our common stock.

There is currently no active public trading market for our common stock. Therefore, you may be unable to liquidate your investment in our common stock.

Our common stock is quoted on the OTC Pink Open Market (the “Pink Sheets”), a centralized electronic quotation service for over-the-counter securities, so long as market makers demonstrate an interest in trading in the our common stock. We can give no assurance that trading in its common stock will continue on the Pink Sheets or any other securities exchange or quotation medium.

Factors Relating to Our Structure

Our identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

As of December 31, 2020, we had subscriber accounts of $1,102,977,000 and dealer network of $113,010,000, which represents approximately 90% of our total assets. Subscriber accounts relate primarily to the cost of acquiring portfolios of monitoring service contracts from independent dealers. All direct and incremental costs, including bonus incentives related to account activation in the Direct to Consumer Channel, associated with the creation of subscriber accounts, are capitalized. The Company has processes and controls in place, including the review of key performance indicators, to assist management in identifying events or circumstances that indicate the subscriber accounts asset may not be recoverable. If an indicator that the asset may not be recoverable exists, management tests the subscriber accounts asset for impairment. For purposes of recognition and measurement of an impairment loss, we view subscriber accounts as a single pool because of the assets’ homogeneous characteristics, and the pool of subscriber accounts is the lowest level for which identifiable cash flows are largely independent of the cash flows of the other assets and liabilities. If such assets are considered to be impaired, the impairment loss to be recognized is measured as the amount by which the carrying value of the assets exceeds the estimated fair value, as determined using the income approach.

Dealer network is an intangible asset that relates to the dealer relationships that existed as of the application of fresh start accounting. The Company has processes and controls in place, including the review of key performance indicators, to assist management in identifying events or circumstances that indicate the dealer network asset may not be recoverable. If an indicator that the dealer network asset may not be recoverable exists, management tests the dealer network asset for impairment. If such assets are considered to be impaired, the impairment loss to be recognized is measured as the amount by which the carrying value of the assets exceeds the estimated fair value, as determined using the income approach.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

Not applicable.

ITEM 2. *PROPERTIES*

Brinks Home Security leases office space in Farmers Branch, Texas to house our executive offices, monitoring and certain call centers, sales and marketing and data retention functions. Brinks Home Security also leases office space in Dallas, Texas that supports our monitoring operations and back up facility, and warehouse space in St. Marys, Kansas to house our fulfillment center.

ITEM 3. ***LEGAL PROCEEDINGS***

In the ordinary course of business, from time to time, the Company and its subsidiaries are the subject of complaints or litigation from subscribers or inquiries or investigations from government officials, sometimes related to alleged violations of state or federal consumer protection statutes. The Company and its subsidiaries may also be subject to employee claims based on, among other things, alleged discrimination, harassment or wrongful termination claims. Although no assurances can be given, in the opinion of management, none of the pending actions is likely to have a material adverse impact on the Company's financial position or results of operations, either individually or in the aggregate.

ITEM 4. ***MINE SAFETY DISCLOSURES***

None.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Market Information

In connection with the Restructuring Support Agreement, on August 30, 2019, all shares of Ascent Capital's Series A Common Stock, par value $0.01 per share (the "Ascent Capital Series A Common Stock") and all shares of Ascent Capital's Series B Common Stock, par value $0.01 per share (the "Ascent Capital Series B Common Stock" and, together with the Series A Common Stock, the "Ascent Capital Common Stock"), in each case, issued and outstanding immediately prior to the effective time of the Merger, were converted into the right to receive 1,309,757 shares of our common stock. Simultaneously with the conversion of the Ascent Capital Common Stock, we issued 21,190,243 additional shares of our common stock primarily to holders of certain classes of claims in the Chapter 11 Cases.

Our common stock was quoted on the OTCQX Best Market of the OTC Markets Group Inc. under the symbol "SCTY". Our common stock began quoting on the OTCQX on September 5, 2019. No established public trading market existed for our common stock prior to that date. Over-the-counter market quotations reflect interdealer prices, without retailer markup, markdown, or commission and may not necessarily represent actual transactions. Following the de-registration, our common stock will be quoted on the Pink Sheets, a centralized electronic quotation service for over-the-counter securities, so long as market makers demonstrate an interest in trading in our common stock. However, we can give no assurance that trading in our common stock will continue on the Pink Sheets or any other securities exchange or quotation medium.

The following table sets forth the high and low last reported sales prices per share of our common stock, as reported on the OTCQX, of which we are aware for the periods indicated.

	High	Low
2019:		
Third quarter (beginning September 5, 2019 and through September 30, 2019)	$ 9.50	$ 7.00
Fourth quarter	$ 10.00	$ 7.50
2020:		
First quarter	$ 9.35	$ 4.00
Second quarter	$ 7.40	$ 1.00
Third quarter	$ 4.22	$ 3.11
Fourth quarter	$ 15.25	$ 3.00

Holders

As of February 3, 2021, we had 168 holders of record of our common stock, based on information provided by our transfer agent. Such amounts do not include the number of stockholders whose shares are held of record by banks, brokers or other nominees, but include each such institution as one holder.

Dividends

We have not paid any cash dividends on our common stock and do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any future determination relating to our dividend policy will be at the discretion of our board of directors and will depend on our results of operations, financial condition, capital requirements and other factors deemed relevant by our board. We are also restricted in our ability to pay dividends under our Credit Facilities.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sales of Unregistered Securities

None.

ITEM 6. ***SELECTED FINANCIAL DATA***

Pursuant to the early adoption of SEC Final Rule Release No. 33-10890,*Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information*, the Company has elected to omit Item 6. Selected Financial Data.

ITEM 7. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

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 consolidated financial statements and the notes thereto included elsewhere herein.

Overview

Monitronics International, Inc. and its subsidiaries (collectively, "Monitronics" or the "Company", doing business as Brinks Home Security™) provides residential customers and commercial client accounts with monitored home and business security systems, as well as multiple home automation, life safety and advanced security options, in the United States, Canada and Puerto Rico. Monitronics customers are obtained through our exclusive authorized dealer and representative network (the "Network Sales Channel") and our direct-to-consumer sales channel (the "Direct to Consumer Channel"). The Network Sales Channel provides product and installation services, as well as support to customers. The Direct to Consumer Channel offers both DIY and professional installation security solutions. We also periodically acquire alarm monitoring accounts from the other alarm companies in bulk on a negotiated basis ("bulk buys").

As previously disclosed, on June 30, 2019, Monitronics and certain of its domestic subsidiaries (collectively, the "Debtors"), filed voluntary petitions for relief (collectively, the "Petitions" and, the cases commenced thereby, the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Debtors' Chapter 11 Cases were jointly administered under the caption *In re Monitronics International, Inc., et al., Case No. 19-33650*. On August 7, 2019, the Bankruptcy Court entered an order, Docket No. 199 (the "Confirmation Order"), confirming and approving the Debtors' Joint Partial Prepackaged Plan of Reorganization (including all exhibits thereto and, as modified by the Confirmation Order, the "Plan") that was previously filed with the Bankruptcy Court on June 30, 2019. On August 30, 2019 (the "Effective Date"), the conditions to the effectiveness of the Plan were satisfied and the Company emerged from Chapter 11 after completing a series of transactions through which the Company and its former parent, Ascent Capital Group, Inc. ("Ascent Capital"), merged (the "Merger") in accordance with the terms of the Agreement and Plan of Merger, dated as of May 24, 2019 (the "Merger Agreement"). Monitronics was the surviving corporation and, immediately following the Merger, was redomiciled in Delaware in accordance with the terms of the Merger Agreement.

Upon emergence from Chapter 11 on the Effective Date, the Company applied Accounting Standards Codification ("ASC") 852,*Reorganizations* ("ASC 852"), in preparing its consolidated financial statements (see Note 3, Emergence from Bankruptcy and Note 4, Fresh Start Accounting). As a result of the application of fresh start accounting and the effects of the implementation of the Plan, a new entity for financial reporting purposes was created. The Company selected a convenience date of August 31, 2019 for purposes of applying fresh start accounting as the activity between the convenience date and the Effective Date did not result in a material difference in the financial results. References to "Successor" or "Successor Company" relate to the balance sheet and results of operations of Monitronics on and subsequent to September 1, 2019. References to "Predecessor" or "Predecessor Company" refer to the balance sheet and results of operations of Monitronics prior to September 1, 2019. With the exception of interest and amortization expense, the Company's operating results and key operating performance measures on a consolidated basis were not materially impacted by the reorganization. As such, references to the "Company" could refer to either the Predecessor or Successor periods, as defined.

Asset Purchase Agreements Subject to Earnout Payments

On June 17, 2020, the Company acquired title to over 110,000 contracts for the provision of alarm monitoring and related services (the "Accounts") as well as the related accounts receivable, intellectual property and equipment inventory of Protect America, Inc. The Company paid approximately $16,600,000 at closing and will make 50 subsequent monthly payments, which began in August 2020, consisting of a portion of the revenue attributable to the Accounts, subject to adjustment for Accounts that are no longer active ("Earnout Payments" will here to be defined as contingent payments to acquire subscriber accounts in the Protect America and Select Security transactions). The transaction was accounted for as an asset acquisition with the cost of the assets acquired recorded as of June 17, 2020 and an estimated undiscounted liability for the Earnout Payments of approximately $86,000,000. The Earnout Payments liability was estimated based on the terms of the payout and the forecasted attrition of the Protect America subscriber base.

On December 23, 2020, the Company completed a transaction (the "Select Security Transaction") in which it will acquire approximately 32,000 residential and small business and 8,000 large commercial alarm monitoring contracts from Kourt Security Partners, LLC, doing business as Select Security (the "Seller"). The Company will take ownership of the alarm monitoring contracts through an earnout structure that includes a $10,914,000 upfront payment and Earnout Payments over a 50-month earnout period (the "Earnout Period"). Per the terms of the Select Security Transaction, the Seller transferred title of the monitoring contracts and other certain business assets to GS Security Alarm LLC ("GSSA"). GSSA is a bankruptcy-remote special purpose vehicle designed only to transact the sale of subscriber accounts and related assets to the Company. The Company was significantly involved in the design of GSSA; however, the Company does not own any equity interest in GSSA. GSSA transferred the specified business assets to the Company immediately after close as well as a certain subset of the monitoring contracts. Title to the remaining monitoring contracts will transfer from GSSA to the Company during the Earnout Period with title to all of the monitoring contracts transferred by month 50. The Company is retaining the majority of the Seller's Commercial Sales, Field Technicians and Customer Service employees, as well as certain office locations. For 90 days after the close, the Seller will provide transition services to the Company. Upon closing of the transaction, the Earnout Payments liability for GSSA was estimated as $31,300,000 based on the terms of the payout and the forecasted attrition of the GSSA subscriber base, discounted at an effective interest rate of 10.9%.

The current portion of the Earnout Payments liability is included in current Other accrued liabilities on the consolidated balance sheets and the long-term portion of the Earnout Payments is included in non-current Other liabilities on the condensed consolidated balance sheets. We monitor actual versus forecasted attrition on the two transactions to identify the need for potential adjustments to the Earnout Payments liability each period. The monthly Earnout Payments are classified as Cash flows from financing activities on the condensed consolidated statements of cash flows.

Impact of COVID-19

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has been detected globally on a widespread basis, including in the United States. The COVID-19 pandemic has resulted in the closure of many corporate offices, retail stores, and manufacturing facilities and factories globally, as well as border closings, quarantines, cancellations, disruptions to supply chains and customer activity, and general concern and uncertainty.

In response to the pandemic, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 in the U.S. The CARES Act, among other things, provides for an acceleration of alternative minimum tax credit refunds, the deferral of certain employer payroll taxes and expands the availability of net operating loss usage. The CARES Act did not have a material impact on the Company's annual effective income tax rate for the year.

With respect to our call and alarm response centers, we have established certain policies and procedures to enable full continuity of our monitoring services moving forward, including distancing staff in the call centers, activating our backup call center facility and enabling our call center operators to operate from home. For employees that can work remotely, we have instituted measures to support them, including purchasing additional equipment to enable work from home capabilities. We are also ensuring we comply with our data security measures to guarantee that all company, employee and customer data remains protected and secure. As of December 31, 2020, substantially all of our workforce is working remotely. In addition, our existing call centers still remain fully operational on premises. Administrative personnel are also working from home and those involved in the Company's financial reporting and internal controls over financial reporting have been able to continue their normal duties by accessing the Company's systems and records remotely. Regular communications, review of supporting documentation and tests of operating effectiveness via secured virtual channels have also continued without significant interruption.

In regards to our operations and dealer operations in the field, in jurisdictions where local or state governments have implemented a "shelter in place" or similar orders, we have instructed our dealers to cease doing door-to-door sales until such measures are lifted. This has negatively impacted our Network Sales Channel productivity starting in the latter half of March 2020. Network Sales Channel volume has shown some recovery in the last three quarters of 2020, but remains down year over year. Subject to a scheduled service or installation request, and adhering to certain safety protocols, we continue to send field technicians out to service a customer's home to service or to install a new system. We have taken measures to protect our supply chain of alarm monitoring equipment and, to date, have not experienced significant supply chain constraints to service our customers.

With respect to our receivables from our customers, for the year ended December 31, 2020, we have issued credits for relief to customers being impacted by hardships from the pandemic. Additionally, we have increased our allowances on collection of certain trade and dealer receivables based on the expected impact of the continuation of the pandemic into the first quarter of 2021. As a result of COVID-19, we experienced no material impact on our unit and Recurring Monthly Revenue ("RMR") attrition during the year ended December 31, 2020.

As noted in the financial statements, as of March 31, 2020, the Company determined that a goodwill triggering event had occurred as a result of the recent economic disruption and uncertainty due to the COVID-19 pandemic on the Company's ability to generate new customers. Due to the Company's decision to cease door-to-door sales in jurisdictions with a "shelter in place" or similar orders and deteriorating economic conditions, we anticipated a reduction in projected account acquisitions. In response to the triggering event, the Company performed a quantitative goodwill impairment test at the Brinks Home Security entity level as we operate as a single reporting unit. The results of the quantitative assessment indicated that the carrying value was in excess of the fair value of the reporting unit, including goodwill, which resulted in a full goodwill impairment charge of $81,943,000 during the year ended December 31, 2020. The factors leading to the goodwill impairment are lower projected overall account acquisition in future periods due to the estimated impact of COVID-19 on our account acquisition channels and an increase in the discount rate applied in the discounted cash flow model based on current economic conditions. This resulted in reductions in future cash flows and a lower fair value as calculated under the income approach. No other long-lived assets were determined to be impaired.

While we continue to assess the impact of these events, in future periods we may experience reduced revenue, reduced account acquisitions in the Network Sales Channel and Direct to Consumer Channel, increased attrition, impairment on long-lived assets and other costs as a result of the pandemic.

Strategic Initiatives

Recently, we have implemented several strategic initiatives pillars to guide the transformation of our business to meet our overall strategy of creating profitable accounts, at scale and holding them for life. While there are uncertainties related to any successful implementation of the initiatives impacting our ability to achieve net profitability and positive cash flows in the near term, we believe they will position us to improve our operating performance, increase cash flows and create stakeholder value over the long-term.

Premium Brand

We believe establishing a premium brand will allow us to move up market in our competition for customers which will lead to higher RMR per customer. This will require robust product offerings and consistent brand standards in all channels to "make the complex simple." To establish a premium brand we have engaged a premier brand strategy research partner to complete a purchase journey map to determine buying behaviors to fully understand purchase timing, interactions, considerations and roadblocks. With this research, we have finalized our brand identity and engaged partners and affiliates to meet our 2021 plan for customer acquisitions. We expect to complete our rebranding of assets and launch our brand strategy in the second quarter of 2021.

Unit Economics

We believe that generating account growth at a reasonable cost is essential to scaling our business and generating stakeholder value. We currently generate new accounts through both our Network Sales Channel and Direct to Consumer Channel with our go to market strategy either being in the field, over the phone or via e-commerce. To improve our profitable growth in these channels, we will pursue omnichannel lead generation initiatives and develop a tight integration between field and phone sales to drive an in-home consultative sales experience with an option for DIY.

We made headway on these initiatives in 2020 by right sizing our phone sales department early in the year while still increasing new account RMR per unit in the Direct to Consumer Channel throughout. Additional reorganizations of the sales functions were completed in 2020 and we brought on employee field sales teams that have been launched in several major geographical areas.

Other strategies designed to improve unit economics include our bulk account acquisition strategy and transforming our traditional authorized dealer program. Both strategies are centered around reducing the up-front cost to acquire accounts by providing increased revenue sharing arrangements with the seller for the long-term. This both drives down up-front creation costs and allows us to share in the subscriber attrition risk with the seller. By focusing on high quality customers and improving subscriber attrition, these strategies drive greater long term profitably for both us and the seller. As previously disclosed, we completed two bulk buys in 2020 utilizing this strategy and have recently reached a long term contract extension with our largest dealer. We will continue to pursue these bulk opportunities as they arise and are focused on contract extensions with our other dealers.

Customer Centricity

We believe establishing an employee centric culture will drive a customer centric experience which will reduce attrition, increase RMR while delivering on our brand promises. Our goal is to provide data analytics to our employee base that will improve the customer experience at every touchpoint. While we have experienced higher subscriber attrition rates in the past few years, our recent initiatives to improve our customer lifecycle management tools and predictive churn analytics, coupled with our customer extension efforts have led to marked improvements in unit attrition in 2020. The implementation of our new brand strategy will also focus on customer centricity with the goal to continue to improve attrition in the long term.

Accounts Acquired

During the years ended December 31, 2020 and 2019, we acquired 224,414 and 81,386 subscriber accounts, respectively, through our Network Sales Channel, Direct to Consumer Channel and bulk buys. The increase in accounts acquired for the year ended December 31, 2020 is due to bulk buys of 39,594 accounts in December 2020, 113,013 accounts in June 2020 and 10,960 in March 2020. The accounts acquired through bulk buys in December 2020 and June 2020 are subject to Earnout Payments. There were no bulk buys during the year ended December 31, 2019. The increase was partially offset by a year-over-year decline in accounts generated in the Network Sales Channel and the Direct to Consumer Channel. The decline in the Network Sales Channel was primarily due to the Company's election to cease purchasing accounts from two dealers in the fourth quarter of 2019 and restrictions on door-to-door selling and other impacts related to the outbreak of COVID-19 starting in the latter half of March 2020. The decline in the Direct to Consumer Channel production was primarily due to the Company's election to leverage more profitable organic leads.

RMR acquired during the year ended December 31, 2020 was approximately $9,756,000, which includes RMR related to bulk buys of $6,763,000. RMR acquired during the year ended December 31, 2019 was $3,929,000.

Attrition

Account cancellations, otherwise referred to as subscriber attrition, have 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 their service every year. Subscribers may choose not to renew or to terminate their contract for a variety of reasons, including relocation, cost, switching to a competitor's service, limited use by the subscriber or low perceived value. The largest categories of cancelled accounts relate to subscriber relocation or those cancelled due to non-payment. The Company defines its attrition rate as the number of cancelled accounts in a given period divided by the weighted average number of subscribers for that period. The Company considers an account cancelled if payment from the subscriber is deemed uncollectible or if the subscriber cancels for various reasons. If a subscriber relocates but continues its service, it is not a cancellation. If the subscriber relocates, discontinues its service and a new subscriber assumes the original subscriber's service and continues the revenue stream, it is also not a cancellation. The Company adjusts the number of cancelled 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 cancelled 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 5-8% 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 years ended December 31, 2020 and 2019:

	Years Ended December 31,	
	2020	2019
Beginning balance of accounts not subject to Earnout Payments	847,758	921,750
Accounts acquired	71,730	81,386
Accounts cancelled	(122,655)	(150,494)
Cancelled accounts guaranteed by dealer and other adjustments (a)	(4,986)	(4,884)
Ending balance of accounts of accounts not subject to Earnout Payments	791,847	847,758
Accounts subject to Earnout Payments	141,773	—
Ending balance of accounts	933,620	847,758
Attrition rate - Core Unit (c)	14.9 %	17.0 %
Attrition rate - Core RMR (b) (c)	15.5 %	17.9 %

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

(b) The RMR of cancelled accounts follows the same definition as subscriber unit attrition as noted above. RMR attrition is defined as the RMR of cancelled 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.

(c) Core Unit and RMR attrition rates exclude the impact of the Protect America and Select Security bulk buys, where the Company is funding the purchase price through an earnout payment structure.

The core unit attrition rate for the years ended December 31, 2020 and 2019 was 14.9% and 17.0%, respectively. The core RMR attrition rate for the years ended December 31, 2020 and 2019 was 15.5% and 17.9%, respectively. The decrease in core unit attrition rate for the year ended December 31, 2020 includes the impact of fewer subscribers, as a percentage of the entire base, reaching the end of their initial contract term, continued efforts around "at risk" extensions and customer retention, and the benefit of improved credit quality in our Direct to Consumer Channel. The decrease in RMR attrition was primarily driven by a price increase on a majority of the Company's subscriber base in the fourth quarter of 2020, offset by a combination of lower RMR for accounts generated in the Direct to Consumer Channel, as a minimal equipment subsidy is offered, lower production in the Dealer Channel, which typically has higher RMR, and rate reductions relating to our "at risk" retention program. The fourth quarter price increase was more impactful to RMR attrition as starting in March 2020, we had previously made the decision to defer taking ordinary course rate adjustments to our customer base in light of COVID-19.

We analyze our attrition by classifying accounts into annual pools based on the year of acquisition. We then track the number of cancelled accounts 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, the Company's attrition rate is generally 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 the Company. Over the next few years of the subscriber account life, the number of subscribers that cancel as a percentage of the initial number of subscribers in that pool gradually increases and historically has peaked following the end of the initial contract term, which is typically three to five years. Subsequent to the peak following the end of the initial contract term, the number of subscribers that cancel as a percentage of the initial number of subscribers in that pool normalizes. Accounts generated through the Direct to Consumer Channel have homogeneous characteristics as accounts generated through the Network Sales Channel and follow the same attrition curves. However, accounts generated through the Direct to Consumer Channel have attrition of approximately 10% in the initial 12 month period following account acquisition which is higher than accounts generated in the Network Sales Channel due to the dealer guarantee period.

Adjusted EBITDA

We evaluate the performance of our operations based on financial measures such as revenue and "Adjusted EBITDA." Adjusted EBITDA is a non-GAAP financial measure and is defined as net income (loss) before interest expense, interest income, income taxes, depreciation, amortization (including the amortization of subscriber accounts, dealer network and other intangible assets), restructuring charges, stock-based compensation, and other non-cash or non-recurring charges. We believe that Adjusted EBITDA is an important indicator of the operational strength and performance of our business. 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 our covenants are calculated under the agreements governing our 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 we believe is useful to investors in analyzing our 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. 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

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Fresh Start Accounting Adjustments. With the exception of interest and amortization expense, the Company's operating results and key operating performance measures on a consolidated basis were not materially impacted by the reorganization of the Company in August 2019 and the application of fresh start accounting. We believe that certain of our consolidated operating results for the year ended December 31, 2020 is comparable to certain operating results for the period from January 1, 2019 through August 31, 2019 when combined with our consolidated operating results for the period from September 1, 2019 through December 31, 2019. Accordingly, we believe that discussing the non-GAAP combined results of operations and cash flows of the Predecessor Company and the Successor Company for the year ended December 31, 2020 is useful when analyzing certain performance measures.

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

	Successor Company		Successor Company	Predecessor Company
	Year Ended December 31, 2020	Non-GAAP Combined Year Ended December 31, 2019	Period from September 1, 2019 through December 31, 2019	Period from January 1, 2019 through August 31, 2019
Net revenue	$ 503,597	$ 504,505	$ 162,219	$ 342,286
Cost of services	119,390	112,274	36,988	75,286
Selling, general and administrative, including stock-based and long-term incentive compensation	149,314	132,509	52,144	80,365
Radio conversion costs	21,433	4,196	3,265	931
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	217,273	200,484	69,693	130,791
Interest expense	80,265	134,060	28,979	105,081
(Loss) income before income taxes	(179,865)	567,561	(32,627)	600,188
Income tax expense	1,891	2,479	704	1,775
Net (loss) income	(181,756)	565,082	(33,331)	598,413
Adjusted EBITDA (a)	$ 253,767	$ 266,460	$ 79,087	$ 187,373
Adjusted EBITDA as a percentage of Net revenue	50.4 %	52.8 %	48.8 %	54.7 %
Expensed Subscriber acquisition costs, net				
Gross subscriber acquisition costs (b)	$ 18,787	$ 31,620	$ 11,301	$ 20,319
Revenue associated with subscriber acquisition costs	(6,208)	(7,769)	(2,282)	(5,487)
Expensed Subscriber acquisition costs, net	$ 12,579	$ 23,851	$ 9,019	$ 14,832

(a) See reconciliation of Net (loss) income to Adjusted EBITDA below.

(b) Gross subscriber acquisition costs for the year ended December 31, 2020 has been restated from $38,325,000 to $31,620,000 due to allocation adjustments made to align with current period presentation of expensed subscriber acquisition costs. See below for further explanation.

Net revenue. Net revenue decreased $908,000, or 0.2%, for the year ended December 31, 2020, as compared to the prior year. The decrease in net revenue is primarily attributable to a decrease in alarm monitoring revenue of $10,247,000 due to the lower average number of subscribers in the first six months of 2020, partially offset by incremental revenue from the Protect America bulk buy. Prior year net revenue also reflects the negative impact of a $5,331,000 fair value adjustment that reduced deferred revenue upon the Company's emergence from bankruptcy in accordance with ASC 852. Product, installation and service revenue increased $10,527,000, largely due to an increase in field service jobs associated with contract extensions combined with higher revenue per transaction in the Direct to Consumer Channel. Average RMR per subscriber decreased from $45.12 as of December 31, 2019 to $44.50 as of December 31, 2020 due to a lower average RMR of $40.81 for the Protect America bulk buy and an increase in the percentage of customers generated through our Direct to Consumer Channel which typically have lower RMR as a result of lower subsidization of equipment.

Cost of services. Cost of services increased $7,116,000, or 6.3%, for the year ended December 31, 2020, as compared to the prior year. The increase is primarily attributable to the cost to serve the incremental Protect America customers and an increase in field service jobs associated with contract extensions for our high propensity to churn population. The increase is partially offset by a decline in subscriber acquisition costs in our Direct to Consumer Channel. Subscriber acquisition costs, which include expensed equipment and labor costs associated with the creation of new subscribers, decreased to $7,220,000 for the year ended December 31, 2020, as compared to $8,488,000 for the year ended December 31, 2019. Cost of services as a percentage of net revenue, excluding the effect of the 2019 fair value adjustment, increased from 22.0% for the year ended December 31, 2019 to 23.7% for the year ended December 31, 2020.

Selling, general and administrative. Selling, general and administrative costs ("SG&A") increased $16,805,000, or 12.7%, for the year ended December 31, 2020, as compared to the prior year. The increase is primarily attributable to higher salary expense and professional fees related to the post emergence operating structure of the Company and $4,693,000 of severance expense related to transitioning executive leadership. Additionally, the Company received a $700,000 insurance settlement in the second quarter of 2020, as compared to $4,800,000 received in the second quarter of 2019. These insurance receivable settlements were related to coverage provided by our insurance carriers in the 2017 class action litigation of alleged violation of telemarketing laws. These increases are partially offset by lower subscriber acquisition costs. Subscriber acquisition costs included in SG&A decreased to $11,567,000 for the year ended December 31, 2020, as compared to $23,132,000 for the year ended December 31, 2019, due to the impact of cost saving measures implemented in the first quarter of 2020. SG&A as a percentage of net revenue, excluding the effect of the 2019 fair value adjustment, increased from 26.0% for the year ended December 31, 2019 to 29.6% for the year ended December 31, 2020.

Radio conversion costs. During 2019, the Company commenced a program to replace the 3G and CDMA cellular equipment used in many of its subscribers' security systems upon announcements by certain carriers of plans to retire these networks by 2022. Radio conversion costs represent the incremental cost of equipment and labor to make the upgrade of the security systems as well as other marketing, labor and consulting costs to engage customers and manage the program. For the year ended December 31, 2020, radio conversion costs totaled $21,433,000 as compared to $4,196,000 for the year ended December 31, 2019. The increase is primarily attributable to a higher number of conversions completed in 2020, as the radio conversion program only started in August of 2019 with a limited scope in targeting customers that was expanded in 2020.

Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets. Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets increased $16,789,000, or 8.4%, for the year ended December 31, 2020, as compared to the prior year. The increase is due to amortization of the dealer network intangible asset recognized upon the Company's emergence from bankruptcy. Dealer network amortization expense was $23,333,000 for the year ended December 31, 2020 as compared to $7,778,000 for the year ended December 31, 2019. The remaining increase is attributable to a higher number of subscriber accounts purchased in the last twelve months ended December 31, 2020 primarily due to the accounts acquired from Protect America, as compared to the corresponding prior year period, offset by the timing of amortization of subscriber accounts acquired prior to bankruptcy which have a lower rate of amortization in 2020 as compared to 2019.

Interest expense. Interest expense decreased $53,795,000, or 40.1%, for the year ended December 31, 2020, as compared to the prior year. The decrease in interest expense is attributable to the Company's decreased outstanding debt balances upon the reorganization, primarily related to the retirement of the Company's 9.125% Senior Notes.

Income tax expense. The Company had pre-tax loss of $179,865,000 and income tax expense of $1,891,000 for the year ended December 31, 2020. Income tax expense for the year ended December 31, 2020 is attributable to the Company's state tax expense incurred from Texas margin tax. The Company had pre-tax income of $567,561,000 and income tax expense of $2,479,000 for the year ended December 31, 2019. The driver behind the pre-tax income for the year ended December 31, 2019 is the gain on restructuring and reorganization of $669,722,000 recognized during the year ended December 31, 2019, primarily due to gains recognized on the conversion from debt to equity and discounted cash settlement of the Predecessor Company's high yield senior notes in accordance with the Company's bankruptcy Plan. There are no income tax impacts from this gain due to net operating loss carryforwards available for the 2019 tax year. Income tax expense for the year ended December 31, 2020 is attributable to the Company's state tax expense incurred from Texas margin tax.

Net (loss) income. The Company had net loss of $181,756,000 for the year ended December 31, 2020, as compared to net income of $565,082,000 for the year ended December 31, 2019. The decrease in net (loss) income for the year ended December 31, 2020 is primarily attributable to no gain on restructuring and reorganization incurred in the current year period and a goodwill impairment charge of $81,943,000 combined with increases in operating expenses as discussed above. Also impacting net loss for the year ended December 31, 2020 were increased radio conversion costs.

Adjusted EBITDA

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

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

	Successor Company		Successor Company	Predecessor Company
	Year Ended December 31, 2020	**Non-GAAP Combined Year Ended December 31, 2019**	**Period from September 1, 2019 through December 31, 2019**	**Period from January 1, 2019 through August 31, 2019**
Net (loss) income	$ (181,756)	$ 565,082	$ (33,331)	$ 598,413
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	217,273	200,484	69,693	130,791
Depreciation	13,844	11,125	3,777	7,348
Radio conversion costs	21,433	4,196	3,265	931
Stock-based compensation	—	42	—	42
Long-term incentive compensation	393	774	184	590
LiveWatch acquisition contingent bonus charges	—	63	—	63
Legal settlement reserve (related insurance recovery)	(700)	(4,800)	—	(4,800)
Severance expense (a)	4,693	—	—	—
Integration / implementation of company initiatives	9,593	12,545	7,702	4,843
Select Security acquisition costs	1,036	—	—	—
Select Security integration costs	60	—	—	—
COVID-19 costs	1,866	—	—	—
Loss / (gain) on revaluation of acquisition dealer liabilities	1,933	(1,886)	(1,886)	—
Goodwill impairment	81,943	—	—	—
Gain on restructuring and reorganization, net	—	(669,722)	—	(669,722)
Interest expense	80,265	134,060	28,979	105,081
Realized and unrealized loss, net on derivative financial instruments	—	6,804	—	6,804
Refinancing expense	—	5,214	—	5,214
Income tax expense	1,891	2,479	704	1,775
Adjusted EBITDA	$ 253,767	$ 266,460	$ 79,087	$ 187,373

(a) Severance expense for the year ended December 31, 2020 related to transitioning executive leadership.

Adjusted EBITDA decreased $12,693,000, or 4.8%, for the year ended December 31, 2020, as compared to the prior year period. The decrease for the year ended December 31, 2020 is attributable to lower net revenues due to a lower average number of subscribers in the first six months of 2020, increases in post-bankruptcy emergence salary and professional fees expenses that were curtailed for much of 2019 due to the bankruptcy proceedings and an increase in cost of services related to field service jobs associated with contract extensions for our high propensity to churn population and incremental impacts from the Protect America customer base. These increases were offset by decreases in our expensed subscriber acquisition costs. COVID-19 costs excluded from Adjusted EBITDA relate to one-time price concessions granted to customers experiencing hardships, bad debt reserve increases due to estimates of non-payment on certain receivables and other miscellaneous costs to transition the majority of our employees to working from home.

Expensed Subscriber Acquisition Costs, net. Subscriber acquisition costs, net decreased to $12,579,000 for the year ended December 31, 2020, as compared to $23,851,000 for the year ended December 31, 2019. Expensed subscriber acquisition costs, net, for the year ended December 31, 2019 was restated from $30,556,000 to $23,851,000 to be comparable with how acquisition costs were allocated for the year ended December 31, 2020. The change in subscriber acquisition cost allocation was done to better align us with how peer companies in the industry present subscriber acquisition costs. This change had no impact on the consolidated statements of operations and comprehensive income (loss) because it is an allocation of expenses within each of Cost of Services and Selling, general and administrative. The decrease in subscriber acquisition costs, net is primarily attributable to the impact of cost savings measures implemented in the first quarter of 2020 as well as lower production volume in the Company's Direct to Consumer Channel year over year.

Liquidity and Capital Resources

As of December 31, 2020, we had $6,123,000 of cash and cash equivalents. Our primary sources of funds is our cash flows from operating activities which are generated from alarm monitoring and related service revenues. During the years ended December 31, 2020 and 2019, our cash flow from operating activities was $128,621,000 and $114,135,000, respectively. The primary drivers of our cash flow from operating activities are the fluctuations in revenues and operating expenses as 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 years ended December 31, 2020 and 2019, we used cash of $101,840,000 and $111,139,000, respectively, to fund subscriber account acquisitions, net of holdback obligations. In addition, during the years ended December 31, 2020 and 2019, we used cash of $14,707,000 and $11,623,000, respectively, to fund our capital expenditures. Our capital expenditures are primarily related to computer systems and software.

Our existing long-term debt at December 31, 2020 includes an aggregate principal balance of $979,219,000 under the Takeback Loan Facility, Term Loan Facility and the Revolving Credit Facility. The Takeback Loan Facility has an outstanding principal balance of $812,219,000 as of December 31, 2020 and requires principal payments of $2,056,250 per quarter, beginning December 31, 2019, with the remaining amount becoming due on March 29, 2024. The Term Loan Facility has an outstanding principal balance of $150,000,000 as of December 31, 2020. The Revolving Credit Facility has an outstanding balance of $17,000,000 as of December 31, 2020. We also had $600,000 available under a standby letter of credit issued as of December 31, 2020. The maturity date of the loans made under the Term Loan Facility and the Revolving Credit Facility is July 3, 2024, subject to a springing maturity of March 29, 2024, or earlier, depending on any repayment, refinancing or changes in the maturity date of the Takeback Loan Facility.

The agreements with Protect America and GSSA each provide for 50 monthly Earnout Payments consisting of a portion of the revenue attributable to the subscriber base, subject to adjustment for subscribers that are no longer active. The estimated undiscounted liability for the remaining Earnout Payments as of December 31, 2020 is approximately $122,867,000.

Radio Conversion Costs

Certain cellular carriers of 3G and CDMA cellular networks have announced that they will be retiring these networks between February and December of 2022. As of December 31, 2020, we have approximately 328,000 subscribers with 3G or CDMA equipment which may have to be upgraded as a result of these retirements. Additionally, our cellular provider has informed us that a certain 2G cellular network carrier has extended their sunset of its 2G cellular network until December 31, 2022. As of December 31, 2020, we have approximately 10,000 subscribers with 2G cellular equipment which may have to be upgraded as a result of this retirement. The remaining subscribers with 3G or 2G equipment include approximately 60,000 subscribers acquired from Protect America and Select Security. While we are in the early phase of offering equipment upgrades to our 3G and 2G population, we currently estimate that the total cost of converting our 3G and 2G subscribers, including those acquired from Protect America and Select Security, will be between $80,000,000 to $90,000,000. For the year ended December 31, 2020, the Company incurred radio conversion costs of $21,433,000. Cumulative through December 31, 2020, we have spent approximately $25,629,000 on 3G and 2G conversions. Total costs for the conversion of such customers are subject to numerous variables, including our ability to work with our partners and subscribers on cost sharing initiatives, and the costs that we actually incur could be materially higher than our current estimates.

Liquidity Outlook

In considering our liquidity requirements for the next twelve months, 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 through our Network Sales and Direct to Consumer Channels or potential bulk buy opportunities, as well as completing our payment obligations under the Protect America and GSSA earnout liabilities. We considered our expected operating cash flows as well as the borrowing capacity of our Revolving Credit Facility, under which we could borrow an additional $127,400,000 as of December 31, 2020, subject to certain financial covenants. Based on this analysis, we expect that cash on hand, cash flow generated from operations and available borrowings under the Revolving Credit Facility will provide sufficient liquidity for the next twelve months, given our anticipated current and future requirements.

Subject to restrictions set forth in our credit agreements, we may seek 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 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.

Contractual Obligations

Information concerning the amount and timing of required payments under our contractual obligations as of December 31, 2020 is summarized below (amounts in thousands):

	Payments Due by Period				
	Less than 1 Year	**1-3 Years**	**3-5 Years**	**After 5 Years**	**Total**
Operating leases	$ 3,609	$ 6,731	$ 6,172	$ 14,157	$ 30,669
Long-term debt (a)	$ 8,225	$ 16,450	$ 954,544	$ —	$ 979,219
Interest payments on long-term debt (b)	$ 73,744	$ 145,575	$ 18,018	$ —	$ 237,337
Earnout Payments (c)	$ 34,854	$ 63,689	$ 24,324	$ —	$ 122,867
Other (d)	$ 8,646	$ 220	$ 568	$ 2,654	$ 12,088
Total contractual obligations	$ 129,078	$ 232,665	$ 1,003,626	$ 16,811	$ 1,382,180

(a) Amounts reflect principal amounts owed.

(b) Interest payments are based on variable interest rates. Future interest expense is estimated using the interest rate in effect on December 31, 2020.

(c) Amounts reflect the undiscounted estimated remaining payout of the Earnout Payments liability as of December 31, 2020. The Earnout Payments liability was estimated based on the terms of the payout and the forecasted attrition of the Protect America and Select Security subscriber base acquired in 2020.

(d) Primarily represents our holdback liability whereby we withhold payment of a designated percentage of acquisition cost when we acquire subscriber accounts from dealers. The holdback is used as a reserve to cover any terminated subscriber accounts that are not replaced by the dealer during the guarantee period. At the end of the guarantee period, the dealer is responsible for any deficit or is paid the balance of the holdback.

We have contingent liabilities related to legal proceedings and other matters arising in the ordinary course of business. Although it is reasonably possible we may incur losses upon conclusion of such matters, an estimate of any loss or range of loss cannot be made. In the opinion of management, it is expected that amounts, if any, which may be required to satisfy such contingencies will not be material in relation to the accompanying consolidated financial statements.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

Valuation of Subscriber Accounts

Subscriber accounts, which totaled $1,102,977,000 net of accumulated amortization, at December 31, 2020, relate primarily to the monitoring service contracts acquired from independent dealers. The subscriber accounts asset was adjusted to fair value in connection with the Company's application of fresh start accounting under ASC 852 upon the Company's emergence from Chapter 11. The valuation of subscriber accounts was based on the projected cash flows to be generated by the existing subscribers as of the Effective Date. Subscriber accounts acquired after the Company's emergence from bankruptcy are recorded at cost. All direct and incremental costs associated with the acquisition of monitoring service contracts from its independent dealers are capitalized (the "subscriber accounts asset"). Upon adoption of Accounting Standards Update 2014-19, *Revenue from Contracts with customers (Topic 606)*, as amended, all costs on new subscriber contracts obtained in connection with a subscriber move ("Moves Costs") are expensed, whereas prior to adoption, certain Moves Costs were capitalized on the balance sheet. Also included in the subscriber accounts are capitalized contract costs related to bonus incentives and other incremental costs associated with accounts originated in the Direct to Consumer Channel.

The fair value of subscriber accounts as of the Company's emergence from Chapter 11, as well as certain accounts acquired in bulk purchases, are amortized using the 14-year 235% declining balance method. The costs of all other subscriber accounts are amortized using the 15-year 220% declining balance method, beginning in the month following the date of acquisition. The amortization methods were selected to provide an approximate matching of the amortization of the subscriber accounts intangible asset to estimated future subscriber revenues based on the projected lives of individual subscriber contracts. The realizable value and remaining useful lives of these assets could be impacted by changes in subscriber attrition rates, which could have an adverse effect on our earnings.

The Company has processes and controls in place, including the review of key performance indicators, to assist management in identifying events or circumstances that indicate the subscriber accounts asset may not be recoverable. If an indicator that the asset may not be recoverable exists, management tests the subscriber accounts asset for impairment. For purposes of recognition and measurement of an impairment loss, we view subscriber accounts as a single pool because of the assets' homogeneous characteristics, and the pool of subscriber accounts is the lowest level for which identifiable cash flows are largely independent of the cash flows of the other assets and liabilities. If such assets are considered to be impaired, the impairment loss to be recognized is measured as the amount by which the carrying value of the assets exceeds the estimated fair value, as determined using the income approach.

In addition, the Company reviews the subscriber accounts asset amortization methodology annually to ensure the methodology is consistent with actual experience.

Valuation of Deferred Tax Assets

In accordance with FASB ASC Topic 740,*Income Taxes*, we review the nature of each component of our deferred income taxes for the ability to realize the future tax benefits. As part of this review, we rely on the objective evidence of our current performance and the subjective evidence of estimates of our forecast of future operations. Our estimates of realizability are subject to judgment since they include such forecasts of future operations. After consideration of all available positive and negative evidence and estimates, we have determined that it is more likely than not that we will not realize the tax benefits associated with our United States deferred tax assets and certain foreign deferred tax assets, and as such, we have a valuation allowance which totaled $63,881,000 and $24,457,000 as of December 31, 2020 and 2019, respectively.

Valuation of Goodwill

During the year ended December 31, 2020, we recorded a full goodwill impairment of $81,943,000. Goodwill was recorded in connection with the Company's application of fresh start accounting under ASC 852 upon the Company's emergence from

Chapter 11. The Company accounts for its goodwill pursuant to the provisions of FASB ASC Topic 350, *Intangibles — Goodwill and Other* ("ASC 350"). In accordance with ASC 350, goodwill is not amortized, but rather tested for impairment at least annually.

To the extent necessary, goodwill for the reporting unit is measured using a discounted cash flow model incorporating discount rates commensurate with the risks involved, which is classified as a Level 3 measurement under FASB ASC Topic 820, *Fair Value Measurements and Disclosures.* The key assumptions used in the discounted cash flow valuation model include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates, growth and attrition rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Interest Rate Risk

We have exposure to changes in interest rates related to the terms of our debt obligations. The Company uses an interest rate cap derivative instrument to manage the exposure related to the movement in interest rates. The derivative is designated as a cash flow hedge and was entered into with the intention of reducing the risk associated with the variable interest rates on the Takeback Loan Facility. 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 that are sensitive to changes in interest rates. Debt amounts represent principal payments by stated maturity date as of December 31, 2020 (amounts in thousands):

Year of Maturity	Variable Rate Debt
2021	8,225
2022	8,225
2023	8,225
2024	954,544
2025	—
Thereafter	—
Total	$ 979,219

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Our consolidated financial statements are filed under this Item, beginning on page 41. The financial statement schedules required by Regulation S-X are filed under Item 15 of this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Monitronics International, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Monitronics International, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Fresh Start Accounting

As described in Note 4 to the consolidated financial statements, the Company emerged from bankruptcy protection on August 30, 2019. In connection with its emergence from bankruptcy, the Company selected a convenience date of August 31, 2019 and applied the guidance for fresh start accounting in conformity with FASB ASC Topic 852, *Reorganizations* as of that date. Accordingly, the Company's consolidated financial statements prior to August 31, 2019 are not comparable to its consolidated financial statements for periods after August 31, 2019.

Changes in Accounting Principles

As discussed in Note 5 to the consolidated financial statements, in 2020, the Company has changed its method of accounting for credit losses due to the adoption of Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Topic 326).*

As discussed in Note 19 to the consolidated financial statements, in 2019, the Company has changed its method of accounting for leases due to the adoption of Accounting Standards Update No. 2016-02, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue recognition for contracts with multiple performance obligations

As discussed in Note 2 to the consolidated financial statements, the transaction price under subscriber alarm monitoring agreements is allocated to alarm monitoring revenue and, if applicable, to products and installation revenue. The allocation is based on the standalone selling prices of each performance obligation. The process of changing out or setting up equipment may require the Company to subsidize the alarm monitoring equipment and installation services. As discussed in Note 18 to the consolidated financial statements, the Company reported net revenue of $503.6 million.

We identified the evaluation of the sufficiency of audit evidence obtained related to the Company's identification of contracts with multiple performance obligations as a critical audit matter. Challenging auditor judgment was required to evaluate management's identification of contracts that contain multiple performance obligations due to the risk that subsidized alarm monitoring equipment and installation services may not be reported when changing out or setting up equipment.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over the Company's identification of contracts with multiple performance obligations. We evaluated the design of an internal control related to the identification of contracts with multiple performance obligations. We tested the completeness of management's population of contracts with multiple performance obligations by (1) selecting a sample of product and installation service expenses, (2) assessing if the product and installation services related to a contract with multiple performance obligations, and (3) evaluating if the contract was included in the population used by management to record revenue from contracts with multiple performance obligations. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of the nature and extent of such evidence.

Initial fair value measurement of the subscriber account intangible asset and consideration paid

As discussed in Note 6 to the consolidated financial statements, on December 23, 2020, the Company completed a transaction in which it will acquire approximately 40,000 alarm monitoring contracts from Kourt Security Partners, LLC, doing business as Select Security (the Seller). The Company will take legal ownership of the alarm monitoring contracts through a special purpose vehicle as payments are made under an earnout agreement over a term of 50 months. The transaction has been recorded as an asset acquisition effected through a special purpose vehicle that management concluded is a variable interest entity. As a result, the subscriber accounts intangible asset and the consideration paid were recorded at fair value of $42.5 million and $42.3 million , respectively. The determination of the acquisition date fair values of the subscriber accounts intangible asset and the consideration paid required the Company to make significant estimates and assumptions regarding customer attrition and the discount rates.

We identified the initial measurement of the acquisition date fair values of the subscriber accounts intangible asset and the consideration paid as a critical audit matter. Specifically, subjective auditor judgment was required to evaluate the significant assumptions related to customer attrition and the discount rates used by the Company to estimate the fair values as there was no directly observable market data. In addition, assessing the Company's selection and application of the valuation model to determine the consideration paid required the use of valuation professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the Company's acquisition-date valuation process, including controls over the valuation models, customer attrition, and the discount rates. We compared the customer attrition rates to historical data of the Company and the Seller. We involved valuation professionals with specialized skills and knowledge to assist with evaluating the valuation models and certain assumptions by:

– evaluating the Company's selection of the valuation model used to estimate the fair value of the consideration paid.
– recalculating the fair value of the subscriber account intangible asset using the Company's customer attrition rates and discount rate assumptions
– developing independent discount rates for the subscriber accounts intangible asset and fair value of consideration paid by using publicly available market data and comparing the results to the Company's discount rates

/s/ KPMG LLP

We have served as the Company's auditor since 2011.

Dallas, Texas
March 18, 2021

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

	As of December 31, 2020	As of December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 6,123	$ 14,763
Restricted cash	171	238
Trade receivables, net of allowance for doubtful accounts of $3,096 in 2020 and $3,828 in 2019	13,360	12,083
Inventories, net	7,612	5,242
Prepaid and other current assets	22,612	19,953
Total current assets	49,878	52,279
Property and equipment, net of accumulated depreciation of $17,621 in 2020 and $3,777 in 2019	41,943	42,096
Subscriber accounts and deferred contract acquisition costs, net of accumulated amortization of $254,928 in 2020 and $61,771 in 2019	1,102,977	1,064,311
Dealer network and other intangible assets, net of accumulated amortization of $32,118 in 2020 and $7,922 in 2019	113,010	136,778
Goodwill	—	81,943
Deferred income tax asset, net	584	684
Operating lease right-of-use asset	17,962	19,277
Other assets	20,309	21,944
Total assets	$ 1,346,663	$ 1,419,312
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 20,728	$ 16,869
Other accrued liabilities	58,721	24,954
Deferred revenue	13,300	12,008
Holdback liability	8,536	8,191
Current portion of long-term debt	8,225	8,225
Total current liabilities	109,510	70,247
Non-current liabilities:		
Long-term debt	970,994	978,219
Long-term holdback liability	1,223	2,183
Operating lease liabilities	15,305	16,195
Other liabilities	89,038	6,390
Total liabilities	1,186,070	1,073,234
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; no shares issued	—	—
Common stock, $0.01 par value. Authorized 45,000,000 shares; issued and outstanding 22,500,000 shares at both December 31, 2020 and 2019	225	225
Additional paid-in capital	379,175	379,175
Accumulated deficit	(216,714)	(33,331)
Accumulated other comprehensive (loss) income, net	(2,093)	9
Total stockholders' equity	160,593	346,078
Total liabilities and stockholders' equity	$ 1,346,663	$ 1,419,312

See accompanying notes to consolidated financial statements.

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

	Successor Company		Predecessor Company	
	Year Ended December 31, 2020	**Period from September 1, 2019 through December 31, 2019**	**Period from January 1, 2019 through August 31, 2019**	**Year Ended December 31, 2018**
Net revenue	$ 503,597	$ 162,219	$ 342,286	$ 540,358
Operating expenses:				
Cost of services	119,390	36,988	75,286	128,939
Selling, general and administrative, including stock-based and long-term incentive compensation	149,314	52,144	80,365	118,940
Radio conversion costs	21,433	3,265	931	—
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	217,273	69,693	130,791	211,639
Depreciation	13,844	3,777	7,348	11,434
Goodwill impairment	81,943	—	—	563,549
	603,197	165,867	294,721	1,034,501
Operating (loss) income	(99,600)	(3,648)	47,565	(494,143)
Other (income) expense:				
Gain on restructuring and reorganization, net	—	—	(669,722)	—
Interest expense	80,265	28,979	105,081	180,770
Realized and unrealized loss, net on derivative financial instruments	—	—	6,804	3,151
Refinancing expense	—	—	5,214	12,238
	80,265	28,979	(552,623)	196,159
(Loss) income before income taxes	(179,865)	(32,627)	600,188	(690,302)
Income tax expense (benefit)	1,891	704	1,775	(11,552)
Net (loss) income	(181,756)	(33,331)	598,413	(678,750)
Other comprehensive (loss) income:				
Unrealized (loss) gain on derivative contracts, net	(2,102)	9	(940)	14,378
Total other comprehensive (loss) income, net of tax	(2,102)	9	(940)	14,378
Comprehensive (loss) income	(183,858)	$ (33,322)	$ 597,473	$ (664,372)
Basic and diluted income per share:				
Net loss	$ (8.08)	$ (1.48)	$ —	$ —

See accompanying notes to consolidated financial statements.

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Amounts in thousands

	Successor Company		Predecessor Company	
	Year Ended December 31, 2020	**Period from September 1, 2019 through December 31, 2019**	**Period from January 1, 2019 through August 31, 2019**	**Year Ended December 31, 2018**
Cash flows from operating activities:				
Net (loss) income	$ (181,756)	$ (33,331)	$ 598,413	$ (678,750)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Amortization of subscriber accounts, deferred contract acquisition costs and other intangible assets	217,273	69,693	130,791	211,639
Depreciation	13,844	3,777	7,348	11,434
Stock-based and long-term incentive compensation	843	459	912	310
Deferred income tax expense (benefit)	100	99	—	(14,087)
Non-cash legal settlement reserve (related insurance recovery)	—	—	—	(2,750)
Amortization of debt discount and deferred debt costs	—	—	—	33,452
Gain on restructuring and reorganization, net of cash payments	—	(8,143)	(705,559)	—
Unrealized loss on derivative financial instruments, net	—	—	4,577	3,151
Refinancing expense	—	—	5,214	12,238
Bad debt expense	8,538	3,828	7,558	12,300
Loss on goodwill impairment	81,943	—	—	563,549
Other non-cash activity, net	3,788	160	(462)	24
Changes in assets and liabilities:				
Trade receivables	(7,749)	(4,077)	(6,271)	(12,776)
Inventories	(1,708)	(186)	(188)	(1,373)
Prepaid expenses and other assets	(9,062)	(4,478)	2,948	(9,673)
Subscriber accounts - deferred contract acquisition costs	(2,721)	(585)	(2,193)	(5,418)
Payables and other liabilities	5,288	7,141	36,690	(18,767)
Net cash provided by operating activities	128,621	34,357	79,778	104,503
Cash flows from investing activities:				
Capital expenditures	(14,707)	(4,523)	(7,100)	(14,903)
Cost of subscriber accounts acquired	(101,840)	(27,325)	(83,814)	(140,450)
Payment to GSSA for assets acquired	(10,914)	—	—	—
Net cash used in investing activities	(127,461)	(31,848)	(90,914)	(155,353)
Cash flows from financing activities:				
Proceeds from long-term debt	80,000	21,000	253,100	248,800
Payments on long-term debt	(87,225)	(28,556)	(379,666)	(184,100)
Payments of earnout liability	(2,642)	—	—	—
Purchase of interest rate cap	—	(3,020)	—	—
Proceeds from equity rights offering	—	—	161,497	—
Cash contributed by Ascent Capital	—	—	24,139	—
Payments of restructuring and reorganization costs	—	(1,572)	(13,249)	—
Payments of refinancing costs	—	—	(7,404)	(9,682)
Value of shares withheld for share-based compensation	—	—	(18)	(93)
Dividend to Ascent Capital	—	—	(5,000)	(5,000)
Net cash (used in) provided by financing activities	(9,867)	(12,148)	33,399	49,925
Net (decrease) increase in cash, cash equivalents and restricted cash	(8,707)	(9,639)	22,263	(925)
Cash, cash equivalents and restricted cash at beginning of period	15,001	24,640	2,377	3,302
Cash, cash equivalents and restricted cash at end of period	$ 6,294	$ 15,001	$ 24,640	$ 2,377

See accompanying notes to consolidated financial statements.

MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES
Consolidated Statement of Stockholders' Equity (Deficit)
Amounts in thousands, except share amounts

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance at December 31, 2017 (Predecessor Company)	1,000	$ —	$ 444,330	$ (334,219)	$ (7,375)	$ 102,736
Impact of adoption of Topic 606	—	—	—	(22,720)	—	(22,720)
Impact of adoption of ASU 2017-12	—	—	—	(605)	605	—
Adjusted balance at January 1, 2018 (Predecessor Company)	1,000	$ —	$ 444,330	$ (357,544)	$ (6,770)	$ 80,016
Net loss	—	—	—	(678,750)	—	(678,750)
Other comprehensive income	—	—	—	—	14,378	14,378
Dividend paid to Ascent Capital	—	—	(5,000)	—	—	(5,000)
Stock-based compensation	—	—	474	—	—	474
Value of shares withheld for minimum tax liability	—	—	(93)	—	—	(93)
Balance at December 31, 2018 (Predecessor Company)	1,000	$ —	$ 439,711	$ (1,036,294)	$ 7,608	$ (588,975)
Net income	—	—	—	598,413	—	598,413
Other comprehensive loss	—	—	—	—	(940)	(940)
Dividend paid to Ascent Capital	—	—	(5,000)	—	—	(5,000)
Contribution from Ascent Capital	—	—	2,250	—	—	2,250
Stock-based compensation	—	—	43	—	—	43
Value of shares withheld for minimum tax liability	—	—	(18)	—	—	(18)
Cancellation of Predecessor equity	(1,000)	—	(436,986)	437,881	(6,668)	(5,773)
Issuance of Successor common stock	22,500,000	225	379,175	—	—	379,400
Balance at August 31, 2019 (Predecessor Company)	22,500,000	$ 225	$ 379,175	$ —	$ —	$ 379,400
Balance at September 1, 2019 (Successor Company)	22,500,000	$ 225	$ 379,175	$ —	$ —	$ 379,400
Net loss	—	—	—	(33,331)	—	(33,331)
Other comprehensive income	—	—	—	—	9	9
Balance at December 31, 2019 (Successor Company)	22,500,000	$ 225	$ 379,175	$ (33,331)	$ 9	$ 346,078
Adoption of ASU 2016-13	—	—	—	(1,627)	—	(1,627)
Adjusted balance at January 1, 2020 (Successor Company)	22,500,000	$ 225	$ 379,175	$ (34,958)	$ 9	$ 344,451
Net loss	—	—	—	(181,756)	—	(181,756)
Other comprehensive loss	—	—	—	—	(2,102)	(2,102)
Balance at December 31, 2020 (Successor Company)	22,500,000	$ 225	$ 379,175	$ (216,714)	$ (2,093)	$ 160,593

See accompanying notes to consolidated financial statements.

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

(1) Basis of Presentation

Monitronics International, Inc. and its subsidiaries (collectively, "Monitronics" or the "Company", doing business as "Brinks Home Security™") provides residential customers and commercial client accounts with monitored home and business security systems, as well as interactive and home automation services, in the United States, Canada and Puerto Rico. Monitronics customers are obtained through our direct-to-consumer sales channel (the "Direct to Consumer Channel"), which offers both Do-It-Yourself and professional installation security solutions and our exclusive authorized dealer network (the "Network Sales Channel"), which provides product and installation services, as well as support to customers. We also periodically acquire alarm monitoring accounts from the other alarm companies in bulk on a negotiated basis. We were wholly owned subsidiaries of Ascent Capital Group, Inc. ("Ascent Capital") until August 30, 2019.

As previously disclosed, on June 30, 2019 (the "Petition Date"), Monitronics and certain of its domestic subsidiaries (collectively, the "Debtors"), filed voluntary petitions for relief (collectively, the "Petitions" and, the cases commenced thereby, the "Chapter 11 Cases") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). The Debtors' Chapter 11 Cases were jointly administered under the caption *In re Monitronics International, Inc., et al.,* Case No. 19-33650. On August 7, 2019, the Bankruptcy Court entered an order, Docket No. 199 (the "Confirmation Order"), confirming and approving the Debtors' Joint Partial Prepackaged Plan of Reorganization (including all exhibits thereto and, as modified by the Confirmation Order, the "Plan") that was previously filed with the Bankruptcy Court on June 30, 2019. On August 30, 2019 (the "Effective Date"), the conditions to the effectiveness of the Plan were satisfied and the Company emerged from Chapter 11 after completing a series of transactions through which the Company and its former parent, Ascent Capital, merged (the "Merger") in accordance with the terms of the Agreement and Plan of Merger, dated as of May 24, 2019 (the "Merger Agreement"). Monitronics was the surviving corporation and, immediately following the Merger, was redomiciled in Delaware in accordance with the terms of the Merger Agreement.

Upon emergence from Chapter 11 on the Effective Date, the Company applied Accounting Standards Codification ("ASC") 852, *Reorganizations* ("ASC 852"), in preparing its consolidated financial statements (see Note 3, Emergence from Bankruptcy and Note 4, Fresh Start Accounting). The Company selected a convenience date of August 31, 2019 for purposes of applying fresh start accounting as the activity between the convenience date and the Effective Date did not result in a material difference in the financial results. As a result of the application of fresh start accounting and the effects of the implementation of the Plan, a new entity for financial reporting purposes was created. References to "Successor" or "Successor Company" relate to the balance sheet and results of operations of Monitronics on and subsequent to September 1, 2019. References to "Predecessor" or "Predecessor Company" refer to the balance sheet and results of operations of Monitronics prior to September 1, 2019. With the exception of interest and amortization expense, the Company's operating results and key operating performance measures on a consolidated basis were not materially impacted by the reorganization. As such, references to the "Company" could refer to either the Predecessor Company or Successor Company periods, as defined.

Subsequent to the Petition Date and before the Effective Date, all expenses, gains and losses directly associated with the restructuring and reorganization proceedings are reported as Gain on restructuring and reorganization, net in the accompanying consolidated statements of operations and comprehensive income (loss).

The consolidated financial statements contained in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for all periods presented.

(2) Summary of Significant Accounting Policies

Consolidation Principles

The consolidated financial statements include the accounts of the Company, its majority owned subsidiaries over which the Company exercises control and a variable interest entity. See Note 6, Variable Interest Entity for further information. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers investments with original purchased maturities of three months or less when acquired to be cash equivalents.

Restricted Cash

Restricted cash is cash that is restricted for a specific purpose and cannot be included in the cash and cash equivalents account.

Trade Receivables

Trade receivables consist primarily of amounts due from subscribers for recurring monthly monitoring services over a wide geographical base. The Company performs extensive credit evaluations on the portfolios of subscriber accounts prior to acquisition and requires no collateral on the accounts that are acquired. The Company has established an allowance for doubtful accounts for estimated losses in accordance with Financial Accounting Standards Board ("FASB") ASC Topic 326, *Credit Losses* ("ASC 326"), resulting from the inability of subscribers to make required payments. Factors such as historical-loss experience, recoveries and economic conditions are considered in determining the sufficiency of the allowance to cover potential losses. The allowance for doubtful accounts as of December 31, 2020 and 2019 was $3,096,000 and $3,828,000, respectively.

A summary of activity in the allowance for doubtful accounts is as follows (amounts in thousands):

	Balance Beginning of Period	Charged to Expense	Write-Offs and Other	Balance End of Period
Year Ended December 31, 2020 (Successor Company)	$ 3,828	$ 8,538	$ (9,270)	$ 3,096
Period from September 1, 2019 through December 31, 2019 (Successor Company)	$ —	$ 3,828	$ —	$ 3,828
Period from January 1, 2019 through August 31, 2019 (Predecessor Company)	$ 3,759	$ 7,558	$ (11,317)	$ —
Year Ended December 31, 2018 (Predecessor Company)	$ 4,162	$ 12,300	$ (12,703)	$ 3,759

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of trade accounts receivable. The Company performs extensive credit evaluations on the portfolios of subscriber accounts prior to acquisition and requires no collateral on the subscriber accounts that are acquired. Concentrations of credit risk with respect to trade accounts receivable are generally limited due to the large number of subscribers comprising the Company's customer base.

Fair Value of Financial Instruments

Fair values of cash equivalents, current accounts receivable and current accounts payable approximate their carrying amounts because of their short-term nature. The Company's debt instruments are recorded at amortized cost on the consolidated balance sheet. See Note 11, Derivatives and Note 12, Fair Value Measurements for further fair value information on the Company's debt instruments.

Inventories

Inventories consist of security system components and parts and are stated at the lower of cost (using the weighted average costing method) or net realizable value.

Property and Equipment

Property and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the underlying lease. Estimated useful lives by class of asset are as follows:

Leasehold improvements	15 years or lease term, if shorter
Computer systems and software	3 - 5 years
Furniture and fixtures	5 - 7 years

Management reviews the realizability of its property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In evaluating the value and future benefits of long-term assets, their carrying value is compared to management’s best estimate of undiscounted future cash flows over the remaining economic life. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the estimated fair value of the assets. If necessary, the Company would use both the income approach and market approach to estimate fair value.

Subscriber Accounts

Subscriber accounts relate primarily to the monitoring service contracts acquired from independent dealers. The subscriber accounts asset was adjusted to fair value in connection with the Company's application of fresh start accounting under ASC 852 upon the Company's emergence from Chapter 11 (see Note 4, Fresh Start Accounting for further information). The valuation of subscriber accounts was based on the projected cash flows to be generated by the existing subscribers as of the Effective Date. Subscriber accounts acquired after the Company's emergence from bankruptcy are recorded at cost. All direct and incremental costs associated with the acquisition of monitoring service contracts from its independent dealers are capitalized (the "subscriber accounts asset"). Upon adoption of Accounting Standards Update 2014-19, *Revenue from Contracts with customers (Topic 606)*, as amended, all costs on new subscriber contracts obtained in connection with a subscriber move ("Moves Costs") are expensed, whereas prior to adoption, certain Moves Costs were capitalized on the balance sheet. Also included in the subscriber accounts are capitalized contract costs related to bonus incentives and other incremental costs associated with accounts originated in the Direct to Consumer Channel.

The fair value of subscriber accounts as of the Company's emergence from Chapter 11, as well as certain accounts acquired in bulk purchases, are amortized using the 14-year 235% declining balance method. The costs of all other subscriber accounts and capitalized contract costs are amortized using the 15-year 220% declining balance method, beginning in the month following the date of acquisition. The amortization methods were selected to provide an approximate matching of the amortization of the subscriber accounts intangible asset to estimated future subscriber revenues based on the projected lives of individual subscriber contracts. Amortization of subscriber accounts for the Successor Company year ended December 31, 2020, the Successor Company period September 1, 2019 through December 31, 2019, the Predecessor Company period January 1, 2019 through August 31, 2019 and the Predecessor Company year ended December 31, 2018 was $193,037,000, $61,771,000, $130,411,000 and $204,130,000, respectively.

Based on subscriber accounts held at December 31, 2020, estimated amortization of subscriber accounts in the succeeding five fiscal years ending December 31 is as follows (amounts in thousands):

2021	$	183,239
2022	$	152,775
2023	$	127,371
2024	$	106,186
2025	$	88,518

The Company has processes and controls in place, including the review of key performance indicators, to assist management in identifying events or circumstances that indicate the subscriber accounts asset may not be recoverable. If an indicator that the asset may not be recoverable exists, management tests the subscriber accounts asset for impairment. For purposes of recognition and measurement of an impairment loss, we view subscriber accounts as a single pool because of the assets' homogeneous characteristics, and the pool of subscriber accounts is the lowest level for which identifiable cash flows are largely independent of the cash flows of the other assets and liabilities. If such assets are considered to be impaired, the impairment loss to be recognized is measured as the amount by which the carrying value of the assets exceeds the estimated fair value, as determined using the income approach.

In addition, the Company reviews the subscriber accounts asset amortization methodology annually to ensure the methodology is consistent with actual experience.

Dealer Network and Other Intangible Assets

Upon the adoption of fresh start accounting on August 31, 2019, the fair value of our dealer network as of that date was determined and recorded as an intangible asset. Furthermore, a fair value adjustment related to the Company's leasehold agreement was recorded as an other intangible asset. See Note 4, Fresh Start Accounting for further information.

The Predecessor Company dealer network was an intangible asset that related to the dealer relationships that were acquired as part of the acquisition of Security Networks, LLC ("Security Networks"). Other Predecessor Company intangible assets consisted of non-compete agreements signed by the seller of Security Networks and certain key Security Networks executives. These Predecessor Company intangible assets were amortized on a straight-line basis over their estimated useful lives of 5 years. These Predecessor Company intangible assets were fully amortized during 2018. The LiveWatch trade mark asset was initially to be amortized over 10 years. Upon the rollout of the Brinks Home Security brand in the second quarter of 2018, it was determined that the LiveWatch trade mark asset had no remaining useful life and the remaining asset balance was amortized.

Amortization of dealer network and other intangible assets for the Successor Company year ended December 31, 2020, the Successor Company period September 1, 2019 through December 31, 2019, the Predecessor Company period January 1, 2019 through August 31, 2019 and the Predecessor Company year ended December 31, 2018 was $24,236,000, $7,922,000, $0 and $6,994,000, respectively.

Goodwill

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

To the extent necessary, recoverability of goodwill at a reporting unit level is measured using a discounted cash flow model incorporating discount rates commensurate with the risks involved, which is classified as a Level 3 measurement under FASB ASC Topic 820, *Fair Value Measurements and Disclosures.* The key assumptions used in the discounted cash flow valuation model include discount rates, growth and attrition rates, cash flow projections and terminal value rates. Discount rates, growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value.

Holdback Liability

The Company typically withholds payment of a designated percentage of the acquisition cost when it acquires subscriber accounts from dealers. The withheld funds are recorded as a liability until the guarantee period provided by the dealer has expired. The holdback is used as a reserve to cover any terminated subscriber accounts that are not replaced by the dealer during the guarantee period. At the end of the guarantee period, the dealer is responsible for any deficit or is paid the balance of the holdback.

Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to movement in interest rates. The use of these financial instruments modifies the exposure of these risks with the intention of reducing the risk or cost. The Company does not use derivatives for speculative or trading purposes. The Company recognizes the fair value of all derivative instruments as either assets or liabilities at fair value on the consolidated balance sheets. Fair value is based on market quotes for similar instruments with the same duration. For derivative instruments that qualify for hedge accounting under the provisions of FASB ASC Topic 815, *Derivatives and Hedging*, unrealized gains and losses on the derivative instruments are reported in Accumulated other comprehensive income (loss), to the extent the hedges are effective, until the underlying transactions are recognized in earnings. Derivative instruments that do not qualify for hedge accounting are marked to market at the end of each accounting period with the change in fair value recorded in earnings.

Revenue Recognition

The Company offers its subscribers professional alarm monitoring services, as well as interactive and home automation services, through equipment at the subscriber's site that communicates with the Company’s alarm monitoring station and interfaces with other equipment at the site and third-party technology companies for interactive and home automation services. These services are typically provided under alarm monitoring agreements ("AMAs") between the Company and the subscriber. The equipment at the site is either obtained independently from our Network Sales Channel or from our Direct to Consumer Channel. The Company also offers equipment sales and installation services and, to our existing subscribers, maintenance services on existing alarm equipment. Additionally, the Company collects fees for contract monitoring, which are services provided to other security alarm companies for monitoring their accounts on a wholesale basis and other fees from subscribers for late fee or insufficient fund charges.

Revenue under subscriber AMAs is allocated to alarm monitoring revenue and, if applicable, product and installation revenue based on the stand alone selling prices ("SSP") of each performance obligation as a percentage of the total SSP of all performance obligations. Allocated alarm monitoring revenue is recognized as the monthly service is provided. Allocated product and installation revenue is recognized when the product sale is complete or shipped and the installation service is provided, typically at inception of the AMA. Product and installation revenue is not applicable to AMA's acquired from the Dealer Channel in their initial term. A contract asset is reported to the extent that cumulative revenue recognized for a contract exceeds of the sum of cash received and any outstanding accounts receivable. Contract assets are released to accounts receivable corresponding to unconditional rights to collect consideration that arise from the Company’s performance and billing of services under the terms of the AMA.

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

A policy election is applied to exclude transaction taxes (e.g., sales taxes) collected from customers from revenue when the tax is both imposed on and concurrent with a specific revenue-producing transaction.

The Company records an allowance for expected credit losses in accordance with ASC 326 on its contract assets that, when deducted from the gross asset balance, presents the net amounts expected to be collected. The allowance is estimated each period based on the Company’s historical loss experience with adjustments for current and expected future conditions. If a subscriber cancels the AMA within the negotiated term, any existing contract asset is determined to be impaired and is immediately written off through the allowance for expected credit losses. Provisions for credit losses are recognized in Selling, general and administrative expense on the consolidated statements of operations and comprehensive income (loss).

The changes in the allowance for expected credit losses on its contract assets for the year ending December 31, 2020 are as follows (amounts in thousands):

Balance as of January 1, 2020	$	—
Adoption of ASU 2016-13		(1,627)
Adjusted balance as of January 1, 2020	$	(1,627)
Provision for credit losses		(2,436)
Write-offs		1,978
Balance as of December 31, 2020	$	(2,085)

See Note 5, Recent Accounting Pronouncements for further information regarding the adoption of ASU 2016-13.

Income Taxes

The Company accounts for income taxes under FASB ASC Topic 740,*Income Taxes* ("ASC 740"), which prescribes an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than proposed changes in the tax law or rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

ASC 740 specifies the accounting for uncertainty in income taxes recognized in a company's consolidated financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In instances where the Company has taken or expects to take a tax position in its tax return and the Company believes it is more likely than not that such tax position will be upheld by the relevant taxing authority, the Company records the benefits of such tax position in its consolidated financial statements.

Stock-Based Compensation

The Company accounts for stock-based awards pursuant to FASB ASC Topic 718,*Compensation-Stock Compensation* ("ASC 718"), which requires companies to measure the cost of employee services received in exchange for an award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the award, and to recognize that cost over the period during which the employee is required to provide service (usually the vesting period of the award). Forfeitures of awards are recognized as they occur.

Successor Company Basic and Diluted Earnings (Loss) Per Common Share

Basic earnings (loss) per common share ("EPS") is computed by dividing net income (loss) by the weighted average number of shares of Common Stock outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the sum of the weighted average number shares of Common Stock outstanding and the effect of dilutive securities. For the year ended December 31, 2020 and the period from September 1, 2019 through December 31, 2019, there were no anti-dilutive securities outstanding. The weighted average number of basic and diluted shares of Common Stock was 22,500,000 for both of the year ended December 31, 2020 and the period from September 1, 2019 through December 31, 2019. There were no public shares of Common Stock outstanding prior to September 1, 2019.

Estimates

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

Supplemental Cash Flow Information

	Successor Company		Predecessor Company	
	Year Ended December 31, 2020	Period from September 1, 2019 through December 31, 2019	Period from January 1, 2019 through August 31, 2019	Year Ended December 31, 2018
State taxes paid, net	$ 2,532	$ —	$ 2,637	$ 2,569
Interest paid	$ 78,954	$ 28,467	$ 72,710	$ 147,632
Accrued capital expenditures	$ 572	$ 1,804	$ 1,405	$ 552
Earnout Payments liability	$ 114,603	$ —	$ —	$ —

(3) Emergence from Bankruptcy

On August 7, 2019, the Bankruptcy Court entered the Confirmation Order confirming the Plan. On the Effective Date, the conditions to the effectiveness of the Plan were satisfied and the Company emerged from Chapter 11 after completing a series of transactions through with the Company and its former parent, Ascent Capital, merged in accordance with the terms of the Merger Agreement. Monitronics was the surviving corporation and, immediately following the Merger, was redomiciled in Delaware in accordance with the terms of the Merger Agreement.

Cancellation of Certain Prepetition Obligations

On the Effective Date, by operation of the Plan, all outstanding obligations under (i) the 9.125% Senior Notes due April 2020 (the "Predecessor Senior Notes") and the indenture governing the Predecessor Senior Notes and (ii) the Company's prepetition credit facility (the "Predecessor Credit Facility") were terminated, as described in further detail below.

Additional Matters Contemplated by the Plan

On the Effective Date, the Company also completed a series of transactions through which the Company's debt was restructured as follows:

(i) terminating the Company's $245,000,000 secured debtor-in-possession revolving credit facility (the "Predecessor DIP Facility") and replacing it with a $145,000,000 senior secured revolving credit facility (the "Successor Revolving Credit Facility") and $150,000,000 in senior secured term loans (the "Successor Term Loan Facility" and together with the Successor Revolving Credit Facility the "Successor Credit Facilities"),

(ii) exchanging $1,072,500,000 of outstanding term loans under the Company's Predecessor Credit Facility for (A) $150,000,000 in cash received from the equity rights offering described below, (B) $100,000,000 in shares of Common Stock (as defined below), and (C) term loans under an $822,500,000 takeback term loan facility (the "Successor Takeback Loan Facility"), and

(iii) cancelling the Company's $585,000,000 outstanding Predecessor Senior Notes and exchanging the Predecessor Senior Notes for, at the option of each holder of the Predecessor Senior Notes (the "Noteholders"), (A) cash in an amount equal to 2.5% of the principal and accrued but unpaid interest due under the Senior Notes held by such Noteholder or (B) to the extent that such Noteholder elects not to receive cash, its pro rata share of 18.0% of the Common Stock (as defined below) issued and outstanding as of the Effective Date.

See Note 10, Debt for further information regarding these debt transactions.

The Company also received $200,000,000 in cash from a combination of an equity rights offering to the Noteholders and $23,000,000 of a deemed contribution of cash on hand through a merger with Ascent Capital (as discussed below). This cash was used to repay Predecessor Term Loan debt.

The foregoing description of certain matters effected pursuant to the Plan, and the transactions related to and contemplated thereunder, is not intended to be a complete description of, or a substitute for, a full and complete reading of the Plan.

Ascent Capital Merger

As previously announced, on May 24, 2019, the Company and Ascent Capital entered into the Merger Agreement. On August 21, 2019, in connection with, and prior to the completion of the Merger, the stockholders of Ascent Capital approved the Merger Agreement at a special meeting of the stockholders. On August 30, 2019, the Company completed the Merger with Ascent Capital in accordance with the Merger Agreement. The Company was the surviving corporation and, immediately following the Merger, was redomiciled in Delaware. The Company's certificate of incorporation adopted in accordance with the Plan authorized the issuance of 45,000,000 shares of Common Stock, par value $0.01 per share ("Common Stock"), and 5,000,000 shares of Preferred Stock, par value $0.01 per share ("Preferred Stock"). For more information, see Note 15, Stockholders' Equity.

Under the terms of the Merger Agreement, the Company issued and reserved a total of 1,309,757 shares of common stock, par value $0.01 per share ("Common Stock"), to Ascent Capital's stockholders at a ratio of 0.1043086 shares of Common Stock for each share of Ascent Capital common stock (the "Exchange Ratio"). The Exchange Ratio was determined through negotiations between the Company and Ascent Capital.

Immediately after the Merger, there were approximately 22,500,000 shares of Common Stock issued and outstanding.

Immediately after the Merger, the former stockholders of Ascent Capital owned approximately 5.82% of the outstanding Common Stock. No fractional shares of Common Stock were issued in connection with the Merger. The Common Stock commenced trading on the OTCQX Best Market under the ticker symbol "SCTY" on September 4, 2019.

(4) Fresh Start Accounting

In connection with the Company's emergence from Chapter 11 on the Effective Date, the Company qualified for fresh start accounting under ASC 852 as (1) the holders of voting shares of the Predecessor Company received less than 50% of the voting shares of the Successor Company and (2) the reorganization value of the Company's assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims. ASC 852 requires that fresh start accounting be applied when the Bankruptcy Court enters a confirmation order confirming a plan of reorganization, or as of a later date when all material conditions precedent to the effectiveness of a plan of reorganization are resolved, which for Monitronics was August 30, 2019. The Company selected a convenience date of August 31, 2019 for purposes of applying fresh start accounting as the activity between the convenience date and the Effective Date did not result in a material difference in the financial results.

Upon the application of fresh start accounting, Monitronics allocated the reorganization value to its individual assets based on their estimated fair values in conformity with ASC 805, *Business Combinations* ("ASC 805"). Reorganization value represents the fair value of the Successor Company's assets before considering liabilities. Liabilities existing as of the Effective Date, other than deferred taxes, were recorded at the value of amounts expected to be paid. Deferred taxes were determined in conformity with applicable accounting standards. Predecessor Company accumulated depreciation, accumulated amortization, and accumulated deficit were eliminated. As a result of the application of fresh start accounting and the effects of the implementation of the Plan, the Company's consolidated financial statements after August 31, 2019 are not comparable to the Company's consolidated financial statements as of or prior to that date.

Reorganization Value

As set forth in the Plan, the enterprise value of the Successor Company was estimated to be between $1,350,000,000 and $1,550,000,000, which was confirmed by the Bankruptcy Court. Based on the estimates and assumptions discussed below, Monitronics estimated the enterprise value to be $1,373,400,000.

We estimated the enterprise value of the Successor Company by applying the discounted cash flow method. To estimate enterprise value applying the discounted cash flow method, we established an estimate of future cash flows for the period 2019 to 2026 with a terminal value and discounted the estimated future cash flows to present value. The expected cash flows for the period 2019 to 2026 with a terminal value were based upon certain financial projections and assumptions provided to the Bankruptcy Court. The expected cash flows for the period 2019 to 2026 were derived from revenue projections and assumptions regarding growth and profit margin, as applicable. We calculated a terminal value using an exit multiple based on subscriber monthly RMR in the terminal period.

The Company's enterprise value represents the fair value of its interest-bearing debt and equity capital, while the reorganization value is derived from the enterprise value by adding back non-interest bearing liabilities. The following table reconciles the enterprise value to the estimated reorganization value as of the Effective Date (dollars in thousands):

Enterprise value	$	1,373,400
Plus: Fair value of non-interest bearing current liabilities		61,188
Plus: Fair value of non-interest bearing long-term liabilities		26,060
Reorganization value	$	1,460,648

Consolidated Balance Sheet

The adjustments set forth in the following consolidated balance sheet as of August 31, 2019 reflect the consummation of the transactions contemplated by the Plan (reflected in the column "Reorganization Adjustments"), transactions recorded to complete the merger with Ascent Capital (reflected in the column "Ascent Capital Merger") as well as fair value adjustments as a result of the adoption of fresh start accounting (reflected in the column "Fresh Start Adjustments"). The explanatory notes highlight methods used to determine fair values or other amounts of the assets and liabilities as well as significant assumptions or inputs (dollars in thousands).

	As of August 31, 2019				
	Predecessor Company	Reorganization Adjustments	Ascent Capital Merger	Fresh Start Adjustments	Successor Company
Assets					
Current assets:					
Cash and cash equivalents	$ 19,862	$ 3,604 (1)	$ 1,139 (9)	$ —	$ 24,605
Restricted cash	35	—	—	—	35
Trade receivables, net	11,834	—	—	—	11,834
Prepaid and other current assets	23,825	—	27 (9)	—	23,852
Total current assets	55,556	3,604	1,166	—	60,326
Property and equipment, net	37,143	—	—	3,808 (10)	40,951
Subscriber accounts and deferred contract acquisition costs, net	1,151,322	—	—	(55,936) (11)	1,095,386
Dealer network and other intangible assets	—	—	—	144,700 (12)	144,700
Goodwill	—	—	—	81,943 (13)	81,943
Deferred income tax asset, net	783	—	—	—	783
Operating lease right-of-use asset	19,222	—	90 (9)	—	19,312
Other assets	17,932	—	—	(685) (14)	17,247
Total assets	$ 1,281,958	$ 3,604	$ 1,256	$ 173,830	$ 1,460,648
Liabilities and Stockholder's Equity (Deficit)					
Current liabilities:					
Accounts payable	$ 13,713	$ —	$ —	$ —	$ 13,713
Other accrued liabilities	30,571	(1,070) (2)	241 (9)	4,427 (15)	34,169
Deferred revenue	12,646	—	—	(5,331) (16)	7,315
Holdback liability	12,516	—	—	(6,525) (17)	5,991
Current portion of long-term debt	—	8,225 (3)	—	—	8,225
Total current liabilities	69,446	7,155	241	(7,429)	69,413
Non-current liabilities:					
Long-term debt	199,000	786,775 (4)	—	—	985,775
Long-term holdback liability	1,817	—	—	—	1,817
Operating lease liabilities	16,055	—	—	—	16,055
Other liabilities	2,175	—	—	6,013 (15)	8,188
Total non-current liabilities	219,047	786,775	—	6,013	1,011,835
Liabilities subject to compromise	1,722,052	(1,722,052) (5)	—	—	—
Total liabilities	2,010,545	(928,122)	241	(1,416)	1,081,248
Commitments and contingencies					
Stockholder's equity (deficit):					
Predecessor additional paid-in capital	436,986	(436,986) (6)	—	—	—
Predecessor accumulated other comprehensive income, net	6,668	—	—	(6,668) (18)	—
Successor common stock	—	225 (7)	—	—	225
Successor additional paid-in capital	—	379,175 (7)	—	—	379,175
(Accumulated deficit) retained earnings	(1,172,241)	989,312 (8)	1,015 (9)	181,914 (18)	—
Total stockholder's equity (deficit)	(728,587)	931,726	1,015	175,246	379,400
Total liabilities and stockholder's equity (deficit)	$ 1,281,958	$ 3,604	$ 1,256	$ 173,830	$ 1,460,648

Reorganization adjustments

1. Reflects cash contributions and debt principal and interest payments from the implementation to the Plan as follows (dollars in thousands):

Equity rights offering proceeds from Noteholders	$	177,000
Equity rights offering proceeds from Ascent Capital		23,000
Payment of Predecessor Credit Facility principal and interest		(165,619)
Payment of Predecessor DIP Facility principal and interest		(28,570)
Payment of Predecessor Senior Notes principal and interest		(2,207)
Net cash contribution	$	3,604

2. Represents payment of Predecessor DIP Facility accrued interest.

3. Represents the Current portion of long-term debt based on the repayment terms of the Successor Takeback Loan Facility.

4. Represents the net increase in Long-term debt as follows (dollars in thousands):

Long-term portion of Successor Takeback Term Loan	$	814,275
Payment of Predecessor DIP Facility principal		(27,500)
Net increase in Long-term Debt	$	786,775

5. Liabilities subject to compromise immediately prior to the Effective Date consisted of the following (dollars in thousands):

Predecessor Term Loan	$	1,072,500
Predecessor Senior Notes		585,000
Predecessor Term Loan accrued interest		15,619
Predecessor Senior Notes accrued interest		48,933
Total Liabilities subject to compromise	$	1,722,052

Liabilities subject to compromise have been settled as follows in accordance with the Plan (dollars in thousands):

Liabilities subject to compromise	$	1,722,052
Payment of Predecessor Term Loan principal and interest		(165,619)
Payment of Predecessor Senior Notes principal and interest		(2,207)
Issue Successor Takeback Term Loan		(822,500)
Fair value of common stock issued to Predecessor Term Loan and Predecessor Senior Notes holders		(171,989)
Gain on settlement of Liabilities subject to compromise	$	559,737

6. Pursuant to the Plan, all equity interests of the Predecessor that were issuable or issued and outstanding immediately prior to the Effective Date were cancelled. The elimination of the carrying value of the cancelled equity interests was recorded as an offset to retained earnings (accumulated deficit).

7. Pursuant to the Plan, the Company issued new common stock through an equity rights offering to the Noteholders, the exchange of Ascent Capital common shares for Monitronics common shares pursuant to the Merger, the partial equitization of the Predecessor Term Loan and the cancellation of the outstanding Predecessor Senior Notes, to the extent each Noteholder elected not to receive cash. See Note 3, Emergence from Bankruptcy for further information regarding these transactions. As of the Effective Date, there were 22,500,000 common shares issued and outstanding that have a par value of $0.01 per share.

8. Adjustment made to Retained earnings (accumulated deficit) consisted of the following (dollars in thousands):

Cancellation of Predecessor additional paid-in capital	$ 436,986
Loss on equity rights offering discount, net	(7,411)
Gain on settlement of Liabilities subject to compromise	559,737
Total adjustment to Retained earnings (accumulated deficit)	$ 989,312

Ascent Capital Merger

9. Represents the transfer of the Ascent Capital final balances to Monitronics to complete the Merger.

Fresh Start Adjustments

10. Reflects the increase in net book value of property and equipment to the estimated fair value as of the Effective Date. The following table summarizes the components of Property and equipment, net as of August 31, 2019, and the fair value as of the Effective Date (dollars in thousands):

	Estimated Useful Life	Successor Company	Predecessor Company
Leasehold improvements	9 years	$ 353	$ 771
Computer systems and software	2 to 4 years	39,320	83,238
Furniture and fixtures	5 years	1,278	2,009
		40,951	86,018
Accumulated depreciation		—	(48,875)
Property and equipment, net		$ 40,951	$ 37,143

To estimate the fair value of property and equipment, the Company utilized an cost approach by applying the reproduction cost method. The Successor property and equipment will be depreciated using the straight-line method over the estimated useful lives of the assets.

11. Represents the fair value adjustment of the subscriber accounts. The fair value of the subscriber accounts was determined based on the excess earnings method, a derivation of the income approach, that considers cash flows to the subscriber accounts after accounting for a fair return to the other supporting assets of the business. The valuation of the subscriber accounts is based on the projected cash flows to be generated by the existing subscribers as of the Effective Date. The Successor subscriber accounts will be amortized using the 14-year 235% double-declining balance method. The amortization methods were selected to provide an approximate matching of the amortization of the subscriber accounts intangible asset to estimated future subscriber revenues based on the projected lives of individual subscriber contracts.

12. The Company recorded an adjustment to dealer network and other intangible assets as follows (dollars in thousands):

Dealer network	$ 140,000
Leasehold interest	4,700
Total Dealer network and other intangible assets	$ 144,700

The fair values of dealer network and other intangible assets were determined as follows:

a. The fair value of the dealer network was determined based on the excess earnings method, a derivation of the income approach, that considers cash flows related to the dealer network after accounting for a fair return to the other supporting assets of the business. The valuation of the dealer network is based on the cash flow, net of purchase price, to be earned from subscribers purchased in the future from the current dealer network. The Successor dealer network will be amortized on a straight-line basis over the estimated useful life of six years.

b. The leasehold interest was valued using an income approach by applying the discount cash flow method based on the contractual lease rate and market lease rates. The Successor leasehold interest will be amortized on a straight-line basis over the remaining life of the lease.

13. The amount recognized for goodwill represents the amount of the reorganization value, after the fresh start accounting adjustments, left over after allocating to the fair value of acquired assets and liabilities.

14. Represents the elimination of the carrying value of dealer assets. The fair value adjustment of these assets is included in the valuation of the dealer network.

15. Represents the fair value adjustment of the bonus purchase price and revenue sharing liabilities based on estimated future cash payments.

16. Represents the fair value adjustment of deferred revenue to remove gross margin costs from the balance sheet.

17. Represents the fair value adjustment of the holdback liability based on estimated future cash payments.

18. Reflects the cumulative impact of the fresh start accounting adjustments discussed above on retained earnings (accumulated deficit) as follows (dollars in thousands):

Property and equipment fair value adjustment	$	3,808
Subscriber accounts fair value adjustment		(55,936)
Dealer network and other intangible assets fair value adjustment		144,700
Goodwill		81,943
Other assets and liabilities fair value adjustments		731
Predecessor accumulated other comprehensive income, net		6,668
Net gain on fresh start adjustments	$	181,914

Gain on restructuring and reorganization, net

Gain on restructuring and reorganization recognized as a result of the Chapter 11 Cases is presented separately in the accompanying consolidated statements of operations and comprehensive income (loss) as follows (dollars in thousands):

	Predecessor Company
	Period from January 1, 2019 through August 31, 2019
Gain on settlement of Liabilities subject to compromise (a)	559,737
Gain on fresh start adjustments (b)	181,914
Loss on equity rights offering discount (c)	(8,325)
Restructuring and reorganization expense (d)	(63,604)
Gain on restructuring and reorganization, net	669,722

(a) Gain recognized primarily on Predecessor Senior Notes converted from debt to equity and Predecessor Senior Notes settled at a discount in accordance with the Plan.
(b) Revaluation of certain assets and liabilities upon the adoption of fresh start accounting.
(c) In accordance with the Plan, Noteholders that participated in the equity rights offering purchased Monitronics common stock at a discount.
(d) Legal, financial advisory and other professional costs directly associated with the restructuring and reorganization process.

(5) Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326)* ("ASU 2016-13"), and related amendments, which replaces the incurred loss impairment methodology under prior GAAP with an expected credit loss model. ASU 2016-13 affects trade receivables, loans, contract assets, certain beneficial interests, off-balance sheet credit exposures not accounted for as insurance and other financial assets that are not subject to fair value through net income, as defined by the standard. Under the expected credit loss model, we are required to consider future economic trends to estimate expected credit losses over the lifetime of the asset. We adopted ASU 2016-13 as of January 1, 2020 using the modified retrospective approach and recorded a $1,627,000 increase in Accumulated deficit and a reduction in Contract assets, net - current portion, which is included in Prepaid and other current assets in the consolidated balance sheets, as an opening adjustment.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in FASB ASC Topic 740 and becomes effective on January 1, 2021. The adoption of the new guidance is not expected to have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)* ("ASU 2020-04"). ASU 2020-04 provides optional guidance for a limited period of time to ease potential accounting impact associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate ("LIBOR"). The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The amendments in ASU 2020-04 can be adopted as of March 12, 2020 and are effective through December 31, 2022. The guidance is optional and may be elected over time as reference rate reform activities occur. During the second quarter of 2020, the Company elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Company continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

(6) Variable Interest Entity

On December 23, 2020, the Company completed a transaction (the "Select Security Transaction") in which it will acquire approximately 40,000 alarm monitoring contracts from Kourt Security Partners, LLC, doing business as Select Security (the "Seller"). The Company will take ownership of the alarm monitoring contracts through an earnout structure that includes a $10,914,000 upfront payment and a 50-month earnout period (the "Earnout Period"). Per the terms of the Select Security Transaction, the Seller transferred title of the monitoring contracts and other certain business assets to GS Security Alarm LLC ("GSSA"). GSSA is a bankruptcy-remote special purpose vehicle designed only to transact the sale of subscriber accounts and related assets to the Company. The Company was significantly involved in the design of GSSA; however, the Company does not own any equity interest in GSSA. GSSA transferred the specified business assets to the Company immediately after close as well as a certain subset of the monitoring contracts. Title to the remaining monitoring contracts will transfer from GSSA to the Company during the Earnout Period with title to all of the monitoring contracts transferred by month 50. For 90 days after the close, the Seller will provide transition services to the Company.

The Company also signed a monitoring services agreement with GSSA that establishes the Company as the sole and exclusive service provider for all of the subscriber accounts regardless of legal ownership during the 50-month period. Through this contract, the Company is responsible for all aspects of servicing the subscriber accounts and for making all operating and management decisions regarding these accounts in a manner in the Company's sole discretion. The Company is also responsible for incurring all costs to serve the accounts and is entitled to the revenues generated by the accounts.

We determined that GSSA is a variable interest entity ("VIE") because the equity holder lacks the power to direct the activities that most significantly impact GSSA's economic performance. This conclusion is based upon GSSA's legally restricted and limited purpose as designed by the Company as well as the monitoring services agreement that conveys all operating decisions and responsibilities to the Company. Further, we determined that the Company is the primary beneficiary of GSSA as we have both the power to direct the activities that most significantly impact GSSA's economic performance and the obligation to absorb profits and/or losses of GSSA that could potentially be significant to GSSA.

We determined that GSSA does not meet the definition of a business as per FASB Topic ASC 810, *Consolidation (Topic 810)* ("ASC 810"), and therefore we applied the guidance in ASC 810 for initial consolidation of a VIE that is not a business when consolidating GSSA's financial statements for the year ended December 31, 2020. No gain or loss was generated as a result of the initial consolidation as the fair value of the consideration paid was consistent with the $42,214,000 fair value of net assets acquired.

At December 31, 2020, GSSA holds $35,171,000 of assets, of which $35,148,000 is the subscriber accounts intangible asset. This asset is presented in Subscriber accounts and deferred contract acquisition costs, net on the consolidated balance sheets. The remaining asset held by GSSA at December 31, 2020 consists of an immaterial amount of accounts receivable. GSSA does not hold any other assets or liabilities at December 31, 2020.

Notwithstanding its legal form, the Company's transaction with GSSA has substantive characteristics of a financing arrangement with an obligation for the residual interest in GSSA. Accordingly, the noncontrolling interest in GSSA is presented as a liability within the Company's consolidated financial statements.

The initial cash payment made at closing to GSSA's equity holder is presented within cash outflows for investing activities in our consolidated statements of cash flows. As of December 31, 2020, cash earnout payments to GSSA's equity holder have not yet commenced.

(7) Property and Equipment

Property and equipment consist of the following (amounts in thousands):

	December 31, 2020	December 31, 2019
Property and equipment, net:		
Leasehold improvements	$ 547	$ 397
Computer systems and software	57,126	43,915
Furniture and fixtures	1,891	1,561
	59,564	45,873
Accumulated depreciation	(17,621)	(3,777)
Property and equipment, net	$ 41,943	$ 42,096

Depreciation expense for the Successor Company year ended December 31, 2020, the Successor Company period September 1, 2019 through December 31, 2019, the Predecessor Company period January 1, 2019 through August 31, 2019, and the Predecessor Company year ended December 31, 2018 was $13,844,000, $3,777,000, $7,348,000 and $11,434,000, respectively.

In connection with the application of fresh start accounting on August 31, 2019, the Company recorded fair value adjustments disclosed in Note 4, Fresh Start Accounting. Accumulated depreciation was therefore eliminated as of that date.

(8) Goodwill

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

	Brinks Home Security
Balance at December 31, 2018 (Predecessor Company)	$ —
Period activity	—
Balance at August 31, 2019 (Predecessor Company)	$ —
Impact of fresh start accounting	81,943
Balance at August 31, 2019 (Successor Company)	$ 81,943
Period activity	—
Balance at December 31, 2019 (Successor Company)	$ 81,943
Goodwill impairment	(81,943)
Balance at December 31, 2020 (Successor Company)	$ —

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

As of March 31, 2020, the Company determined that a triggering event had occurred as a result of the recent economic disruption and uncertainty due to the COVID-19 pandemic. In response to the triggering event, the Company performed a quantitative impairment test at the Brinks Home Security entity level as we operate as a single reporting unit. The fair value of the Company's reporting unit was estimated based on a discounted cash flow model and market-based approach. Assumptions critical to our fair value estimate under the discounted cash flow model include the discount rate, projected average revenue growth and projected long-term growth rates in the determination of terminal values. The results of the quantitative assessment indicated that the carrying value was in excess of the fair value of the reporting unit, including goodwill. An impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value. Applying this methodology, we recorded a full goodwill impairment charge of $81,943,000 during the year ended December 31, 2020. The factors leading to the goodwill impairment were lower projected overall account acquisition in future periods due to the estimated impact of COVID-19 on our account acquisition channels and an increase in the discount rate applied in the discounted cash flow model based on current economic conditions. This resulted in reductions in future cash flows and a lower fair value as calculated under the income approach.

Upon the application of fresh start accounting on August 31, 2019, the Company recorded fair value adjustments disclosed in Note 4, Fresh Start Accounting. The amount recognized for goodwill represented the amount of the reorganization value, after the fresh start accounting adjustments, left over after allocating to the fair value of acquired assets and liabilities.

(9) Other Accrued Liabilities

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

	December 31, 2020	December 31, 2019
Accrued payroll and related liabilities	$ 11,563	$ 5,908
Interest payable	278	291
Income taxes payable	2,301	2,603
Operating lease liabilities	3,418	3,725
Contingent dealer liabilities	2,756	3,274
Earnout Payments liability	31,633	—
Other	6,772	9,153
Total Other accrued liabilities	$ 58,721	$ 24,954

(10) Debt

Debt consisted of the following (amounts in thousands):

	December 31, 2020	December 31, 2019
Takeback Loan Facility, matures March 29, 2024, LIBOR plus 6.5%, subject to a LIBOR floor of 1.25%, with an effective rate of 8.0%	$ 812,219	$ 820,444
Term Loan Facility, matures July 3, 2024, LIBOR plus 5.0%, subject to a LIBOR floor of 1.5%, with an effective rate of 6.7%	150,000	150,000
Revolving Credit Facility, matures July 3, 2024, LIBOR plus 5.0%, subject to a LIBOR floor of 1.5%, or base rate (with a floor of 4.5%) plus 4.0%, with an effective rate of 9.5%	17,000	16,000
	$ 979,219	$ 986,444
Less: Current portion of long-term debt	(8,225)	(8,225)
Long-term debt	$ 970,994	$ 978,219

Takeback Loan Facility

On the Effective Date, pursuant to the terms of the Plan, the Debtors entered into an $822,500,000 takeback term loan facility (the "Takeback Loan Facility") with the lenders party thereto, and Alter Domus (formerly known as Cortland Capital Market Services, LLC) as administrative agent. The Takeback Loan Facility requires quarterly interest payments and quarterly principal payments of $2,056,250, and matures on March 29, 2024. Interest on loans made under the Takeback Loan Facility accrues at an interest rate per year equal to the LIBOR rate (with a floor of 1.25%) plus 6.5% or base rate plus 5.5%. The Takeback Loan Facility, subject to certain exceptions, is guaranteed by each of the Company's existing and future domestic subsidiaries and is secured by substantially all the assets of the Company and such subsidiary guarantors. See Note 20, Consolidating Guarantor Financial Information for further information. The Takeback Loan Facility contains customary representations, warranties, covenants and events of default and related remedies.

Credit Facilities

On the Effective Date, pursuant to the terms of the Plan, the Debtors entered into a $145,000,000 senior secured revolving credit facility (the "Revolving Credit Facility"), including a $10,000,000 swingline loan, and $150,000,000 in senior secured term loans (the "Term Loan Facility" and together with the Revolving Credit Facility, the "Credit Facilities") with the lenders party thereto, and Encina Private Credit SPV, LLC as administrative agent, swingline lender and L/C issuer. As of December 31, 2020, the Company had $600,000 available under a standby letter of credit issued. As of December 31, 2020, $127,400,000 is available for borrowing under the Revolving Credit Facility, subject to certain financial covenants.

The maturity date of loans made under the Credit Facilities is July 3, 2024, subject to a springing maturity of March 29, 2024, or earlier, depending on any repayment, refinancing or changes in the maturity date of the Takeback Loan Facility. Interest on loans made under the Credit Facilities accrues at an interest rate per year equal to the LIBOR rate (with a floor of 1.5%) plus 5.0% or base rate (with a floor of4.5%) plus 4.0%, dependent upon the type of borrowing requested by the Company. There is a commitment fee of 0.75% on unused portions of the Revolving Credit Facility.

The Credit Facilities, subject to certain exceptions, are guaranteed by each of the Company's existing and future domestic subsidiaries and are secured by substantially all the assets of the Company and such subsidiary guarantors. See Note 20, Consolidating Guarantor Financial Information for further information. The Credit Facilities contain customary representations, warranties, covenants and events of default and related remedies.

On June 17, 2020, the Company entered into Amendment No. 1 to the Takeback Loan Facility and Amendment No. 1 to the Credit Facilities (collectively, the "Credit Agreements"). The Amendments amended the applicable Credit Agreement to, among other things, (a) exclude earnouts, holdbacks, and similar payments (including the Earnout Payments) from consideration in the determination of the maximum amount of bulk purchases of alarm monitoring contracts permitted annually, (b) limit the recurring monthly revenue attributable to monitoring contracts with an active earnout, holdback or similar payment for the calculation of certain leverage ratios, (c) limit the annual amount permitted to be paid by the Company to buy out, accelerate, or settle any earnout, holdback or similar payments for future acquisitions structured similarly to the Acquisition prior to the original due date of such payments and (d) permit a board observer appointed by a majority of the lenders party to the Takeback Loan Facility to attend meetings of the board of directors of the Company.

The terms of the Takeback Loan Facility and the Credit Facilities provide for certain financial and nonfinancial covenants. As of December 31, 2020, the Company was in compliance with all required covenants under these financing arrangements.

As of December 31, 2020, principal payments scheduled to be made on the Company’s debt obligations are as follows (amounts in thousands):

2021	$	8,225
2022		8,225
2023		8,225
2024		954,544
2025		—
Thereafter		—
Total debt principal payments	$	979,219

(11) Derivatives

Interest Rate Cap

In November of 2019, the Company entered into an interest rate cap agreement to reduce the interest rate risk inherent in the Company's variable rate Takeback Loan Facility. The interest rate cap agreement provides the right to receive cash if the reference interest rate rises above a contractual rate. The premium paid for the interest rate cap agreement was $3,020,000, which was the initial fair value of the interest rate cap recorded on the consolidated balance sheets.

The critical terms of the interest rate cap were designed to mirror the terms of the Company's variable rate Takeback Loan Facility and are highly effective at offsetting the cash flows being hedged. The Company designated the interest rate cap as a cash flow hedge of the variability of the LIBOR-based interest payments on $750,000,000 of principal of the Takeback Loan Facility. The interest rate cap agreement will expire on December 31, 2023. The effective portion of the interest rate cap's change in fair value is recorded in Accumulated other comprehensive income (loss). Any ineffective portions of the interest rate cap's change in fair value are recognized in current earnings in Interest expense.

During the year ended December 31, 2020 and the Successor Company period from September 1, 2019 through December 31, 2019, interest expense of $340,000 and $71,000, respectively, was reclassified from Accumulated other comprehensive income (loss) to Interest expense on the consolidated statements of operations and comprehensive income (loss). The Company expects to similarly reclassify approximately $737,000 from Accumulated other comprehensive income (loss) to Interest expense on the consolidated statements of operations and comprehensive income (loss) in the next twelve months.

The fair value of the interest rate cap was $117,000 at December 31, 2020, and constituted an asset of the Company. The fair value of the interest rate cap is included in non-current Other assets, net on the consolidated balance sheets based on the maturity date of the derivative instrument. See Note 12, Fair Value Measurements for related fair value disclosures.

Interest Rate Swaps

Historically, the Company utilized Swaps to reduce the interest rate risk inherent in the Company's variable rate Credit Facility term loan. The valuation of these instruments was determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs, including interest rate curves and implied volatility. The Company incorporated credit valuation adjustments to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements. See Note 12, Fair Value Measurements for additional information about the credit valuation adjustments.

Prior to December of 2018, all of the Swaps were designated and qualified as cash flow hedging instruments, with the effective portion of the Swaps' change in fair value recorded in Accumulated other comprehensive income (loss). However, in December of 2018, given the potential for changes in the Company's future expected interest payments that these Swaps hedged, all of the Swaps no longer qualified as a cash flow hedge and were de-designated as such. Before the de-designation, changes in the fair value of the Swaps were recognized in Accumulated other comprehensive income (loss) and were reclassified to Interest expense when the hedged interest payments on the underlying debt were recognized. After the de-designation, changes in the fair value of the Swaps are recognized in Unrealized loss on derivative financial instruments on the consolidated statements of operations and comprehensive income (loss). For the period from January 1, 2019 through August 31, 2019, the Company recorded an Unrealized loss on derivative financial instruments of $4,577,000. On April 30, 2019, the various counterparties and the Company agreed to settle and terminate all of the outstanding swap agreements, which required us to pay $8,767,000 in termination amount to certain counterparties and required a certain counterparty to pay $6,540,000 in termination amount to us, resulting in a Realized net loss on derivative financial instruments of $2,227,000. There are no Swaps outstanding as of December 31, 2020.

Amounts recognized in Accumulated other comprehensive income (loss) as of the de-designation date were to be amortized to Interest expense on the consolidated statements of operations and comprehensive income (loss) over the remaining term of the hedged forecasted transactions of the Swaps which were 3 month LIBOR interest payments. The remaining amount recognized in Accumulated other comprehensive income (loss) was evaluated to have no fair value upon the application of fresh start accounting pursuant to the Plan. The carrying value of this amount was expensed to Gain on restructuring and reorganization, net in the Predecessor period.

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

	Successor Company		Predecessor Company	
	Year Ended December 31, 2020	Period from September 1, 2019 through December 31, 2019	Period from January 1, 2019 through August 31, 2019	Year Ended December 31, 2018
Effective portion of gain (loss) recognized in Accumulated other comprehensive income (loss)	$ (2,842)	$ (62)	$ —	$ 12,882
Interest cost of interest rate cap reclassified into Net loss (a)	$ 740	$ 71	$ —	$ —
Effective portion of loss reclassified from Accumulated other comprehensive income (loss) into Net income (loss) (b)	$ —	$ —	$ (940)	$ (1,496)

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

(b) Amounts are included in Interest expense in the consolidated statements of operations and comprehensive income (loss). Upon the adoption of ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* on January 1, 2018, ineffectiveness is no longer measured or recognized.

(12) 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 December 31, 2020 and December 31, 2019 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Interest rate cap agreement - asset (a)	$ —	$ 117	$ —	$ 117
Total	$ —	$ 117	$ —	$ 117
December 31, 2019				
Interest rate cap agreement - asset (a)	$ —	$ 2,959	$ —	$ 2,959
Total	$ —	$ 2,959	$ —	$ 2,959

(a) Interest rate cap asset value is included in non-current Other assets on the consolidated balance sheets.

The Company has determined that the significant inputs used to value the interest rate cap fall within Level 2 of the fair value hierarchy. As a result, the Company has determined that its interest rate cap valuation is 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):

	December 31, 2020		December 31, 2019	
Long term debt, including current portion				
Carrying value	$	979,219		986,444
Fair value (a)	$	883,377	$	857,717

(a) The fair value is based on market quotations 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, restricted cash, accounts receivable, accounts payable and contingent dealer liabilities, are carried at cost, which approximates their fair value because of their nature.

(13) Income Taxes

The Company's Income tax expense (benefit) is as follows (amounts in thousands):

	Successor Company				Predecessor Company			
	Year Ended December 31, 2020		Period from September 1, 2019 through December 31, 2019		Period from January 1, 2019 through August 31, 2019		Year Ended December 31, 2018	
Current:								
Federal	$	—	$	—	$	—	$	—
State		1,791		604		1,775		2,535
	$	1,791	$	604	$	1,775	$	2,535
Deferred:								
Federal	$	—	$	—	$	—	$	(12,892)
State		100		100		—		(1,195)
	$	100	$	100	$	—	$	(14,087)
Total Income tax expense (benefit)	$	1,891	$	704	$	1,775	$	(11,552)

Total Income tax expense (benefit) differs from the amounts computed by applying the U.S. federal income tax rate of 21% as a result of the following (amounts in thousands):

	Successor Company				Predecessor Company			
	Year Ended December 31, 2020		Period from September 1, 2019 through December 31, 2019		Period from January 1, 2019 through August 31, 2019		Year Ended December 31, 2018	
Computed expected tax expense (benefit)	$	(37,772)	$	(6,852)	$	126,039	$	(144,963)
Change in valuation allowance affecting income tax expense		37,669		6,958		16,769		52,916
Cancellation of debt income not taxable		—		—		(117,545)		—
Other restructuring and reorganization income not resulting in tax impact		—		—		(36,453)		—
Non-deductible bankruptcy costs		—		—		8,808		—
Goodwill impairment not resulting in tax impact		—		—		—		78,869
Other expense (income) not resulting in tax impact		500		42		2,755		568
Tax amortization of indefinite-lived assets		—		—		—		—
2017 Federal tax reform enactment		—		—		—		—
State and local income taxes, net of federal income taxes		1,494		556		1,402		1,058
Total Income tax expense (benefit)	$	1,891	$	704	$	1,775	$	(11,552)

Components of deferred tax assets and liabilities as of December 31, 2020 and 2019 are as follows (amounts in thousands):

	December 31, 2020	December 31, 2019
Accounts receivable reserves	$ 1,178	$ 1,008
Accrued liabilities	5,044	4,395
Earnout Payments liability	26,783	—
Net operating loss ("NOL") carryforwards	130,461	111,512
Derivative financial instruments	489	—
Other deferred tax assets	5,613	7,540
Valuation allowance	(63,881)	(24,457)
Total deferred tax assets	$ 105,687	$ 99,998
Intangible assets	(101,729)	(96,204)
Property, plant and equipment	(3,374)	(3,110)
Total deferred tax liabilities	$ (105,103)	$ (99,314)
Net deferred tax assets	$ 584	$ 684

For the year ended December 31, 2020, the valuation allowance increased by $39,424,000. The change in the valuation allowance is primarily attributable to $37,669,000 of current federal income tax benefit not recognized, which increases the valuation allowance. The remaining variance in the valuation allowance is attributable to state and other deferred tax impacts.

At December 31, 2020, the Company has $483,404,000 and $202,995,000 in NOLs for federal and state tax purposes, respectively. The federal net operating losses recognized through December 31, 2017 of $306,134,000 expire at various times from 2027 through 2037. The state net operating loss carryforwards will expire through 2040. Approximately $510,000 of the Company's net operating losses are subject to Internal Revenue Code Section 382 limitations. The Company also has $584,000 of state credits that will expire through 2027.

As of December 31, 2020, the 2017 to 2020 tax years remain open to examination by the IRS and the 2016 to 2020 tax years remain open to examination by certain state tax authorities.

A reconciliation of the beginning and ending amount of uncertain tax positions, which is recorded in other long term liabilities, is as follows (amounts in thousands):

	Successor Company		Predecessor Company	
	Year Ended December 31, 2020	Period from September 1, 2019 through December 31, 2019	Period from January 1, 2019 through August 31, 2019	Year Ended December 31, 2018
As of the beginning of the year	$ 5,629	$ 5,629	$ 205	$ 204
Increases for tax positions of current years	—	—	—	7
Reductions for tax positions of prior years	—	—	—	(6)
Increase from Ascent downstream merger	—	—	5,424	—
As of the end of the year	$ 5,629	$ 5,629	$ 5,629	$ 205

When the tax law requires interest to be paid on an underpayment of income taxes, the Company recognizes interest expense from the first period the interest would begin accruing according to the relevant tax law. Any accrual of interest and penalties related to underpayment of income taxes on uncertain tax positions is included in Income tax expense in the accompanying consolidated statements of operations and comprehensive income (loss). As of December 31, 2020, accrued interest and penalties related to uncertain tax positions were approximately $143,000. The Company does not expect a significant change in uncertain tax positions in the next twelve months.

In the fourth quarter of 2020, based on recent state guidance changes, the Company filed amended state tax returns for tax years 2015-2018 in one jurisdiction, utilizing a different income sourcing methodology than was used when the returns were originally filed. The amended returns are claiming a total cash tax refund of approximately $9,000,000 for state tax previously paid with the original filings. Based on the uncertainty of how the recent state guidance changes will be applied, the position is not considered to be more likely than not, therefore, any tax benefit would be offset by a corresponding reserve. As such, no benefit or reserve was recognized in the consolidated financial statements for the year ended December 31, 2020.

(14) Stock-Based and Long-Term Compensation

Incentive Award Plan

On August 3, 2020, the Board of Directors (the "Board") adopted the Monitronics International, Inc. 2020 Incentive Award Plan (the "Plan"), pursuant to which the company may grant cash, equity and equity-based incentive awards to eligible service providers. The Plan provides for the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents and other stock or cash-based awards (collectively, "awards"). Non-employee directors of the Company, as well as employees and consultants of the Company or its subsidiaries (collectively, "participants") are eligible to receive awards under the Plan. The Plan authorizes the issuance of 2,500,000 shares of common stock.

Through December 31, 2020, and pursuant to the Plan, the company granted a total of1,317,750 Performance-Based Restricted Stock Unit awards ("PRSUs") and a total of 564,750 Time-Based Restricted Stock Unit awards ("TRSUs") covering shares of common stock to certain of the company's directors, executives and senior leadership employees. Each RSU represents a contractual right to receive one share of the company's common stock upon becoming fully vested and payable subject to the terms and conditions of the respective award agreement. Both the PRSUs and the TRSUs are subject to performance condition such that the awards are not payable unless there is a change in control of the company. Because a change in control is not probable of occurring as of the reporting date, no compensation expense has been recognized for either the PRSUs or the TRSUs for the year ended December 31, 2020.

Cash Incentive Plan

In 2017 and 2018, the Company made awards to certain employees under its 2017 Cash Incentive Plan (the “2017 Plan”). The 2017 Plan provides the terms and conditions for the grant of, and payment with respect to, phantom units granted to certain officers and other key personnel of the Company. When each award was originally granted, the value of a single phantom unit (“phantom unit value”) was tied to the value of Ascent Capital Series A Common Stock. Upon completion of the Merger, the number of outstanding phantom units was converted using the Exchange Ratio. Following the Merger, the phantom unit value is tied to the value of Common Stock. The 2017 Plan is administered by a committee (the "committee") whose members are designated by the Compensation Committee of Monitronics' Board of Directors. Grants are determined by the committee, with the first grant occurring on January 1, 2017 and a second grant occurring on January 1, 2018. There were 6,644 phantom units outstanding as of December 31, 2020. The phantom units vest annually over a three-year period beginning on the grant date and are payable in cash at each vesting date. The Company records a liability and a charge to expense based on the phantom unit value and percent vested at each reporting period. As of December 31, 2020, $83,000 was accrued for the estimated vested value of the phantom awards.

(15) Stockholders' Equity

Prior to the Merger, the Company had one thousand shares of common stock issued and outstanding to Ascent Capital. Upon completion of the Merger, these shares were cancelled. Pursuant to the Company's certificate of incorporation adopted in accordance with the Plan, the Company is authorized to issue an aggregate of 50,000,000 shares of stock consisting of: (i) 45,000,000 shares of Common Stock and (ii) 5,000,000 shares of Preferred Stock.

Successor Common Stock

Holders of Common Stock are entitled to one vote for each share held. Common Stock will vote as a single class on all matters on which stockholders are entitled to vote, except as otherwise provided in the certificate of incorporation or as required by law. Generally, all matters to be voted on by stockholders, other than the election of directors, must be approved by a majority of the Common Stock, then-issued and outstanding. Subject to the rights of the holders of any series of Preferred Stock to elect directors under certain circumstances, directors shall be elected by a plurality of the voting power present in person or represented by proxy and entitled to vote generally in the election of directors. No stockholder shall be entitled to exercise the right of cumulative voting.

In connection with the Company’s emergence from Chapter 11 and in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 1145 of the Bankruptcy Code, the Company issued a total of 22,500,000 shares of Common Stock on August 30, 2019.

As of December 31, 2020, the Company had 22,500,000 issued and outstanding shares of Common Stock.

Successor Preferred Stock

The board of directors of the Company has the authority, without action by its stockholders, to designate and issue preferred stock of the Company in one or more series and to designate the rights, powers, preferences and privileges of each series and any qualifications, limitations or restrictions thereof, which may be greater or less than the rights of the Common Stock. As of December 31, 2020, no shares of preferred stock were issued.

Accumulated Other Comprehensive Income (Loss)

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

	Accumulated Other Comprehensive Income (Loss)	
Balance at December 31, 2017 (Predecessor Company)	$	(7,375)
Impact of adoption of ASU 2017-12		605
Adjusted balance at January 1, 2018 (Predecessor Company)	$	(6,770)
Unrealized gain on derivatives recognized through Accumulated other comprehensive income (loss), net of income tax of $0 (a)		12,882
Reclassifications of unrealized loss on derivatives into Net loss, net of income tax of $0 (b)		1,496
Net period other comprehensive income		14,378
Balance at December 31, 2018 (Predecessor Company)	$	7,608
Reclassifications of unrealized loss on derivatives into Net loss, net of income tax of $0 (b)		(940)
Balance at August 31, 2019 (Predecessor Company)	$	6,668
Impact of fresh start accounting (c)		(6,668)
Balance at August 31, 2019 (Successor Company)	$	—
Unrealized loss on interest rate cap recognized through Accumulated other comprehensive income (loss), net of income tax of $0 (a)		(62)
Interest cost of interest rate cap reclassified into Net loss, net of income tax of $0 (b)		71
Net period other comprehensive income		9
Balance at December 31, 2019 (Successor Company)	$	9
Unrealized loss on interest rate cap recognized through Accumulated other comprehensive income (loss), net of income tax of $0 (a)		(2,842)
Interest cost of interest rate cap reclassified into Net loss, net of income tax of $0 (b)		740
Net period other comprehensive loss		(2,102)
Balance at December 31, 2020 (Successor Company)	$	(2,093)

(a) No income taxes were recorded on the unrealized gain / (loss) on derivative instrument amounts for 2020, 2019 and 2018 because the Company is subject to a full valuation allowance.
(b) Amounts reclassified into Net loss are included in Interest expense on the consolidated statements of operations and comprehensive income (loss). See Note 11, Derivatives for further information.
(c) The remaining amount recognized in Accumulated other comprehensive income (loss) was evaluated to have no fair value upon the application of fresh start accounting pursuant to the Plan. See Note 4, Fresh Start Accounting for further information.

(16) Employee Benefit Plans

The Company offers a 401(k) defined contribution plan covering its full-time employees. The plan is funded by employee and employer contributions. Total 401(k) plan expense for the Successor Company year ended December 31, 2020, the Successor Company period September 1, 2019 through December 31, 2019, the Predecessor Company period January 1, 2019 through August 31, 2019, and the Predecessor Company year ended December 31, 2018 was $462,000, $124,000, $204,000 and $172,000, respectively.

(17) 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 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.

Asset Purchase Agreements Subject to Earnout Payments

On June 17, 2020, the Company acquired certain contracts for the provision of alarm monitoring and related services (the "Accounts") as well as the related accounts receivable, intellectual property and equipment inventory of Protect America, Inc. The Company paid approximately $16,600,000 at closing and will make 50 subsequent monthly payments ("Earnout Payments" will here to be defined as contingent payments to acquire subscriber accounts) consisting of a portion of the revenue attributable to the Accounts, subject to adjustment for Accounts that are no longer active, which began in August 2020. The transaction was accounted for as an asset acquisition with the cost of the assets acquired recorded as of June 17, 2020 and an estimated undiscounted liability for the Earnout Payments of approximately $86,000,000. The Earnout Payments liability for Protect America was estimated based on the terms of the payout and the forecasted attrition of the Protect America subscriber base. The estimated Earnout Payments liability for Protect America as of December 31, 2020 is approximately $83,211,000. Of this amount, $56,275,000 is presented within non-current Other Liabilities, and the remainder is presented within current Other accrued liabilities on the consolidated balance sheets.

As noted in Note 6, Variable Interest Entity above, the Company completed an asset purchase agreement with GSSA on December 23, 2020 to acquire approximately 40,000 alarm monitoring contracts through an earnout structure that included an upfront payment of $10,914,000 and a non-controlling interest liability of $31,300,000 representing the estimated discounted liability of the Earnout Payments owed to GSSA. The Earnout Payments liability for GSSA was estimated based on the terms of the payout and the forecasted attrition of the GSSA subscriber base, discounted at an effective interest rate of 10.9%. At December 31, 2020, the total Earnout Payments liability to GSSA's equity holder is $31,392,000. Of this amount, $26,695,000 is presented within non-current Other Liabilities and the remainder is presented within current Other accrued liabilities on the consolidated balance sheets.

We monitor actual versus forecasted attrition to identify the need for potential adjustments to the Earnout Payments liabilities each period. The monthly Earnout Payments are classified as Cash flows from financing activities on the consolidated statements of cash flows.

(18) Revenue Recognition

Disaggregation of Revenue

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

	Successor Company		Predecessor Company	
	Year Ended December 31, 2020	Period from September 1, 2019 through December 31, 2019	Period from January 1, 2019 through August 31, 2019	Year Ended December 31, 2018
Alarm monitoring revenue	$ 456,571	$ 147,646	$ 319,172	$ 498,236
Product, installation and service revenue	42,309	12,671	19,111	38,455
Other revenue	4,717	1,902	4,003	3,667
Total Net revenue	$ 503,597	$ 162,219	$ 342,286	$ 540,358

Contract Balances

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

	December 31, 2020	December 31, 2019
Trade receivables, net	$ 13,360	$ 12,083
Contract assets, net - current portion (a)	$ 13,982	$ 12,070
Contract assets, net - long-term portion (b)	$ 16,319	$ 14,852
Deferred revenue	$ 13,300	$ 12,008

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

(19) Leases

Effective January 1, 2019, the Company accounts for leases under ASU 2016-02,*Leases (Topic 842)*, and related amendments, which requires lessees to recognize a right of use asset and a lease liability for substantially all leases and to disclose key information about leasing arrangements.

The Company primarily leases buildings and equipment. The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate, or purchase its right of use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised. Certain real estate leases contain lease and non-lease components, which are accounted for separately.

Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. Lease expense for these leases is recognized on a straight-line basis over the lease term.

All of the Company's leases are currently determined to be operating leases.

Components of Lease Expense

The components of lease expense were as follows (in thousands):

	Successor Company		Predecessor Company
	Year Ended December 31, 2020	Period from September 1, 2019 through December 31, 2019	Period from January 1, 2019 through August 31, 2019
Operating lease cost (a)	$ 729	$ 160	$ 321
Operating lease cost (b)	3,923	1,281	2,595
Total operating lease cost	$ 4,652	$ 1,441	$ 2,916

(a) Amount is included in Cost of services in the consolidated statements of operations and comprehensive income (loss).
(b) Amount is included in Selling, general and administrative, including stock-based and long-term incentive compensation in the consolidated statements of operations and comprehensive (loss).

Remaining Lease Term and Discount Rate

The following table presents the weighted-average remaining lease term and the weighted-average discount rate:

	As of December 31, 2020
Weighted-average remaining lease term for operating leases (in years)	8.7
Weighted-average discount rate for operating leases	11.7 %

All of the Company's lease contracts do not provide a readily determinable implicit rate. For these contracts, the Company's estimated incremental borrowing rate is based on information available either upon adoption of ASU 2016-02 or at the inception of the lease.

Supplemental Cash Flow Information

The following is the supplemental cash flow information associated with the Company's leases (in thousands):

	Successor Company		Predecessor Company
	Year Ended December 31, 2020	Period from September 1, 2019 through December 31, 2019	Period from January 1, 2019 through August 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:			
Lease payments included in cash flows from operating activities (a)	$ 4,525	$ 1,404	$ 2,804
Right-of-use assets obtained in exchange for new:			
Operating lease liabilities	$ 1,118	$ 543	$ 91

(a) Cash flow impacts from Operating lease right-of-use assets and Operating lease liabilities are presented net on the cash flow statement in changes in Payables and other liabilities.

Maturities of Lease Liabilities

As of December 31, 2020, maturities of lease liabilities were as follows:

2021	$ 3,609
2022	3,549
2023	3,182
2024	3,065
2025	3,107
Thereafter	14,157
Total lease payments	$ 30,669
Less: Interest	(11,946)
Total lease obligations	$ 18,723

(20) Consolidating Guarantor Financial Information

Monitronics (the "Parent Issuer") entered into the Takeback Loan Facility and the Credit Facilities in August 2019 and both are guaranteed by all of the Company's existing domestic subsidiaries. Consolidating guarantor financial information has not been presented in this Form 10-K as substantially all of the Company's operations are now conducted by the Parent Issuer entity. Due to the Select Security Transaction, $23,000 of accounts receivable and $35,148,000 of subscriber accounts are held in trust by GSSA, which is a non-guarantor, until which time the title of these assets transfers to the Company in accordance with the agreement. The Company believes that disclosing any additional information would not be material in evaluating the sufficiency of the guarantees.

(21) Subsequent Events

On March 18, 2021, the Company entered into a second amendment to its Takeback Loan Facility. The second amendment provides for additional capacity under its financial covenants to facilitate the Company’s growth strategies and includes a 1% interest rate increase beginning in January 2022.

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

None.

ITEM 9A. ***CONTROLS AND PROCEDURES***

The required certifications of our chief executive officer and chief financial officer are included in Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K. The disclosures set forth in this Item 9A contain information concerning the evaluation of our disclosure controls and procedures, management's report on internal control over financial reporting and changes in internal control over financial reporting referred to in those certifications. Those certifications should be read in conjunction with this Item 9A for a more complete understanding of the matters covered by the certifications.

Disclosure 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 chairman, 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 December 31, 2020.

Management concluded that the consolidated financial statements included in this Annual Report on Form 10-K present fairly, in all material respects, the financial position, results of operations and cash flows for the periods disclosed in conformity with GAAP. KPMG LLP, the Company's independent registered public accounting firm, has issued an unqualified opinion on our consolidated financial statements as of and for the year ended December 31, 2020.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Brinks Home Security's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements and related disclosures in accordance with generally accepted accounting principles; (3) provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements and related disclosures.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management assessed the design and effectiveness of internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (2013)*. Based on this assessment, management concluded that the Company's internal control over financial reporting is designed and operating effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of December 31, 2019, Management identified a material weakness in the Company's internal control over financial reporting related to the failure to adequately respond to changes in our business that significantly impacted risks and our system of internal control. Specifically, the Company did not completely identify and evaluate the risks of misstatement associated with the accounting and reporting of significant non-routine transactions, including certain aspects of the application of fresh start accounting in accordance with Accounting Standards Codification ("ASC") 852, *Reorganizations*, and as a result failed to make the necessary modifications to the system of internal control to respond to these risks. In addition, these non-routine transactions created resource constraints that resulted in certain deficiencies in the performance of the Company's control activities in other non-routine and less technical processes. This material weakness resulted in immaterial misstatements that were corrected prior to the issuance of the Company's financial statements. Nevertheless, this material weakness created a reasonable possibility that a material misstatement of the financial statements could occur without being prevented or detected on a timely basis.

Remediation of Material Weakness in Internal Control Over Financial Reporting

Management took steps to remediate this material weakness, including revamping our risk assessment process to better respond to accounting and process risks created by future changes in the business and other non-routine transactions, increasing the depth and experience within our accounting and finance organization and designing and implementing improved processes and internal controls. These steps were completed by the third quarter of 2020 and the material weakness was successfully remediated as of December 31, 2020. If other material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately on a timely basis, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence and cause the market price of our common stock to decline.

Changes in Internal Control Over Financial Reporting

Except for the remediation of the material weaknesses previously described, there were no changes to our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15 and 15d-15 of the Exchange Act that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Directors and Executive Officers of Monitronics International, Inc.

The following lists our directors and executive officers, their ages and a description of their business experience, including such person's professional background and positions held with our Company, and where applicable, positions with our predecessors. The following also includes, as to each of our directors, how long such person has been a director of our Company, other public company directorships and other factors considered in the determination that such person possesses the requisite qualifications and skills to serve as a member of our board of directors (our "Board").

Name	Age	Position
William E. Niles	57	Chief Executive Officer
Fred A. Graffam III	54	Chief Financial Officer, Executive Vice President and Assistant Secretary
Patrick J. Bartels, Jr.	45	Director
Stephen Escudier	39	Director
Mitchell G. Etess	63	Director
Michael J. Kneeland	67	Chairman of the Board of Directors
Michael R. Meyers	64	Director
Dick Seger	67	Director

William E. Niles has served as Chief Executive Officer since February 2020. He served as General Counsel and Executive Vice President of Monitronics from September 2019 through February 2020, prior to which he served as Executive Vice President and Secretary. Mr. Niles previously served as Chief Executive Officer of Ascent Capital Group, Inc. ("Ascent") from March 2018 to August 2019 and as General Counsel and Secretary of Ascent from September 2008 to August 2019. He also served as Executive Vice President of Ascent from September 2008 through March 2018 and as Executive Vice President and General Counsel of Ascent Media Group, LLC ("AMG") from January 2002 until the sale of AMG in December 2010. From August 2006 through February 2008, Mr. Niles was a member of AMG's executive committee. Prior to 2002, Mr. Niles was a senior executive handling legal and business affairs within AMG and its predecessor companies.

Fred A. Graffam III has served as Chief Financial Officer and Executive Vice President of Monitronics since October 2017. Before joining the Company, Mr. Graffam had served as Senior Vice President of Finance, Investor Relations & Corporate Development of DigitalGlobe, Inc. since April 2015, as its Interim Chief Financial Officer from September 2014 to March 2015 and as Vice President Financial Planning and Analysis from July 2013 to August 2014. From April 2012 to July 2013, Mr. Graffam was Senior Vice President and Chief Financial Officer—North America/APAC Region at Level 3 Communications, Inc. ("Level 3"). Before joining Level 3, he spent 17 years with Comcast Corporation, serving as Senior Vice President of its Beltway Region from 2008 to 2011 and as Senior Vice President-Finance, West Division from 2002 to 2008.

Patrick J. Bartels, Jr. is the Managing Member of Redan Advisors LLC, a firm that provides fiduciary services, including board of director representation and strategic planning advisory services for domestic and international public and private business entities. Prior to founding Redan Advisors LLC, Mr. Bartels was a senior investment professional with 20 years of experience. His professional experience includes investing in complex financial restructurings and process-intensive situations in North America, Asia and Europe in a broad universe of industries. Mr. Bartels has served as a director on numerous public and private boards of directors with an extensive track-record of driving value-added returns for all stakeholders through governance, incentive alignment, capital markets transactions, and mergers and acquisitions. Mr. Bartels currently serves on the board of directors of Arch Coal, Inc. and Hexion Inc. From 2002 to December 2018, Mr. Bartels served as a Managing Principal at Monarch Alternative Capital LP, a private investment firm that focused primarily on event-driven credit opportunities. Prior to Monarch, he served as Research Analyst for high yield investments at INVESCO, where he analyzed primary and secondary debt offerings of companies in various industries. Mr. Bartels began his career at Pricewaterhouse Coopers LLP, where he was a Certified Public Accountant. He holds the Chartered Financial Analyst designation. Mr. Bartels received a Bachelor of Science in Accounting with a concentration in Finance from Bucknell University. For Monitronics International, Inc., he serves on the Audit Committee and Personnel and Compensation Committee. We believe Mr. Bartels is qualified to serve on our board of directors due to his extensive financial and accounting experience and public company board experience.

Stephen Escudier is a Partner and Co-head of Credit Opportunities with the Credit Platform at Bridgepoint based in New York. Mr. Escudier joined Bridgepoint in 2020 from EQT Credit ("EQT") which was acquired by Bridgepoint in 2020. From 2006 to 2009, prior to joining EQT, Mr. Escudier worked for Apollo Management, a private equity investment firm focusing on leveraged buyouts and the purchase of distressed securities. Before this, he was involved in structuring and negotiating financing for leveraged buyouts and corporate acquisitions in the Morgan Stanley Leveraged and Acquisition Finance team in London from 2004 to 2006. Mr. Escudier graduated from Imperial College of Science, Technology and Medicine in 2004 with a first class honours Master's degree in Mechanical Engineering. We believe Mr. Escudier is qualified to serve on our board of directors due to his extensive financial and accounting experience.

Mitchell G. Etess served as Chief Executive Officer of Mohegan Gaming & Entertainment ("Mohegan") from May 2006 to September 2015. He also served as President and Chief Executive Officer of the Mohegan Sun, a gaming and entertainment complex owned by Mohegan, from August 2004 to December 2010. Mr. Etess previously served as Mohegan's Executive Vice President of Marketing from October 1999 to August 2004 and Senior Vice President of Marketing from November 1995 to October 1999. Prior to his employment with Mohegan and Mohegan Sun, Mr. Etess served as Vice President of Marketing at Players Island and Senior Vice President of Marketing and Hotel Operations at Trump Plaza Hotel and Casino. He also held various management positions in the hospitality and advertising industries. We believe Mr. Etess is qualified to serve on our board of directors due to his extensive management experience.

Michael J. Kneeland has more than 35 years of management experience in the equipment rental industry, including key positions in sales and operations with private, public and investor-owned companies, including United Rentals, Inc., Free State Industries, Inc. and Equipment Supply Company. Mr. Kneeland has been non-executive Chair of the board of directors of United Rentals since May 2019, following his retirement as chief executive officer, a position he had held since 2008. He has also served as a member of the board since 2008 and, from 2008 until March 2018, he served as president of United Rentals. Previously, he served as interim chief executive officer of United Rentals from 2007 to 2008. Mr. Kneeland joined United Rentals in 1998 as district manager upon its acquisition of Equipment Supply Company and held a variety of management roles from 1998 to 2007, including being named as Executive Vice President—Operations in 2003. In 2020, Mr. Kneeland was appointed to serve as non-executive chairman of the board of directors of Maxim Crane, a private company specializing in the rental and sale of lift equipment. Mr. Kneeland also serves on the board of directors of America Tire Distributors, one of the largest independent suppliers of tires, wheels and supplies to the automotive market, and Anticimex Group, a private pest-control company with headquarters in Stockholm, Sweden. From 2011 until June 2019, he also served on the board of directors of YRC Worldwide, Inc., a leading provider of transportation and global logistics services, and he served as the Chair of the Compensation Committee from July 2011 until May 2017. In 2015, Mr. Kneeland was designated Co-Chair, Transportation Stakeholder Alliance (The Business Council of Fairfield County) and was also appointed to the National Advisory Board for the Johns Hopkins Berman Institute of Bioethics. We believe Mr. Kneeland is qualified to serve on our board of directors due to his extensive management experience and previous public company board experience.

Michael R. Meyers joined Ethos Capital, a private equity investment firm, in January 2021 as an executive director. Mr. Meyers also serves as an adjunct professor at Texas Christian University, where he teaches an MBA case study course at the Neeley School of Business that focuses on how capital structure enhances shareholder value. Mr. Meyers has held this position since January 2018. He also currently serves as the Manager of Mike R. Meyers LLC, a consulting and advisory services firm. Mr. Meyers previously served as Senior Vice President and Chief Financial Officer of Ascent from 2011 until October 2017. Mr. Meyers also served as the Chief Financial Officer of Monitronics International, Inc., from July 1996 to October 2017. Prior to joining Monitronics, Mr. Meyers had over 15 years of accounting, finance, and operations experience, including working in public accounting firms as a certified public accountant. He has worked with a variety of businesses, including Fortune 500, medium and small companies. We believe Mr. Meyers is qualified to serve on our board of directors due to his experience in the home security industry and his understanding of our business and the history of our organization.

Dick Seger founded the residential home security company Securitas Direct Verisure in Sweden in 1988 as a division of Securitas AB, a global guarding and security services company. He was appointed President and Chief Executive Officer of Securitas Direct Verisure in 2006 after it was spun-off from Securitas AB and listed at the Nasdaq OMX Stockholm Exchange. Mr. Seger served in this role until 2016. He has also served as a board member of Anticimex AB, a global pest control company, since 2018 and as a board member of Securitas AB since 2017. Mr. Seger serves as an industrial adviser to EQT, a private equity firm, as well as to small technology start-ups. Mr. Seger holds a Master of Science from the Linköping University in Sweden. We believe Mr. Seger is qualified to serve on our board of directors due to his extensive management experience in the home security industry.

Board of Directors

The board of directors of Monitronics consists of six members and the current chair of the board of directors is Michael J. Kneeland. The board of directors is divided into three classes, with one director in Class I, two directors in Class II and three directors in Class III. Our certificate of incorporation provides that each director shall serve for a term ending on the date of the third annual meeting of stockholders next following the annual meeting at which such director was elected; provided that each director appointed on the Effective Date (an "Initial Director") to the first class of directors will serve for an initial term expiring at the first annual meeting of stockholders following the Effective Date (which will occur no earlier than the date that is 12 months after the Effective Date), each Initial Director appointed to the second class of directors will serve for an initial term expiring at the second annual meeting of stockholders following the Effective Date, and each Initial Director appointed to the third class of directors will serve for an initial term expiring at the third annual meeting of stockholders following the Effective Date. The Class I director is Mitchell G. Etess; the Class II directors are Patrick J. Bartels, Jr. and Michael R. Meyers; and the Class III directors are Stephen Escudier, Dick Seger and Michael J. Kneeland. The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change in control of our company. Our directors may be removed only for cause except (i) until the date of the first annual meeting of stockholders to occur after the second anniversary of the Effective Date, with the prior written consent of the stockholder(s) who designated such director an Initial Director pursuant to the Plan and (ii) a director designated or nominated by a stockholder which, together with its affiliates, beneficially owns at least ten percent of the outstanding common stock of the corporation as of the Effective Date (a "Significant Stockholder") may be removed with the prior written consent of such Significant Stockholder.

In connection with our emergence from Chapter 11, we entered into director nominating agreements that provide affiliates of EQT the right to nominate: (i) three Class III directors so long as EQT and its affiliates own at least 27.5% of the total voting power of the Company; (ii) two Class III directors so long as EQT and its affiliates own at least 17.5% of the total voting power of the Company and (iii) one Class III director so long as EQT and its affiliates own at least 10% of the total voting power of the Company, and provide affiliates of Brigade Capital Management, LP ("Brigade") the right to nominate (i) one Class I directors so long as Brigade and its affiliates own at least 17.5% of the total voting power of the Company and (ii) one Class II directors so long as Brigade and its affiliates own at least 10% of the total voting power of the Company. See "Certain Relationships and Related Party Transactions—Director Nominating Agreement." In connection with our emergence, Stephen Escudier, Andrew Konopelski and Michael J. Kneeland were nominated as directors by EQT and Michael R. Meyers and Mitchell G. Etess were nominated as directors by Brigade. Dick Seger was subsequently nominated by EQT to replace Andrew Konopelski, who resigned from the board of directors.

Our certificate of incorporation provides that the authorized number of directors will initially be fixed at seven directors and the total number of directors may be increased or decreased (but to no less than five or no more than nine directors) from time to time only pursuant to a resolution adopted by directors representing at least three-fourths of the whole board of directors. In addition, our certificate of incorporation and our bylaws provide that, in general, vacancies on the board of directors may be filled by a majority of directors remaining in office, even if less than a quorum.

Board Committees

Shortly after the appointment of the current board of directors on the Effective Date, three standing committees of the board of directors were established: an Audit Committee, a Compensation Committee and a Strategy Committee. Each of these committees is governed by a charter adopted by the board. These charters establish the purposes of the respective committees as well as committee membership guidelines. They also define the authority, responsibilities and procedures of each committee in relation to each committee's role in supporting the board and assisting the board in discharging its duties in supervising and governing the Company. Each charter is available on our website at *https://ir.brinkshome.com/corporate-governance/governance-documents*.

The Audit Committee consists of Michael R. Meyers, Patrick J. Bartels, Jr. and Stephen Escudier. The board has determined that Michael R. Meyers and Patrick J. Bartels, Jr. qualify as independent under Rule 10A-3 of the Exchange Act and the applicable rules of the OTC Markets Group Inc. (the "OTC Group"). The board has determined that Mr. Bartels satisfies the definition of "audit committee financial expert" under applicable SEC rules. The chair of the Audit Committee is Michael R. Meyers.

The Audit Committee oversees, reviews, acts on and reports on various auditing and accounting matters to the board, including the appointment, compensation and retention of the independent auditor, the scope of our annual audits, fees to be paid to the independent registered public accounting firm, the performance of our independent registered public accounting firm and our accounting practices. In addition, the Audit Committee oversees our compliance programs relating to legal and regulatory requirements.

The Compensation Committee currently consists of Stephen Escudier, Patrick J. Bartels, Jr. and Mitchell G. Etess. The chair of the Compensation Committee is Stephen Escudier. The Compensation Committee approves salaries, incentives and other forms of compensation for officers and other employees. The Compensation Committee also administers any incentive compensation and benefit plans. The Compensation Committee also develops qualification criteria for selecting director candidates, identifies individuals qualified to become board members for recommendation to the board, reviews the board committee structure and recommends directors to serve as members of each committee to the board for its approval.

The Strategy Committee consists of Dick Seger, Stephen Escudier, Michael J. Kneeland and Mitchell G. Etess. The Strategy Committee assists and advises management and the board with respect to forming and evaluating our long-term plans, strategies and goals and assisting management and the board in executing such plans and strategies. The chair of the Strategy Committee is Dick Seger.

Risk Oversight

One of the key functions of our Board is informed oversight of our risk management process. Our Board does not have a standing risk management committee, but rather administers this oversight function directly through our Board as a whole, as well as through various standing committees of our Board that address risks inherent in their respective areas of oversight. In particular, our Board is responsible for monitoring and assessing strategic risk exposure and our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. Our Audit Committee also monitors compliance with legal and regulatory requirements. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire Board is regularly informed through committee reports about such risks.

Code of Ethics and Corporate Governance Guidelines

We have adopted a Code of Business Conduct and Ethics that is applicable to all employees, officers and members of our Board, which constitutes our "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act, and Corporate Governance Guidelines applicable to our Board, each of which are available on our website at *http://ir.brinkshome.com/corporate-governance/governance-documents*. In addition, we intend to post on our website all disclosures that are required by law concerning any amendments to, or waivers from, any provisions of our code of ethics.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. We do not have a class of our securities registered under Section 12 of the Exchange Act. Until we register a class of our securities under Section 12 of the Exchange Act, we are not subject to the SEC's proxy rules, and our executive officers, directors, and persons who own more than ten percent of our equity securities will not be subject to beneficial ownership reporting requirements under Sections 13 or 16 of the Exchange Act and their related rules.

ITEM 11. *EXECUTIVE COMPENSATION*

This section sets forth information relating to, and an analysis and discussion of, the material components of the executive compensation program for the following executive officers, who are our 2020 named executive officers:

- William E. Niles, our Chief Executive Officer;
- Fred A. Graffam III, our Chief Financial Officer, Executive Vice President and Assistant Secretary; and
- Jeffery R. Gardner, our former Chief Executive Officer.

The following disclosure describes the compensation paid to or earned by our named executive officers in 2020 by the Company. On February 27, 2020, Mr. Gardner stepped down as our Chief Executive Officer and, effective as of March 2, 2020, his employment with us terminated. On February 27, 2020, Mr. Niles was appointed as our Interim Chief Executive Officer until September 30, 2020, at which time our Board appointed Mr. Niles as our permanent Chief Executive Officer.

SUMMARY COMPENSATION TABLE

Summary Compensation Table

The following table sets forth information regarding the compensation paid to our named executive officers during the years ended December 31, 2020, 2019 and 2018 for services to the Company.

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Stock Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	All Other Compensation ($) (4)(5)(6)(7)	Total ($)
William E. Niles	2020	523,981	127,317	—	841,744	12,698	1,505,740
Chief Executive Officer	2019	540,442	7,019	—	528,372	3,317,218	4,393,051
	2018	486,923	25,000	368,000	375,000	14,421	1,269,344
Fred A. Graffam III	2020	413,995	289,822	75,000	393,377	18,351	1,190,545
Chief Financial Officer, EVP	2019	383,250	106,328	75,000	131,111	11,548	707,237
and Assistant Secretary	2018	365,000	—	300,000	91,884	5,581	762,465
Jeffery R. Gardner (8)	2020	93,462	—	—	—	3,599,786	3,693,248
Former Chief Executive	2019	540,000	—	—	342,103	11,548	893,651
Officer	2018	540,000	—	1,500,000	131,000	11,022	2,182,022

(1) The amounts in this column with respect to 2020 include the portion of the 2020 bonuses earned by Messrs. Niles and Graffam based on their individual performance, as determined by the compensation committee in its discretion. In addition, it includes the second and third installments of Mr. Graffam's retention bonus paid in 2020 ($166,667). In accordance with SEC rules, the column also includes the value of the Graffam Time-Based Award ($75,000) that vested during 2020; the remaining value of this award will be reported with respect to the year in which the applicable performance conditions (i.e. continued employment) are achieved, respectively.

(2) Amounts reflect, for 2020, full grant-date fair value of phantom unit awards computed in accordance with FASB ASC Topic 718, based on the maximum number of phantom units that may be earned by Mr. Graffam. In addition, amounts reflect the full grant-date fair value of restricted stock unit awards granted during 2020, rather than the amounts paid to or realized by the named individual. In 2020, Messrs. Niles and Graffam were granted RSUs that are subject to both service-based and liquidity-based vesting conditions. As required pursuant to SEC disclosure rules, the grant-date fair values of these awards included in the table above were computed based on the probable outcomes of the performance conditions as of the applicable grant date; achievement of the performance conditions for these RSUs was not deemed probable on the grant date and, accordingly, no value is included in the table for these awards. Assuming achievement of the performance conditions, the fair values of these RSUs, determined as of the applicable grant date, to each of Messrs. Niles and Graffam is $812,500 and $325,000, respectively. We provide information regarding the assumptions used to calculate the value of all restricted stock unit awards and phantom unit awards made to named executive officers in Note 14 to the consolidated financial statements included in this Form 10-K.

(3) The amounts in this column with respect to 2020 include the portion of the 2020 bonuses earned by Messrs. Niles and Graffam based on the achievement of pre-determined corporate performance goals. In accordance with SEC rules, this column includes the value of the Graffam Performance-Based Award ($75,000) that was earned and vested during 2020; the remaining value of this award will be reported with respect to the year in which the applicable performance conditions are achieved, respectively.

(4) Includes the following term life and AD&D insurance premiums for 2020:

Name	Amounts ($)
William E. Niles	45
Fred A. Graffam III	45
Jeffery R. Gardner	45

(5) Includes a reimbursement paid to Messrs. Niles, Graffam and Gardner with respect to health insurance premiums paid by each.

(6) Includes a reimbursement of $10,000 paid to Mr. Graffam with respect to legal fees incurred in connection with the negotiation of his employment agreement.

(7) Pursuant to Mr. Gardner's separation agreement and general release, he received the following severance payments and benefits, in exchange for a release of claims: (i) a cash severance payment of $2,160,000; (ii) a payment of $875,000, reflecting the earned portion of his 2019 Cash Plan award; (iii) a payment of $500,000, reflecting the full vesting of his Cash Plan award for the 2020-2021 performance period; (iv) a payment of $136,228, reflecting the earned portion of his 2019 MIP payment; and (v) continued subsidized healthcare coverage for up to 18 months.

(8) On February 27, 2020, Mr. Gardner resigned from his role as Chief Executive Officer of the Company and, effective as of March 2, 2020, his employment with us terminated.

Narrative Disclosure to Summary Compensation Table

Base Salary

Following Mr. Gardner's departure from the Company and Mr. Niles' appointment as our Interim Chief Executive Officer in February 2020, the compensation committee approved an increase of Mr. Niles' annual base salary to $550,000 (pro-rated for 2020). Mr. Niles' annual base salary did not change as a result of the Board appointing Mr. Niles as our permanent Chief Executive Officer.

Mr. Graffam's 2020 base salary was increased from $383,250 to $442,000 on August 6, 2020.Mr. Gardner did not receive a base salary increase with respect to 2020.

2020 Bonuses

Management Incentive Plans

Each of Messrs. Niles and Graffam was eligible to earn a cash incentive bonus under the Company's 2020 Management Incentive Plan ("MIPs"), based upon individual performance and the achievement of pre-determined Company performance goals. For 2020, the corporate performance goals included (i) attrition disconnects, (ii) account creation multiple, (iii) accounts created, (iv) bulk buy units and (v) Pre-SAC Adjusted EBITDA (as defined below). The bulk buy units corporate performance goal was weighted at 10% and the other corporate performance goals were equally weighted at 20% each as a portion of the corporate performance component. The remaining 10% related to an individual performance component.

Each of Messrs. Niles and Graffam had an initial 2020 target bonus opportunity equal to 60% of his annual base salary, which, with respect to Mr. Niles, was increased in February 2020 to 150% in connection with his appointment as Interim Chief Executive Officer and, with respect to Mr. Graffam, was increased in August 2020 to 75% in connection with his amended and restated employment agreement.

The target goals with respect to each corporate performance metric under the 2020 MIP are set forth in the following table:

Corporate Performance Metric	MIP Target Goals
Attrition disconnects	127,446
Account creation multiple	35.9x
Accounts created	59,326
Bulk buy units	30,000
Pre-SAC Adjusted EBITDA (in thousands) (1)	$257,228

(1) For purposes of the MIP, Pre-SAC Adjusted EBITDA for the 2020 MIP was defined as Adjusted EBITDA as defined in our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K") for the applicable period, but excluding subscriber acquisition costs and bonus accruals.

The actual results that we achieved with respect to each corporate performance metric under the 2020 MIP are set forth in the following table:

Corporate Performance Metric	Actual Achievement
Attrition disconnects	122,655
Account creation multiple	35.5x
Accounts created	59,654
Bulk buy units	163,651
Monitronics Pre-SAC Adjusted EBITDA (in thousands)	$271,275

As mentioned above, 10% of Messrs. Niles and Graffam's bonus opportunity under the MIP was based on the compensation committee's subjective assessment of their individual performance in 2020. The compensation committee decided to award both Messrs. Niles and Graffam an amount equal to 175% of each of their target bonus opportunity for the individual performance component based on the compensation committee's subjective review of their individual performance in 2020.

The actual cash bonuses awarded to each named executive officer under the 2020 MIP are set forth above in the Summary Compensation Table in the columns entitled "*Bonus*" (with respect to the individual performance component) and "*Non-Equity Incentive Plan Compensation*" (with respect to the corporate performance component).

Cash Incentive Plan

In 2017, we adopted the Monitronics International, Inc. 2017 Cash Incentive Plan (the "Cash Plan") to encourage key employees to stay with the Company and to increase their personal interest in the continued success and progress of the Company. The Cash Plan initially awarded participants phantom units which track the value of our shares of common stock. In 2019, we revised the Cash Plan to provide for the payment of dollar-denominated cash awards.

Cash Awards

In 2019, Messrs. Gardner and Graffam received performance-based and/or time-based awards under the Cash Plan, as set forth in the table below:

Executive	Cash Plan Award	Vesting
Jeffery R. Gardner	$1,000,000	Performance-Vesting (2019)
Jeffery R. Gardner	$500,000	Performance-Vesting (2020-2021) (1)
Fred A. Graffam III	$225,000	Performance-Vesting (2019-2021) (2)
Fred A. Graffam III	$225,000	Time-Vesting

(1) In connection with his separation from the Company in 2020, Mr. Gardner's Cash Plan award that relates to the 2020-2021 performance period (or, $500,000) became fully vested and was paid to Mr. Gardner in full in exchange for a release of claims.

(2) One-third of the Graffam Performance-Based Award (or, $75,000) is eligible to vest annually based on achievement of applicable performance goals for each year of the three-year performance period.

The award granted to Mr. Gardner that related to the 2019 performance period was earned based on (i) the achievement of pre-established revenue and adjusted EBITDA goals, which were weighted 50/50 as part of the award opportunity, and (ii) to the extent earned, continued employment through December 1, 2021. In 2019, based on the level of our achievement of the revenue and adjusted EBITDA goals, Mr. Gardner earned 87.5% (or $875,000) of this award. In connection with his separation from the Company in 2020, the earned portion of this award became fully vested and was paid to Mr. Gardner.

One of Mr. Graffam's Cash Plan awards vests based solely on continued service (the "Graffam Time-Based Award") while the other award is earned based on the achievement of performance goals for the applicable performance period (the "Graffam Performance-Based Award"). The portion of the Graffam Performance-Based Award that was earned over the 2019 and 2020 performance periods was earned based on the achievement of a pre-established Company Pre-SAC Adjusted EBITDA (as defined below) goal. The threshold, target and maximum performance goals, and the corresponding payout at each level, are as follows (with straight-line interpolation between target/threshold and threshold/maximum):

Pre-SAC Adjusted EBITDA Achieved (of Goal)	Graffam Performance-Based Award (2019)	Graffam Performance-Based Award (2020)
96.5% - 97.4%	$37,500	$37,500
97.5% - 98.4%	$56,250	$56,250
98.5%	$75,000	$75,000

Pre-SAC Adjusted EBITDA was defined as Adjusted EBITDA as defined in our 2020 Form 10-K, but excluding subscriber acquisition costs, the impact of changes in contract assets related to ASC 606, impacts from deferred revenue Fresh Start adjustments and bonus accruals. We achieved a Pre-SAC Adjusted EBITDA in 2019 and 2020, at the maximum level; therefore, Mr. Graffam earned 100% of the 2019 and 2020 portions of his award; these portions vested and were paid in 2020 and 2021, respectively.

The Graffam Time-Based Award has an aggregate value of $225,000 that vests in substantially equal one-third installments on each of the first three anniversaries of the grant date (or, January 1, 2019), subject to his continued employment through the applicable settlement date. Mr. Graffam vested into one-third of the Graffam Time-Based Award on January 1, 2020 and an additional one-third of the award on January 1, 2021.

Graffam Cash Plan Phantom Units

In 2018, Ascent granted Mr. Graffam two awards of 6,338 phantom units each under the Cash Plan; one award vests based solely on continued service in three equal annual installments beginning on March 29, 2019, subject to Mr. Graffam's employment through the applicable settlement date (the "CFO service award") while the other award may be earned by Mr. Graffam based on the attainment of certain performance metrics to be established by the compensation committee annually over the applicable three-year performance period (the "CFO performance award"). In 2020, the compensation committee determined that 100% of the second tranche of the CFO performance award (i.e., with respect to 2019 performance) had been earned by Mr. Graffam (i.e., 2,126 phantom units) and vested, based on the achievement of a pre-established Company Pre-SAC Adjusted EBITDA goal.

In addition, in respect of each phantom unit (if any) that becomes vested in accordance with its terms, Mr. Graffam is eligible to receive a cash amount equal to the value of a share of our common stock, plus all dividends and other distributions payable to stockholders in respect of a share of our common stock (which we refer to as "dividend equivalents"). On the settlement date, the fair market value of any vested phantom units and dividend equivalents, as determined by the compensation committee, shall be paid to Mr. Graffam in cash. For additional information on these awards, see the section entitled, "—*Outstanding Equity Awards at Fiscal Year End*" below.

Retention Bonus

On January 4, 2019, the compensation committee approved a retention program for certain eligible employees in order to incent their continued service with the Company through the restructuring. Under the program, Mr. Graffam received a retention bonus award, pursuant to his retention bonus agreement with the Company, in an aggregate amount of $250,000. The retention bonus was payable in three equal installments (with the first installment paid in April 2019 and the second and third installments paid on January 1, 2020 and on July 1, 2020, respectively), subject to his continued employment with us through the applicable payment date. Mr. Graffam was the only named executive officer to have received a retention bonus award under this program.

2020 Equity Compensation

On August 3, 2020, our Board, on recommendation of the compensation committee, adopted the Monitronics International, Inc. 2020 Incentive Award Plan (the "2020 Plan"), pursuant to which the Company may grant cash, equity and equity-based incentive awards to eligible service providers (including our named executive officers) in order to attract, motivate and retain the talent for which the Company competes. For a description of the 2020 Plan, see the section entitled, "*Securities Authorized for Issuance Under Equity Compensation Plans*" below.

In August 2020, upon the approval of our Board, we granted an award of time-based RSUs (the "Time-Based RSU Awards") and an award of performance-based RSUs (the "Performance-Based RSU Awards") to each of Messrs. Niles and Graffam under the 2020 Plan. In October 2020, Mr. Niles was granted an additional Time-Based RSU Award and Performance-Based RSU Award under the 2020 Plan in connection with his appointment as our permanent Chief Executive Officer. The RSU awards cover the number of shares of our common stock as set forth in the table below, and RSUs that vest will be paid following a "change in control" of the Company (as defined in the 2020 Plan).

Each RSU represents a contractual right to receive one share of our common stock in respect of each RSU that fully vests and becomes payable in accordance with its terms. The RSU awards were granted in tandem with dividend equivalents, which entitle the executives to the cash value of any dividends that would have been paid on the shares of common stock corresponding to such RSUs during the period following the grant date and ending on the date in which such corresponding RSUs are settled in shares of our common stock.

The following table sets forth the RSU awards granted to our named executive officers in the 2020 fiscal year.

Named Executive Officers		Total Number of Performance-Based RSUs (#) (1)	Total Number of Time-Based RSUs (#) (2)
William E Niles		175,000	75,000
	(3)	262,500	112,500
Fred A. Graffam III		175,000	75,000

(1) Upon a "change in control" of the Company (as defined in the 2020 Plan), the RSUs subject to the Performance-Based RSU Awards are eligible to performance vest in an amount ranging from 0% to 100% of the total RSUs subject to the award, based on the attainment of predetermined equity values of the Company, as a multiple on invested capital (the "Equity Values") at the time of a change in control of the Company. Any RSUs that become performance-vested in accordance with the foregoing will, in connection with the change in control, become fully vested subject to the executive's continued service with the Company until immediately prior to the change in control. If, however, the minimum Equity Value is not achieved at the time of the change in control, the Performance-Based RSU Awards will be cancelled and forfeited at such time.

(2) The RSUs subject to the Time-Based RSU Awards are eligible to vest as follows, subject to the executive's continued service through the applicable vesting date: (i) 20% of the RSUs on the first anniversary of the vesting commencement date and (ii) 80% of the remaining RSUs in 48 substantially equal installments on each monthly anniversary of thereafter, such that Time-Based RSU Awards will be fully vested on the fifth anniversary of the vesting commencement date. At the time of a change in control of the Company, any unvested portion of the Time-Based RSU Awards will automatically accelerate and vest in full, subject to the executive's continued service with the Company until immediately prior such change in control.

(3) Reflects the RSU awards granted to Mr. Niles in connection with his appointment as our permanent Chief Executive Officer.

The treatment of the Time-Based RSU Awards and Performance-Based RSU Awards upon certain qualifying terminations of service is described below under the section entitled "—*Potential Payments Upon Termination or Change-in-Control.*"

Severance Benefits

Each of the employment agreements of our named executive officers, and each of our incentive plans, provides (or provided) for rights upon certain termination events, with adjustments to be made to the amounts payable to certain named executive officers if the termination occurs concurrently with or following a change of control of our Company. For additional information on such rights, see "—*Potential Payments Upon Termination or Change-in-Control*" below.

On February 27, 2020, Mr. Gardner resigned from his role as Chief Executive Officer of the Company and, effective as of March 2, 2020, his employment with us terminated. Pursuant to Mr. Gardner's separation agreement and general release, he received the following severance payments and benefits, in exchange for a release of claims: (i) a cash severance payment of $2,160,000; (ii) a payment of $875,000, reflecting the earned portion of his 2019 Cash Plan award; (iii) a payment of $500,000, reflecting the full vesting of his Cash Plan award for the 2020-2021 performance period; (iv) a payment of $136,228, reflecting the earned portion of his 2019 MIP payment; (v) continued subsidized healthcare coverage for up to 18 months and (vi) a payment of $62,308 with respect to accrued but unused vacation and personal holidays.

Perquisites and Personal Benefits

For the year ended December 31, 2020, the limited perquisites and personal benefits provided to our named executive officers consisted generally of term life and accidental death & dismemberment insurance premiums and a reimbursement from our Company relating to health insurance premiums paid by each such individual. We offer our named executive officers other benefits that are also available on the same basis to all of our salaried employees, such as medical and disability insurance premiums.

Clawback Policy

We maintain a clawback policy that allows us to recover or "clawback" performance-based cash and equity compensation from certain employees in the event of a material restatement of our financial results. Under the policy, if the material restatement would result in any performance-based cash or equity compensation paid during the three years preceding the restatement to have been lower had it been calculated based on such restated results, we may recover the amounts in excess of what would have been paid under the restatement, from any executive who received such performance-based cash or equity compensation who is determined to have engaged in intentional or unlawful misconduct that materially contributed to the need for such restatement. The compensation committee has the sole authority to enforce this policy, and it is limited by applicable law.

In addition, pursuant to the Cash Plan, if the applicable participant holds the position of a "vice president" or above in the Company, following a material restatement of any financial statement in the Company due to material noncompliance with any financial reporting requirement under applicable securities laws, which noncompliance is a result of the participant's misconduct, the participant will be required to repay to the Company any benefits received by the participant in connection with the vesting of the participant's award(s) under the Cash Plan within the 12 month period beginning on the date of the applicable financial statement's (a) public issuance or (b) filing with the Securities and Exchange Commission, whichever is first to occur.

Compensation Committee Interlocks and Insider Participation

None of our executive officers serve on the board of directors or compensation committee of a company that has an executive officer who serves on our board or compensation committee. No member of our board is an executive officer of a company in which one of our executive officers serves as a member of the board of directors or compensation committee of that company.

Employment Agreements

On October 17, 2020, we entered into a new employment agreement with Mr. Niles in connection with his appointment as our permanent Chief Executive Officer, which provides for his continued employment with us as our Chief Executive Officer. In addition, on August 6, 2020, the Company entered into an amended and restated employment agreement with Fred Graffam, that provides for his continued employment with the Company as the Company's Executive Vice President, Assistant Secretary and Chief Financial Officer. Mr. Gardner left the Company in February 2020 and, in connection with his termination of employment, effective as of March 2, 2020, we entered into a separation agreement and release of claims with Mr. Gardner.

The material terms of the employment agreements of Messrs. Niles, Graffam and Gardner in effect during 2020 are described below.

Term. Under the respective employment agreements, the employment of each of Messrs. Niles and Graffam is at-will and will continue until terminated at any time by either party. The term of Mr. Gardner's employment agreement was scheduled to expire on September 9, 2020.

Base Salary. Pursuant to their respective employment agreements, each of our named executive officers receives (or, for Mr. Gardner, received) a base salary that is (or was) subject to an annual review for increase by the compensation committee. Under the respective employment agreements, the annual base salary for each of Messrs. Niles, Graffam and Gardner is (or, for Mr. Gardner, was) $550,000, $442,000 and $525,000, respectively, pro-rated for partial years of service.

Bonus. Each of our named executive officers is (or was) eligible to receive a bonus under our bonus program in a certain range based on percentages of the applicable named executive officer's base salary (75% to 175% in the case of Mr. Gardner). Each of Messrs. Niles and Graffam had a target bonus opportunity equal to 60% of his annual base salary, which, with respect to Mr. Niles, was increased in February 2020 to 150% in connection with his appointment as Interim Chief Executive Officer and, with respect to Mr. Graffam, was increased in August 2020 to 75% in connection with his amended and restated employment agreement. Each named executive officer's entitlement to receive such bonus, and the actual amount thereof, is (or was) determined by the compensation committee in its sole discretion based on the applicable named executive officer's achievement of certain performance criteria as the compensation committee may establish in its sole discretion.

Equity Incentive Awards. Under their respective employment agreements, Messrs. Niles and Graffam are each eligible, and Mr. Gardner was eligible, to receive grants of RSUs awards under the 2020 Plan that are no less favorable than awards made to similarly-situated executives of the Company. Prior to his termination, under Mr. Gardner's employment agreement, he was eligible to receive an annual $1.5 million grant of performance-based RSUs under the Ascent Incentive Plan (or successor plan) ("PRSUs"), with one-third of the annual PRSU award, or $500,000, to be earned based on satisfaction, as determined by the compensation committee, of certain quantitative performance criteria for a 36-month performance period, and if earned, such PRSUs would have vested immediately, and with two-thirds of the annual PRSU award, or $1 million, to be earned based on satisfaction, as determined by the compensation committee, of certain quantitative performance criteria for a 12-month performance period, and if earned, such earned PRSUs would have vested on a quarterly basis during the two year period beginning on January 1 of the year following the expiration of the respective performance period.

Health, Welfare and Legal Fees. Pursuant to their respective employment agreements, each named executive officer is (or, for Mr. Gardner, was) eligible to participate in the health and welfare benefit plans and programs maintained by us for the benefit of our employees. In addition, under his employment agreement, as amended and restated, Mr. Graffam was eligible to receive reimbursement for up to $10,000 in legal fees incurred in connection with the negotiation of his employment agreement.

Termination of Employment. The terms and conditions of compensation payable upon termination of the employment of Messrs. Niles and Graffam are summarized in the section entitled, "*—Potential Payments Upon Termination or Change-in-Control*" below. As described above, Mr. Gardner's employment with us terminated in 2020.

Restrictive Covenants. Each employment agreement for our named executive officers contains (or, for Mr. Gardner, contained) customary confidentiality provisions, as well as standard non-compete restrictions effective during employment and thereafter for 24 months (with respect to Mr. Niles), 12 months (with respect to Mr. Graffam) or for 21 to 45 days (with respect to Mr. Gardner) and standard non-solicitation restrictions effective during employment and thereafter for 24 months (with respect to Mr. Niles) or for 18 months (with respect to Messrs. Graffam and Gardner).

Outstanding Equity Awards at Fiscal Year-End

The following table contains information regarding the number of shares of our common stock underlying equity incentive plan awards which were outstanding as of December 31, 2020 and held by our named executive officers. Mr. Gardner did not hold any such awards as of December 31, 2020.

			Stock Awards			
Name	**Grant Date**	**Vesting Commencement Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (1)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (1)**
William E. Niles						
(2) Performance-Based RSU Award	10/17/2020	—	—	—	262,500	3,281,250
(3) Time-Based RSU Award	10/17/2020	2/27/2020	112,500	1,406,250	—	—
(2) Performance-Based RSU Award	8/3/2020	—	—	—	175,000	2,187,500
(3) Time-Based RSU Award	8/3/2020	8/30/2019	55,000	687,500	—	—
Fred A. Graffam III						
(2) Performance-Based RSU Award	8/6/2020	—	—	—	175,000	2,187,500
(3) Time-Based RSU Award	8/6/2020	8/30/2019	55,000	687,500	—	—
(4) CFO Performance Award	3/29/2018	—	—	—	2,162	27,025
(5) CFO Service Award	3/29/2018	3/29/2019	2,162	27,025	—	—

(1) Amounts reported are based on the closing market price of our common stock on December 31, 2020 ($12.50). Amounts reported for the Performance-Based RSU and Time-Based RSU Awards assume achievement of the maximum goal.

(2) Upon a "change in control" of the Company (as defined in the 2020 Plan), the RSUs subject to the Performance-Based RSU Awards are eligible to performance vest in an amount ranging from 0% to 100% of the total RSUs subject to the award, based on the attainment of predetermined equity values of the Company, as a multiple on invested capital (the "Equity Values") at the time of a change in control of the Company. Any RSUs that become performance-vested in accordance with the foregoing will, in connection with the change in control, become fully vested subject to the executive's continued service with the Company until immediately prior to the change in control. If, however, the minimum Equity Value is not achieved at the time of the change in control, the Performance-Based RSU Awards will be cancelled and forfeited at such time. The treatment of the Performance-Based RSU Awards upon certain qualifying terminations of service is described below under the section entitled "*—Potential Payments Upon Termination or Change-in-Control*."

(3) The RSUs subject to the Time-Based RSU Awards are eligible to vest as follows, subject to the executive's continued service through the applicable vesting date: (i) 20% of the RSUs on the first anniversary of the vesting commencement date and (ii) 80% of the remaining RSUs in 48 substantially equal installments on each monthly anniversary of thereafter, such that Time-Based RSU Awards will be fully vested on the fifth anniversary of the vesting commencement date. At the time of a change in control of the Company, any unvested portion of the Time-Based RSU Awards will automatically accelerate and vest in full, subject to the executive's continued service with the Company until immediately prior such change in control. The treatment of the Time-Based RSU Awards upon certain qualifying terminations of service is described below under the section entitled "*—Potential Payments Upon Termination or Change-in-Control*." The following Time-Based RSU Awards have vested but not paid as of December 31, 2020:

Name	**Grant Date**	**Vesting Commencement Date**	**Number of Shares or Units of Stock That Have Vested but Not Paid (#)**
William E. Niles			
(3) Time-Based RSU Award	8/3/2020	8/30/2019	20,000
Fred A. Graffam III			
(3) Time-Based RSU Award	8/6/2020	8/30/2019	20,000

(4) Represents the phantom units that may be earned by Mr. Graffam under the Cash Plan pursuant to his CFO performance award. In the first quarter of 2021, the compensation committee determined that Mr. Graffam had earned 2,126 phantom units with respect to the third tranche of the CFO performance award, which will result in a cash payment to be made to Mr. Graffam in April 2021.

(5) Represents the phantom units granted to Mr. Graffam under the Cash Plan with respect to the CFO service award that vest in three equal annual installments beginning on March 29, 2019, subject to Mr. Graffam's continued employment on each vesting date. The third and final installment of Mr. Graffam's CFO service award is scheduled to vest on March 29, 2021.

Potential Payments Upon Termination or Change-in-Control

Each of the employment agreements of our named executive officers (other than Mr. Gardner), as in effect on December 31, 2020, and each of our incentive plans provides for rights upon certain termination events, with adjustments to be made to the amounts payable to certain named executive officers if the termination occurs concurrently with or following a change of control of our Company. This section sets forth the potential payments to Messrs. Niles and Graffam if their employment had terminated or a change in control had occurred, in each case, as of December 31, 2020.

Employment Agreements

Termination Without Cause or for Good Reason

Pursuant to the employment agreements with each of Messrs. Niles and Graffam, if the Company terminates either such executive's employment without "cause" or if the executive resigns for "good reason" (each, as defined in the applicable employment agreement), in either case, our Company would become obligated to pay the applicable named executive officer all accrued and unpaid base salary and vacation time, all approved and unpaid bonus amounts and all incurred and unpaid expenses, as well as the following severance payments and benefits (subject to his timely execution and non-revocation of a general release of claims in favor of the Company, and continued compliance with restrictive covenants described above):

(i) a lump sum cash payment in an amount equal to two times the sum of his annual base salary plus his target bonus;

(ii) any annual bonus earned during the year prior to the year in which the termination occurred (to the extent unpaid as of the applicable termination date); and

(iii) up to 12 months of Company-subsidized healthcare coverage under COBRA at the same levels as in effect on the date of termination.

Death or Disability

In the event any of Messrs. Niles and Graffam dies or becomes disabled during such named executive officer's term of employment, we become (or would have become) obligated to pay such named executive officer (or his legal representative, as applicable) all accrued and unpaid base salary and vacation time, all approved and unpaid bonus amounts and all incurred and unpaid expenses.

Cash Incentive Plan

Phantom Units

Mr. Graffam is the only named executive officer who holds outstanding phantom unit awards under the Cash Plan. Pursuant to the terms of the Cash Plan, under certain conditions, including the occurrence of certain approved transactions, a board change or a control purchase (all as defined in the Cash Plan), phantom units and unpaid dividend equivalents subject to outstanding awards under the plan will become vested and any related cash amounts will be adjusted as provided for in the individual agreement, unless individual agreements state otherwise. Pursuant to Mr. Graffam's respective award agreements, the CFO service award and the CFO performance award under the Cash Plan would have been be treated as follows in connection with Mr. Graffam's termination of employment on December 31, 2020:

- If Mr. Graffam's employment is terminated by the Company without "cause" or by Mr. Graffam for "good reason" (each as defined in his respective award agreements), in either case, then the CFO service award and the CFO performance award may vest in full in the discretion of the committee appointed to administer the Cash Plan.

- If Mr. Graffam's employment is terminated due to his death or "disability" (as defined in the Cash Plan), the CFO service award and the CFO performance award will vest in full.

Cash Awards

Following Mr. Gardner's departure from the Company, Mr. Graffam is the only named executive officer who holds outstanding cash awards under the Cash Plan. The Graffam Time-Based Award and the Graffam Performance-Based Award under the Cash Plan would have been treated as follows in connection with his termination of employment on December 31, 2020:

- If Mr. Graffam's employment is terminated by the Company without "cause" or by Mr. Graffam for "good reason" (each as defined in his respective award agreement), in either case, prior to a "change in control" (as defined in the Cash Plan), then the Graffam Time-Based Award will vest in full and the Graffam Performance-Based Award may vest in full in the discretion of the committee appointed to administer the Cash Plan.

- If Mr. Graffam's employment is terminated by the Company without cause or by Mr. Graffam for good reason, in either case, within 12 months following a change in control, then the Graffam Time-Based Award and the Graffam Performance-Based Award will vest in full.

- If Mr. Graffam's employment is terminated due to his death or disability, the Graffam Time-Based Award and the Graffam Performance-Based Award will vest in full.

Management Incentive Plans

Pursuant to the MIPs, upon terminations of employment as a result of a reduction in force, death or disability, the participant may, at the discretion of the Company, receive a prorated payment of his or her award under the applicable MIP, subject to the execution, delivery and non-revocation of a general release of claims in favor of the Company.

2020 Incentive Award Plan

Under the 2020 Incentive Award Plan, or the 2020 Plan, in the event of a "change in control" of our Company (as defined in the 2020 Plan) on December 31, 2020, to the extent that the surviving entity declines to continue, convert, assume or replace outstanding awards, then all outstanding awards granted under the 2020 Plan, including the RSU awards held by Messrs. Niles and Graffam, will become fully vested and exercisable in connection with the transaction. In addition, such awards will be cancelled upon the closing of the change in control in exchange for the per share consideration received by our stockholders in the transaction, only to the extent that the amount received as a result of any settlement or exercise of such award is greater than zero.

Pursuant to the applicable award agreements, if either of Messrs. Niles or Graffam experiences a termination of service for any reason prior to a change in control of the Company, any then-outstanding Performance-Based RSU Awards and any then-outstanding and unvested Time-Based RSU Awards (as applicable) will be cancelled and forfeited by the executive, except as set forth below.

- *Performance-Based RSUs*. Upon a termination of either executive's service with the Company without "cause," by the executive for "good reason," or due to the executive's death or "disability" (each such term as defined in the applicable award agreement) (collectively, a "qualifying termination"), (i) the executive's Performance-Based RSU Award(s) will remain outstanding and eligible to vest on a change in control during the five-year period immediately following the date of such termination based on the achievement of applicable performance goals, and (ii) the number of any performance-vested RSUs that vest in full upon the change in control will be determined on a pro rata basis based on the number of days the executive was employed from August 30, 2019 through the date of the change in control. Any performance-based RSUs that do not vest in accordance with the foregoing will be cancelled and forfeited by the executive. If a change in control of the Company does not occur on or within the five-year period immediately following the date of an executive's qualifying termination, the

Performance-Based RSU Award(s) will automatically be cancelled and forfeited on the fifth anniversary of the executive's qualifying termination.

- *Time-Based RSUs*. If either executive experiences a qualifying termination, any then-unvested RSUs that are subject to a Time-Based RSU Award will vest with respect to a number of time-based RSUs that would have vested during the 12-month period immediately following the date of such termination had the executive remained in continuous service with the Company during such period.

The treatment of the RSU awards upon certain qualifying terminations of service, as described above, is subject to the executive's timely execution and non-revocation of a general release of claims against the Company, and the execution of and continued compliance with any restrictive covenants applicable to the executive.

Director Compensation

Director Compensation Program

In 2020, prior to the effectiveness of the Director Compensation Program (as defined below), each non-employee director was eligible to receive an annual cash retainer fee of $80,000 for services on our Board, other than Mr. Kneeland whose annual retainer as Chairman of the Board was $140,000, and Mr. Escudier who received no compensation from the Company for his services in 2020. Fees for services on each of our audit, compensation and strategy committees were $5,000 per committee (with committee chairs receiving $10,000), excluding Mr. Kneeland who received no compensation for his service on the strategy committee in 2020.

Effective as of April 1, 2020, our Board adopted a non-employee director compensation program (the "Director Compensation Program"). The Director Compensation Program provides for annual cash retainer fees and long-term equity awards for our non-employee directors who are not representatives of EQT (each, an "Eligible Director"). The Director Compensation Program consists of the following components:

<u>Cash Compensation</u>

- Annual Retainer (Non-Chairman): $90,000
- Annual Non-Executive Chairman of the Board Retainer: $150,000
- Annual Committee Chair Retainer:
  - Audit: $20,000
  - Compensation: $20,000
  - Strategy: $20,000
- Annual Committee Member (Non-Chair) Retainer:
  - Audit: $10,000
  - Compensation: $10,000
  - Strategy: $10,000

Annual cash retainers will be paid in quarterly installments in arrears and will be pro-rated for any partial calendar quarter of service. Mr. Kneeland, the Chairman of our Board, is not eligible to receive any committee retainers.

<u>Equity Compensation</u>

Each Eligible Director is eligible to receive grants of one or more awards under the 2020 Plan.

Compensation under our Director Compensation Program is subject to the annual limits on nonemployee director compensation set forth in the 2020 Plan, as described under the section entitled, "*—Securities Authorized for Issuance Under Equity Compensation Plans*" below.

Equity Awards to Directors in 2020

In connection with the adoption of the 2020 Plan, certain of our non-employee directors were granted Performance-Based RSU Awards and Time-Based RSU Awards, as set forth in the table below. Any vested RSUs will be settled in connection with a change in control of the Company.

Non-Employee Director	Number of Performance-Based RSUs Granted in 2020 (#) (1)	Number of Time-Based RSUs Granted in 2020 (#) (2)
Patrick J. Bartels, Jr.	43,750	18,750
Mitchell G. Etess	43,750	18,750
Michael J. Kneeland	65,625	28,125
Michael R. Meyers	43,750	18,750
Dick Seger	65,625	28,125

(1) Upon a "change in control" of the Company (as defined in the 2020 Plan), the RSUs subject to the Performance-Based RSU Awards are eligible to performance vest in an amount ranging from 0% to 100% of the total RSUs subject to the award, based on the attainment of predetermined equity values of the Company, as a multiple on invested capital (the "Equity Values") at the time of a change in control of the Company. Any RSUs that become performance-vested in accordance with the foregoing will, in connection with the change in control, become fully vested subject to the director's continued service with the Company until immediately prior to the change in control. If, however, the minimum Equity Value is not achieved at the time of the change in control, the Performance-Based RSU Awards will be cancelled and forfeited at such time.

(2) The RSUs subject to the Time-Based RSU Awards are eligible to vest as follows, subject to the director's continued service through the applicable vesting date: (i) 20% of the RSUs on August 30, 2020 and (ii) 80% of the remaining RSUs in 48 substantially equal installments on each monthly anniversary of thereafter, such that Time-Based RSU Awards will be fully vested on August 30, 2024. At the time of a change in control of the Company, any unvested portion of the Time-Based RSU Awards will automatically accelerate and vest in full, subject to the director's continued service with the Company until immediately prior such change in control.

Director Compensation Table

The following table sets forth compensation paid to or earned by our non-employee directors during the year ended December 31, 2020.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Total ($)
Patrick J. Bartels, Jr.	100,000	—	100,000
Stephen Escudier	—	—	—
Mitchell G. Etess	100,000	—	100,000
Michael J. Kneeland	145,000	—	145,000
Michael R. Meyers	100,000	—	100,000
Dick Seger	100,000	—	100,000

(1) Amounts reflect the full grant-date fair value of restricted stock unit awards granted during 2020, rather than the amounts paid to or realized by the named individual. In 2020, our non-employee directors were granted RSUs that are subject to both service-based and liquidity-based vesting conditions. As required pursuant to SEC disclosure rules, the grant-date fair values of these awards included in the table above were computed based on the probable outcomes of the performance conditions as of the applicable grant date; achievement of the performance conditions for these RSUs was not deemed probable on the grant date and, accordingly, no value is included in the table for these awards. Assuming achievement of the performance conditions, the fair values of these RSUs, determined as of applicable grant date, to each of Messrs. Bartels, Etess, Kneeland, Meyers and Seger is $81,250, $81,250, $121,875, $81,250 and $121,875, respectively. We provide information regarding the assumptions used to calculate the value of all restricted stock unit awards made to our non-employee directors in Note 14 to the consolidated financial statements included in this Form 10-K.

The table below shows the aggregate numbers of RSU awards held as of December 31, 2020 by each non-employee director who was serving as of December 31, 2020:

Name	RSUs Outstanding at Fiscal Year End (#)
Patrick J. Bartels, Jr.	62,500
Mitchell G. Etess	62,500
Michael J. Kneeland	93,750
Michael R. Meyers	62,500
Dick Seger	93,750

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Security Ownership of Certain Beneficial Owners and Management

The table below sets forth information, as of February 28, 2021, the amount and percentage of our outstanding shares of common stock beneficially owned by (i) each person known by us to own beneficially more than 5% of our outstanding common stock, (ii) each director, (iii) each of our executive officers, and (iv) all of our directors and executive officers as a group. The percentages reflect beneficial ownership, as determined in accordance with the SEC's rules, as of February 28, 2021, and are based on 22,500,000 shares of common stock outstanding. All information with respect to beneficial ownership has been furnished by the respective 5% or more stockholders, directors, director nominees or executive officers, as the case may be.

Name	Beneficial Ownership	% of Total
5% Shareholders		
CRF3 Investments I S.á.r.l.(1)	10,873,865	48.33 %
Brigade Capital Management, LP(2)	5,609,921	24.93 %
Ensign Peak Advisors, Inc.(3)	2,064,988	9.18 %
AllianceBernstein Accounts(4)	1,226,742	5.45 %
Directors and Executive Officers		
William E. Niles	7,237	*
Fred A. Graffam	1,006	*
Patrick J. Bartels	—	*
Stephen Escudier	—	*
Mitchell G. Etess	—	*
Michael J. Kneeland	—	*
Michael R. Meyers	341	*
Dick Seger	—	*
All executive officers and directors as a group (8 persons)(5)	8,584	*

(1) The address of this beneficial owner is 26A Boulevard Royal, L-2449, Luxembourg. EQT Partners UK Advisors LLP may be deemed to have voting and investment power with respect to, and may be deemed to be the beneficial owner of, the shares of common stock owned by CRF3 Investments I S.à.r.l.

(2) The address of this beneficial owner is 399 Park Avenue, Suite 1600, New York, NY 10022. The entirety of the shares are owned by funds and accounts managed by Brigade Capital Management, LP (collectively, the "Brigade Funds"). Brigade Capital Management, LP has voting and investment power with respect to the shares of common stock owned by the foregoing entities and may be deemed to be the beneficial owner of the shares of common stock owned by the Brigade Funds.

(3) The address of this beneficial owner is 60 East South Temple Street, Suite 400, Salt Lake City, UT 84111.

(4) The address of this beneficial owner is 1345 Avenue of the Americas, New York, NY 10105. Consists of (i) 257,529 shares owned by AB High Income Fund, Inc., (ii) 578 shares owned by AB Bond Fund, Inc.-AB FlexFee High Yield Portfolio, (iii) 35,682 shares owned by AllianceBernstein Global High Income Fund, Inc., (iv) 812,814 shares owned by AB FCP I-Global High Yield Portfolio, (v) 2,309 shares owned by AB SICAV I-Global Income Portfolio,

(vi) 1,489 shares owned by AB SICAV I-All Market Income Portfolio, (vii) 13,223 shares owned by AllianceBernstein LP, on behalf of Kaiser Foundation Hospitals, (viii) 4,469 shares owned by The AB Portfolios-AB All Market Total Return Portfolio, (ix) 68,348 shares owned by AB Bond Fund, Inc-AB Income Fund, (x) 6,873 shares owned by AB Collective Investment Trust Series-AB US High Yield Collective Trust, (xi) 5,847 shares owned by AllianceBernstein LP, on behalf of The State of Connecticut, and (xii) 17,581 shares owned by AllianceBernstein LP, on behalf of Teachers' Retirement System of Louisiana (collectively, the "*AllianceBernstein Accounts*"). AllianceBernstein L.P. is investment advisor to the AllianceBernstein Accounts. AllianceBernstein L.P. and Neil Ruffell, in his position as Head of Portfolio Administration of AllianceBernstein L.P., may be deemed to have voting and investment power with respect to the common stock owned by the AllianceBernstein Accounts, and may be deemed to be the beneficial owner of the shares of common stock owned by the AllianceBernstein Accounts.

(5) The address of directors and officers is in care of Monitronics International, Inc., 1990 Wittington Place, Farmers Branch, Texas 75234.

* Represents less than 1%

Changes in Control

We know of no arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in control of our Company.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes the number of shares of our common stock that may be issued under our existing equity compensation plans as of December 31, 2020.

	(a)	(b)	(c)
Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)**	**Weighted-average exercise price of outstanding options, warrants and rights ($)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (#) (1)**
Equity compensation plans approved by stockholders	—	—	—
Equity compensation plans not approved by stockholders (2)	1,881,918	—	618,082
Total	1,881,918		618,082

(1) Includes shares available for future grants of stock options, stock appreciation rights, restricted stock, restricted stock units or other stock-based awards, as applicable.

(2) Consists of our 2020 Incentive Award Plan.

2020 Incentive Award Plan

On August 3, 2020, our Board, on recommendation of the compensation committee, adopted the Monitronics International, Inc. 2020 Incentive Award Plan (the "2020 Plan"), pursuant to which the Company may grant cash, equity and equity-based incentive awards to eligible service providers (including our named executive officers) in order to attract, motivate and retain the talent for which the Company competes. The material terms of the 2020 Plan are summarized below.

Eligibility and Shares Available. The 2020 Plan provides for the grant of non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), dividend equivalents and other stock or cash based awards (collectively, "awards"). Non-employee directors of the Company, as well as employees and consultants of the Company or its subsidiaries (collectively, "participants") are eligible to receive awards under the 2020 Plan. The 2020 Plan authorizes the issuance of 2,500,000 shares of our common stock. Subject to certain limitations, the following shares will be added back to the share limit: shares covered by awards granted under the 2020 Plan that are forfeited, expire or lapse, or are repurchased for or settled in cash, and shares tendered or withheld to cover any exercise or purchase price of an award and/or tax withholding.

Shares issued pursuant to awards under the 2020 Plan may be authorized but unissued shares, shares purchased on the open market or treasury shares. In no event will the sum of the compensation of, including the aggregate grant date fair value (determined under ASC Topic 718, or any successor thereto) of all awards granted to, a non-employee director, for services as a director of the Board during any fiscal year of the Company exceed $700,000.

Administration. The 2020 Plan will be administered by the compensation committee of the Board (or, with respect to awards granted to non-employee directors of the Company, by our full Board). The administrator of the 2020 Plan (the "plan administrator") or its delegate has the authority to determine which service providers receive awards and to set the terms and conditions applicable to the awards within the confines of the 2020 Plan's terms. The plan administrator has the authority to make all determinations and interpretations under, and adopt rules and guidelines for the administration of, the 2020 Plan.

Awards. The 2020 Plan also contains provisions with respect to the payment of exercise or purchase prices, vesting and expiration of awards, adjustments and treatment of awards upon certain corporate transactions, including stock splits, recapitalizations and mergers, transferability of awards and tax withholding requirements. All awards under the 2020 Plan will be evidenced by award agreements, which will detail the terms and conditions of the awards, including any applicable vesting and payment terms and post-termination exercise limitations. Certain awards under the 2020 Plan may constitute or provide for a deferral of compensation, subject to Section 409A of the Code which may impose additional requirements on the terms and conditions of such awards.

Amendment. The 2020 Plan may be amended, suspended or terminated by our Board at any time, subject to certain limitations requiring stockholder consent or the consent of a participant. The 2020 Plan will expire on August 3, 2030.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE*

Review and Approval of Related Party Transactions

We adopted a code of ethics and corporate governance guidelines to govern the review and approval of related party transactions. Under our code of ethics, any transaction which may involve an actual or potential conflict of interest and is required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC must be approved by the audit committee or another independent body of our Board designated by our Board. Under our corporate governance guidelines, if a director has an actual or potential conflict of interest, the director must promptly inform our Chief Executive Officer and the chair of our audit committee. All directors must recuse themselves from any discussion or decision that involves or affects their personal, business or professional interests. In addition, an independent committee of our Board, designated by our Board, will resolve any conflict of interest issue involving a director, our Chief Executive Officer or any other executive officer. No related party transaction (as defined by Item 404(a) of Regulation S-K promulgated by the SEC) may be effected without the approval of such independent committee.

The following are certain transactions, arrangements and relationships with our directors, executive officers and stockholders owning 5% or more of our outstanding common stock since January 1, 2020.

Registration Rights Agreement

We are party to a Registration Rights Agreement with the holders of our common stock named therein to provide for resale registration rights for the holders' Registrable Securities (as defined in the Registration Rights Agreement).

Pursuant to the Registration Rights Agreement, the holders have customary underwritten offering and piggyback registration rights, subject to the limitations set forth therein. Under their underwritten offering registration rights, one or more holders holding, collectively, at least 25% of the aggregate number of Registrable Securities or Registrable Securities with an anticipated aggregate gross offering price (before deducting underwriting discounts and commissions) of at least $40 million have the right to demand that we file a registration statement with the SEC, and further have the right to demand that we effectuate the distribution of any or all of such holder's Registrable Securities by means of an underwritten offering pursuant to an effective registration statement, subject to certain limitations described in the Registration Rights Agreement. The holders' piggyback registration rights provide that, if at any time we propose to undertake a registered offering of our common stock, whether or not for our own account, we must give at least 10 business days' notice to all holders of Registrable Securities to allow them to include a specified number of their shares in the offering.

These registration rights are subject to certain conditions and limitations, including our right to delay or withdraw a registration statement under certain circumstances. We will generally pay all registration expenses in connection with our obligations under the Registration Rights Agreement, regardless of whether any Registrable Securities are sold pursuant to a registration statement. The registration rights granted in the Registration Rights Agreement are subject to customary indemnification and contribution provisions, as well as customary restrictions such as blackout periods and, if an underwritten offering is contemplated, limitations on the number of shares to be included in the underwritten offering that may be imposed by the managing underwriter.

Director Nominating Agreement

In connection with our emergence from Chapter 11, we entered into director nominating agreements that provide affiliates of EQT the right to nominate: (i) three Class III directors so long as EQT and its affiliates own at least 27.5% of the total voting power of the Company; (ii) two Class III directors so long as EQT and its affiliates own at least 17.5% of the total voting power of the Company and (iii) one Class III director so long as EQT and its affiliates own at least 10% of the total voting power of the Company, and provide affiliates of Brigade the right to nominate (i) one Class I directors so long as Brigade and its affiliates own at least 17.5% of the total voting power of the Company and (ii) one Class II director so long as Brigade and its affiliates own at least 10% of the total voting power of the Company. In connection with our emergence, Stephen Escudier, Andrew Konopelski and Michael J. Kneeland were nominated as directors by EQT, and Michael R. Meyers and Mitchell Etess were nominated as directors by Brigade. Dick Seger was subsequently nominated by EQT to replace Andrew Konopelski, who resigned from the board of directors.

Indemnification Agreements

We have indemnification agreements with our directors and certain officers. These indemnification agreements are intended to permit indemnification to the fullest extent now or hereafter permitted by applicable law. It is possible that the applicable law could change the degree to which indemnification is expressly permitted.

The indemnification agreements cover expenses (including attorneys' fees) incurred as a result of the fact that such person, in his or her capacity as a director or officer, is made or threatened to be made a party to any suit or proceeding. The indemnification agreements will generally cover claims relating to the fact that the indemnified party is or was an officer, director, employee or agent of us or any of our affiliates, or is or was serving at our request in such a position for another entity. The indemnification agreements will also obligate us to promptly advance expenses incurred in connection with any claim. The indemnification provided under the indemnification agreements is not exclusive of any other indemnity rights; however, double payment to the indemnitee is prohibited.

We also maintain director and officer liability insurance for the benefit of each of the above indemnitees.

Director Independence

Our board of directors uses the independence standards under the rules of the OTC Group applicable to issuers listed on the OTCQX Best Market. The OTC Group's definition of independence requires that the director is not an executive officer or employee of the Company and does not have any relationship, in the opinion of the Company's board, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The board has determined that Dick Seger, Michael J. Kneeland, Michael R. Meyers, Mitchell G. Etess and Patrick J. Bartels, Jr. are independent under the OTC Group rules and the rules and regulations promulgated by the SEC for purposes of service on the board of directors. There are no family relationships among any of our directors or executive officers.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

Audit Fees and All Other Fees

The following table presents fees for professional audit services rendered by KPMG LLP for the audit of our consolidated financial statements for 2020 and 2019, the review of unaudited interim financial statements included in our quarterly reports on Form 10-Q and fees billed for other professional services rendered by KPMG LLP in each of the last two fiscal years:

	2020	2019
Audit fees	$ 982,000	$ 1,819,000
Audit related fees	59,000	—
Audit and audit related fees	$ 1,041,000	$ 1,819,000
Tax fees	160,000	—
Other fees	—	—
Total fees	$ 1,201,000	$ 1,819,000

Our audit committee has considered whether the provision of services by KPMG LLP to our Company other than auditing is compatible with KPMG LLP maintaining its independence and believes that the provision of such other services is compatible with KPMG LLP maintaining its independence.

Policy on Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditor

Our audit committee adopted a policy, dated September 25, 2019, regarding the pre-approval of all audit and permissible non-audit services provided by our independent auditor. Pursuant to this policy, our audit committee has approved the engagement of our independent auditor to provide the following services (all of which are collectively referred to as "pre-approved services"):

- audit services as specified in the policy, including (i) financial audits of our Company and our subsidiaries, (ii) services associated with our periodic reports, registration statements and other documents filed or issued in connection with a securities offering (including comfort letters and consents), (iii) attestations of our management's reports on internal controls and (iv) consultations with management as to accounting or disclosure treatment of transactions;

- audit-related services as specified in the policy, including (i) due diligence services, (ii) financial audits of employee benefit plans, (iii) consultations with management as to accounting or disclosure treatment of transactions not otherwise considered audit services, (iv) attestation services not required by statute or regulation, (v) certain audits incremental to the audit of our consolidated financial statements, (vi) closing balance sheet audits related to dispositions and (vii) general assistance with implementation of SEC rules or listing standards; and

- tax services as specified in the policy, including federal, state, local and international tax planning, compliance and review services, and tax due diligence.

Notwithstanding the foregoing general pre-approval, any individual project involving the provision of pre-approved services that is likely to result in fees in excess of $100,000 requires the specific prior approval of our audit committee. Any engagement of our independent auditors for services other than the pre-approved services requires the specific approval of our audit committee. Our audit committee has delegated the authority for the foregoing approvals to the chairman of the audit committee, subject to his subsequent disclosure to the entire audit committee of the granting of any such approval. Michael R. Meyers currently serves as the chairman of our audit committee.

Our pre-approval policy prohibits the engagement of our independent auditor to provide any services that are subject to the prohibition imposed by Section 201 of the Sarbanes-Oxley Act.

All services provided by our independent auditor during 2019 and 2020 were approved either by the audit committee or in accordance with the terms of a pre-approval policy approved by the audit committee.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES*

(a) (1) Financial Statements

Included in Part II of this Annual Report:

Monitronics International, Inc.:

(a) (2) Financial Statement Schedules

(i) All schedules have been omitted because they are not applicable, not material or the required information is set forth in the consolidated financial statements or notes thereto.

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(a) (3) Exhibits

Listed below are the exhibits which are filed as a part of this report:

2.1	Agreement and Plan of Merger, dated as of May 24, 2019, by and between Ascent and Monitronics International, Inc. (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed with the SEC on May 31, 2019).
3.1	Certificate of Incorporation of Monitronics International, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 4, 2019).
3.2	Certificate of Amendment to Certificate of Incorporation of Monitronics International, Inc.*
3.3	Bylaws of Monitronics International, Inc. (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 4, 2019).
3.4	Certificate of Ownership and Merger, dated July 7, 2011 (incorporated by reference to Exhibit 3.1 to Ascent Capital's Current Report on Form 8-K (File No. 001-34176), filed with the Commission on July 8, 2011) (filed for the purpose of changing the name of Ascent Capital).
10.1	Employment Agreement, dated October 17, 2020, by and between William E. Niles and Monitronics International, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on October 22, 2020).
10.2	Employment Agreement, dated July 14, 2017, by and between Ascent Capital and Fred A. Graffam (incorporated by reference to Exhibit 10.2 to Ascent Capital's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 filed with the SEC on November 2, 2017).
10.3	Form of Indemnification Agreement between Monitronics International, Inc. and the directors of Monitronics International, Inc. (incorporated by reference to Exhibit 10.1 to Monitronics' Current Report on Form 8-K (File No. 333-110025), filed with the Securities and Exchange Commission on September 5, 2019).
10.4	Monitronics International, Inc. 2020 Incentive Award Plan, dated July 29, 2020 (incorporated by reference to Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 filed with the SEC on July 29, 2020).
10.5	Form of Time-Based Restricted Stock Unit Award Agreement under Monitronics International, Inc. 2020 Incentive Award Plan (incorporated by reference to Exhibit 99.2 to the Registrant's Registration Statement on Form S-8 filed with the SEC on July 29, 2020).
10.6	Form of Performance-Based Restricted Stock Unit Award Agreement under Monitronics International, Inc. 2020 Incentive Award Plan (incorporated by reference to Exhibit 99.3 to the Registrant's Registration Statement on Form S-8 filed with the SEC on July 29, 2020).
10.7	Senior Secured Credit Agreement dated as of August 30, 2019, among Monitronics International, Inc., the guarantors party thereto, Encina Private Credit SPV, LLC as administrative agent, swingline lender and L/C issuer, KKR Capital Markets LLC as lead arranger and bookrunner, KKR Credit Advisors (US) LLC as structuring advisor and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on September 4, 2019).
10.8	Form of Amendment No. 1, dated June 17, 2020, to the Senior Secured Credit Agreement, by and among Monitronics International, Inc., Encina Private Credit SPV, LLC, as administrative agent, swingline lender and L/C Issuer, and certain other parties thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 22, 2020).
10.9	Loan Agreement dated as of August 30, 2019, among Monitronics International, Inc., the guarantors party thereto, Cortland Capital Market Services LLC as administrative agent and the lenders party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on September 4, 2019).
10.10	Form of Amendment No. 1, dated June 17, 2020, to the Loan Agreement, by and among Monitronics International, Inc., Cortland Capital Market Services LLC, as administrative agent, and certain other parties thereto (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on June 22, 2020).
10.11	Asset Purchase Agreement by and between Monitronics International, Inc. and Protect America, Inc., dated as of June 17, 2020 (certain portions of which have been omitted) (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 22, 2020).
10.12	Form of Amendment No. 2, dated March 18, 2021, to the Loan Agreement, by and among Monitronics International, Inc., Cortland Capital Market Services LLC, as administrative agent, and certain other parties thereto.*
21	List of Subsidiaries of Monitronics International, Inc. *
24	Power of Attorney (included on the signature pages of this Part IV). *
31.1	Chief Executive Officer Certifications pursuant to Section 301 of the Sarbanes-Oxley Act of 2002. *
31.2	Chief Financial Officer Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

32	18 U.S.C. Section 1350 Certification, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document. *
101.SCH	XBRL Taxonomy Extension Schema Document. *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. *

* Filed herewith.
** Furnished herewith.

ITEM 16. ***FORM 10-K SUMMARY***

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: March 18, 2021	By	/s/ William E. Niles
		William E. Niles Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William E. Niles and Fred A. Graffam, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Title	Date
/s/ William E. Niles William E. Niles	Chief Executive Officer (principal executive officer)	March 18, 2021
/s/ Patrick J. Bartels, Jr. Patrick J. Bartels, Jr.	Director	March 18, 2021
/s/ Stephen Escudier Stephen Escudier	Director	March 18, 2021
/s/ Mitchell G. Etess Mitchell G. Etess	Director	March 18, 2021
/s/ Michael J. Kneeland Michael J. Kneeland	Director	March 18, 2021
/s/ Michael R. Meyers Michael R. Meyers	Director	March 18, 2021
/s/ Dick Seger Dick Seger	Director	March 18, 2021
/s/ Fred A. Graffam Fred A. Graffam	Chief Financial Officer, Executive Vice President and Assistant Secretary (principal financial and accounting officer)	March 18, 2021

Exhibit 3.2

CERTIFICATE OF FIRST AMENDMENT TO THE
CERTIFICATE OF INCORPORATION
OF
MONITRONICS INTERNATIONAL, INC.

February 17, 2021

MONITRONICS INTERNATIONAL, INC., a corporation under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

FIRST. The Corporation was originally incorporated pursuant to the General Corporation Law of the State of Delaware and a certificate of incorporation (the "Certificate of Incorporation") filed with the Secretary of State of the State of Delaware on August 30, 2019.

SECOND. That the Board of Directors of said Corporation duly adopted resolutions proposing and declaring advisable the following amendment of said Corporation's Certificate of Incorporation, as amended. The resolutions setting forth the proposed amendment are as follows:

Section 1 and Section 2 of Article XII the Certificate of Incorporation are hereby amended and restated in their entirety as follows:

1. Financial Statements and Periodic Reports .

(a) The Corporation shall cause to be prepared for the stockholders, at the Corporation's expense, (i) with respect to each fiscal year of the Corporation, annual consolidated financial statements of the Corporation and its subsidiaries (including a balance sheet as of such fiscal year-end and statements of earnings, stockholders equity and cash flows for such fiscal year, including comparative figures for the preceding fiscal year), prepared in accordance with GAAP and audited by (and accompanied by the audit report of) a nationally recognized accounting firm and (ii) with respect to each of the first three quarters of the Corporation's fiscal year, unaudited consolidated quarterly financial statements of the Corporation and its subsidiaries (including a balance sheet as of the end of such fiscal quarter and statements of earnings, stockholders equity and cash flows for such fiscal quarter, including year-to-date figures and comparative figures for the preceding fiscal year), prepared in accordance with GAAP (except that such financial statements may (A) be subject to normal year-end audit adjustments and (B) not contain all notes thereto that may be required under GAAP). The financial statements so furnished shall include the same monthly and quarterly financials and statements of cash flow as are provided by the Corporation to any financial institution.

(b) The Corporation shall furnish to its stockholders the above financial reports and other information at the respective times indicated, which obligation may (in the Corporation's discretion) be satisfied by posting such information to a secure website or electronic data room to which all stockholders (and potential purchasers of all or a portion of a stockholder's shares) are given access; provided, however that in each case such access may be conditioned on the party's expressly agreeing to or acknowledging the confidentiality restrictions set forth in Section 2 below: quarterly unaudited financial statements within 60 days after the end of each fiscal quarter and annual audited financial statements within 120 days after the end of each fiscal year.

2 . Non-Disclosure. Each stockholder agrees that all non-public and confidential information furnished to it pursuant to this Certificate of Incorporation (the "Confidential Information") will be kept confidential and will not be disclosed by such stockholder, or by any of its agents, representatives or employees, in any manner whatsoever (other than to the Corporation, another stockholder or any person designated by the Corporation), in whole or in part, except that (a) each stockholder shall be permitted to disclose such information to those of its agents, representatives and employees who need to be familiar with such

information in connection with such stockholder's investment in the Corporation (collectively, "Representatives"), as well as to its direct or indirect sub-advisors and funding sources, investors and potential investors of such stockholder or its sub-advisors, and who in each case are apprised of the confidential nature of such information, (b) each stockholder shall be permitted to disclose information to the extent required by Law, so long as such stockholder shall have used its reasonable efforts to first afford the Corporation with a reasonable opportunity to contest the necessity of disclosing such information, (c) each stockholder shall be permitted to disclose such information to a potential purchaser of all or a portion of such stockholder's Common Stock; provided, that such potential purchaser shall execute a customary confidentiality agreement containing terms not less restrictive than the terms set forth herein, (d) each stockholder shall be permitted to disclose information to the extent necessary for the enforcement of any right of such stockholder arising under this Certificate of Incorporation and (e) each stockholder shall be permitted to report to its direct or indirect shareholders, limited partners, members or other owners, lenders or investors, as applicable, regarding the general status and financial performance of its investment in the Corporation; provided, however, that information shall not be deemed Confidential Information for purposes of this Article XII, where such information (i) was already known to such stockholder (or its Representatives) at the time of disclosure, (ii) later becomes known to such stockholder by having been disclosed to such stockholder (or its Representatives) by a third person without any obligation of confidentiality imposed on such third person to such stockholder's knowledge, (iii) is or becomes publicly known through no wrongful act of such stockholder (or its Representatives), or (iv) is independently developed by such stockholder (or its Representatives) without reference to any Confidential Information disclosed to such stockholder under this Certificate of Incorporation. Each stockholder shall be responsible for any breach of this Article XII by its Representatives.

THIRD. That thereafter, pursuant to a resolution of the Board of Directors and in lieu of a meeting of stockholders, the stockholders gave their approval of the aforesaid amendment by written consent in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

FOURTH. That the aforesaid amendment was duly adopted in accordance with the provisions of Sections 242 and 228 of the General Corporation Law of the State of Delaware.

FIFTH. That the aforesaid amendment shall be executed, filed and recorded in accordance with Section 103 of the General Corporation Law of the State of Delaware.

[Signature Page Follows.]

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Amendment to the Certificate of Incorporation to be duly executed as of the date first written above.

By:	/s/ William E. Niles
Name:	William E. Niles
Title:	Chief Executive Officer

Exhibit 10.12

FORM OF

AMENDMENT NO. 2 TO LOAN AGREEMENT

This Amendment No. 2 to Loan Agreement (this "Amendment") is entered into as of March 18, 2021 by and among Monitronics International, Inc., a Delaware corporation ("Borrower"), the Guarantors party hereto, certain Lenders (as defined below) party hereto and Cortland Capital Market Services LLC, as administrative agent (in such capacity, the "Administrative Agent").

RECITALS

A. Borrower is a party to that certain Loan Agreement dated as of August 30, 2019, by and among the Borrower, the Guarantors from time to time party thereto, the Administrative Agent and the lenders from time to time party thereto (the "Lenders") (as amended by that certain Amendment No. 1 to Loan Agreement, dated as of June 17, 2020, and as further amended as set forth herein, the "Loan Agreement").

B. The Borrower has requested to make certain amendments to the Loan Agreement, as authorized by Section 10.01 of the Loan Agreement.

Now, therefore, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the Lenders party hereto (which constitute the Required Lenders) and the Borrower hereby acknowledge, agree and consent to the following:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Loan Agreement.

2. Interpretation. The rules of interpretation set forth in Section 1.02 of the Loan Agreement shall be applicable to this Amendment and are incorporated herein by this reference.

3. Amendments.

a. Defined Terms. Section 1.01 of the Loan Agreement is hereby amended as follows:

i. The defined term "Applicable Rate" is hereby replaced in its entirety by the following:

""Applicable Rate" means (a) prior to January 1, 2022, 5.50% per annum for Base Rate Loans and 6.50% per annum for Eurodollar Rate Loans and (b) on and after January 1, 2022, 6.50% per annum for Base Rate Loans and 7.50% per annum for Eurodollar Rate Loans; provided that, in the case of clauses (a) and (b) of this definition, if the "Applicable Rate" under and as defined in the Exit Facilities Credit Agreement is increased to more than 5.00% per annum for Base Rate Loans (as defined in the Exit Facilities Credit Agreement) and/or more than 6.00% per annum for Eurodollar Rate Loans and/or Letter of Credit Fees (each as defined in the Exit Facilities Credit Agreement), then the Applicable Rate applicable to Base Rate Loans and/or Eurodollar Rate Loans hereunder, as applicable, shall be, upon receipt by the Administrative Agent of written notice from the Borrower or any Lender of any such interest rate increase under the Exit Facilities Credit Agreement together with a copy of the documentation evidencing the same (and the Borrower hereby agrees to provide such written notice and documentation to the Administrative Agent immediately upon the effectiveness of such interest rate increase under the Exit Facilities Credit Agreement), automatically increased by (x) in the case of Base Rate Loans hereunder, the amount that the "Applicable Rate" (as defined in the Exit Facilities Credit Agreement) applicable to Base Rate Loans (as defined in the Exit Facilities Credit Agreement) exceeds 5.00% per annum and (y) in the case of Eurodollar Rate Loans hereunder, the amount that the "Applicable Rate" (as defined in the Exit Facilities Credit Agreement) applicable to Eurodollar Rate Loans and/or Letter of Credit Fees (each as defined in the Exit Facilities Credit Agreement) exceeds 6.00% per annum (it being agreed, for the avoidance of doubt, that once the Applicable Rate hereunder is increased pursuant to this proviso, the Applicable Rate hereunder will not be reduced if the Applicable Rate (as defined in the Exit Facilities Agreement) is subequently reduced to 5.00% per annum or less (in the case of Base Rate Loan (as defined in the Existing Facilities Agreement)) or 6.00% per annum or less (in the case of Eurodollar Rate Loans and/or Letter of Credit Fees (each as defined in the Exit Facilities Credit Agreement))"

ii. The defined term "Controlled Investment Affiliate" is hereby added to read as follows:

""Controlled Investment Affiliate" means, as to any Person, any other Person, which directly or indirectly is in Control of, is Controlled by, or is under common Control with such Person and is organized by such Person (or any Person controlling such Person) primarily for making direct or indirect equity or debt investments in the Borrower and/or other companies."

iii. The defined term "FICO Score" is hereby replaced in its entirety by the following:

""FICO Score" means (i) the consumer credit risk score published by Fair Isaac, Equifax, Inc., TransUnion LLC or Experian PLC, (ii) the consumer credit risk score published by VantageScore Solutions, LLC, or (iii) in the event that each of the foregoing cease to publish such a score, any other consumer credit risk score published by a national credit reporting agency as may be selected by the Borrower and reasonably acceptable to the Required Lenders."

iv. The defined term "Permitted Holders" is hereby replaced in its entirety by the following:

""Permitted Holders" means any Person that is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of more than fifteen percent (15%) of the Equity Interests of the Borrower as of the Closing Date, and their Controlled Investment Affiliates."

b . Section 6.23 of the Loan Agreement is hereby amended by amending and restated clause (a) thereof in its entirety to read as follows:

"(a) (i) Commencing with the Amendment No. 1 Effective Date, the Required Lenders shall have the right to appoint an independent representative (a "Board Observer") with expertise in the U.S. alarm monitoring industry, designated by the Required Lenders in their sole discretion (and consented to by the Borrower (such consent not to be unreasonably withheld, conditioned or delayed)) and (ii) commencing on January 1, 2022, the Lenders that individually have more than $100,000,000 of Loans outstanding as of such date (collectively, the "Appointing Lenders") shall collectively have the right to appoint one additional Board Observer in their sole discretion (and consented to by the Borrower (such consent not to be unreasonably withheld, conditioned or delayed)), each of which Board Observers shall not be (x) a former officer or director of any of the Loan Parties or (y) an employee of a Lender or the Administrative Agent. Each Board Observer shall: (i) receive notice of all meetings (both regular and special) of the board of directors of the Borrower (the "Board"), and each committee of the Board (such notice to be delivered or mailed to each Board Observer pursuant to written instructions delivered to the Borrower from time to time by the Required Lenders or the Appointing Lenders, as applicable), at the same time as notice is given to the members of the Board and/or committee); (ii) be entitled to attend all such meetings (telephonically or in person, at such Board Observer's discretion); (iii) receive all notices, information, reports and minutes of meetings, which are furnished (or made available) to the members of the Board and/or committee at the same time and in the same manner as the same is furnished (or made available) to such members; and (iv) be entitled to participate in all discussions conducted at such meetings; provided that each Board Observer shall have entered into a customary confidentiality agreement with the Borrower (which confidentiality agreement shall permit disclosure of any information received by such Board Observer to any Lender so long as such Lender complies with the provisions of Section 10.07 hereof with respect to any such information). For the avoidance of doubt, all Lenders and all lenders under the Exit Facilities Agreement shall have access to each Board Observer and any information provided to either Board Observer as may be agreed between each such Lender (or such lender under the Exit Facilities Agreement) and the applicable Board Observer, subject to the proviso in the immediately preceding sentence and the last sentence of this Section 6.23(a). If any action is proposed to be taken by the Board and/or committee thereof by written consent in lieu of a meeting, the Board shall provide written notice thereof to each Board Observer, which notice shall describe in reasonable detail the nature and substance of such proposed action and shall be delivered not later than the date upon which any member of the Board and/or committee receives the same. The Borrower shall provide each Board Observer with a copy of each such written consent not later than five (5) Business Days after it has been signed by a sufficient number of signatories to make it effective. Neither Board Observer shall constitute a member of the Board or any committee thereof as a result of the exercise of its rights pursuant to this Section 6.23(a) and neither Board Observer shall be entitled to vote on any matters presented at meetings of the Board and/or committee or to consent to any matter as to which the consent of the Board and/or committee shall have been requested. The Borrower shall pay each Board Observer reasonable fees for services rendered (as reasonably acceptable to the Borrower and the Required Lenders or the Appointing Lenders, as applicable), and shall reimburse each Board Observer for all reasonable out-of-pocket expenses incurred in connection with attending such meetings and/or exercising any rights under this Section 6.23(a). Notwithstanding anything to the contrary herein, the Board and/or committee, as applicable, may exclude the Board Observers from meetings or portions of meetings of the Board and/or committee or omit to provide the Board Observers with copies of written materials provided to the members of the Board and/or committee in connection with such meetings or copies of minutes of such meetings, if and only to the extent that the members of the Board and/or committee reasonably believe in good faith that such exclusion or omission is necessary in order to (i) avoid a conflict of interest in connection with the financing arrangements of the Loan Parties under the Loan Documents, including, without limitation, any discussion of contractual disagreements relating to the Loan Documents, or any discussions relating to strategy, negotiating positions or similar matters relating to the Loan Documents or a refinancing or replacement of the Obligations, (ii) fulfill the contractual obligations of any Loan Party or any of their respective Subsidiaries with respect to confidential or proprietary information of third parties, or (iii) protect the attorney-client privilege (including protecting any attorney work product) or if counsel to the Borrower or any other Loan Party advises that excluding the Board Observers from any such meeting or portion of a meeting or from receiving any written materials or minutes is reasonably necessary to protect any applicable attorney-client privilege; provided that, for the avoidance of doubt, in all cases the Borrower shall still be required to notify each Board Observer of all meetings under clause (i) of the first sentence of this Section 6.23(a) above regardless of whether the Board Observers are excluded from such meeting or portion of such meeting and provide each Board Observer (together with such notice) the criteria pursuant to which the Board Observers are being excluded from such meeting. In addition, the Borrower agrees that if practicable it shall provide at least two (2) Business Days' prior notice (and if not practicable, as much prior notice as is practicable) to each Board Observer before disclosing to such Board Observer any material non-public information with respect to the Borrower and its Subsidiaries, whether such disclosure is contained in any written materials that would otherwise be provided to such Board Observer or would occur as a result of attendance at any meeting of the Board and/or any committee thereof. Each Board Observer shall be subject to a confidentiality agreement with terms reasonably acceptable to such Board Observer and the Borrower (which confidentiality agreement shall permit disclosure of any information received by such Board Observer to any Lender so long as such Lender complies with the provisions of Section 10.07 hereof with respect to any such information)."

c. Section 7.03 of the Loan Agreement is hereby amended by:

i. amending clause (g) thereof by amending and restating clause (ii) in the second proviso thereof with "(ii) [reserved]"; and

ii. amending and restating clause (h) thereof in its entirety to read as follows:

"(h) (i) acquisitions of Monitoring Contracts pursuant to an Approved Alarm Purchase Agreement or (ii) acquisitions of portfolios of Monitoring Contracts (in each case, a "Permitted Portfolio Purchase") so long as (x) the Aggregate Purchase Price for each such Permitted Portfolio Purchase does not exceed (A) for the fiscal year of the Borrower ending December 31, 2020, $75,000,000 in the aggregate (which amount for the avoidance of doubt shall not be reduced by the Aggregate Purchase Price payable in connection with the Amendment No. 1 Acquisition), (B) for the fiscal year of the Borrower ending December 31, 2021, $100,000,000 and (C) thereafter, $50,000,000 in the aggregate in any fiscal year of the Borrower and (y) no Default or Event of Default has occurred and is continuing;".

d. Section 7.11 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(a) Consolidated Total Leverage Ratio. Permit the Consolidated Total Leverage Ratio as of the end of any fiscal quarter most recently ended on or prior to such date for which financial statement have been or are required to be delivered pursuant to Section 6.01(a) or (b) to exceed the applicable ratio set forth below:

Fiscal Quarter	Amount
for each fiscal quarter ending on or prior to December 31, 2020	4.50:1.00
for each fiscal quarter ending on March 31, 2021 through December 31, 2021	5.50:1.00
for the fiscal quarter ending on March 31, 2022	5.25:1.00
for the fiscal quarter ending on June 30, 2022	4.50:1.00
for the fiscal quarter ending on September 30, 2022	4.25:1.00
beginning with the fiscal quarter ending on September 30, 2022 and for each fiscal quarter thereafter	4.00:1.00

(b) Consolidated Senior Secured RMR Leverage Ratio. Permit the Consolidated Senior Secured RMR Leverage Ratio as of the last day of any fiscal quarter most recently ended on or prior to such date for which financial statements have been or are required to be delivered pursuant to Section 6.01(a) or (b) to be exceed the applicable ratio set forth below:

Fiscal Quarter	Amount
for each fiscal quarter ending on or prior to December 31, 2020	30.00:1.00
for each fiscal quarter ending on March 31, 2021 through September 30, 2021	32.00:1.00
for the fiscal quarter ending on December 31, 2021	31.75:1.00
for the fiscal quarter ending on March 31, 2022	31.25:1.00
for the fiscal quarter ending on June 30, 2022	31.00:1.00
beginning with the fiscal quarter ending on September 30, 2022 and for each fiscal quarter thereafter	30.75:1.00

(c) [Reserved].”

e. Section 7.18(c) of the Loan Agreement is hereby amended by amending and restating clause (iii) of the first proviso thereof in its entirety to read as follows:

“(iii) [reserved]”.

4 . Conditions to Effectiveness. This Amendment shall become effective on the date (such date, the “Amendment No. 2 Effective Date”) upon which each of the conditions precedent set forth below have been satisfied:

a. The Administrative Agent (or its counsel) shall have received a counterpart of this Amendment signed by each of the Administrative Agent, the Borrower, the Guarantors and the Required Lenders.

b. The Administrative Agent shall have received all fees and expenses due to be paid to it in connection with this Amendment to the extent invoiced at least one Business Day prior to the Amendment No. 2 Effective Date. Without limiting the foregoing, the Administrative Agent shall have received reimbursement for the fees and expenses of counsel to the Administrative Agent incurred in connection with the Loan Agreement and this Amendment to the extent invoiced at least one Business Day prior to the Amendment No. 2 Effective Date.

c. The Lender Group Advisors shall have received all fees and expenses due to be paid to them in connection with this Amendment to the extent invoiced at least one Business Day prior to the Amendment No. 2 Effective Date. Without limiting the foregoing, Gibson, Dunn & Crutcher LLP shall have received the fees and expenses incurred in connection with the Loan Agreement and this Amendment to the extent invoiced at least one Business Day prior to the Amendment No. 2 Effective Date.

d. The Administrative Agent and the Lender Group shall have received a certificate of the Borrower signed by a Responsible Officer of the Borrower certifying the following:

i. the representations and warranties of the Borrower and each other Loan Party contained in Article V of the Loan Agreement or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct on and as of the Amendment No. 2 Effective Date in all material respects (or with respect to representations and warranties qualified by materiality, in all respects), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date in all material respects (or with respect to representations and warranties qualified by materiality, in all respects), and except that for purposes of this Section 4(d)(i), the representations and warranties contained in Sections 5.05(a) and (b) of the Loan Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b) of the Loan Agreement, respectively; and

ii. no Default exists as of the Amendment No. 2 Effective Date, or would result from the execution, delivery and performance of this Amendment and the transactions contemplated hereby.

5 . Consent Fee. The Borrower shall pay to the Administrative Agent, for the account of each of the Lenders party hereto (and for avoidance of doubt, regardless of whether such Lender party hereto is still a Lender on the date such fee is due and payable):

a. If any Loans are outstanding as of May 31, 2021, a fee equal to 0.50% multiplied by such Lender's Loans outstanding as of the date hereof, which fee will be earned and due and payable in full in cash on May 31, 2021 or, if such date is not a Business Day, the next succeeding Business Day; and

b. If any Loans are outstanding as of October 15, 2021, an additional fee equal to 0.50% multiplied by such Lender's Loans outstanding as of the date hereof, which fee will be earned and due and payable in full in cash on October 15, 2021, or, if such date is not a Business Day, the next succeeding Business Day.

6. Reference to and Effect Upon the Loan Agreement.

a. Except as specifically amended hereby, the Loan Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed. This Amendment shall constitute and be designated a "Loan Document" for purposes of the Loan Agreement.

b. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under the Loan Agreement or any Loan Document, nor constitute a waiver of any provision of the Loan Agreement or any Loan Document, except as specifically set forth herein. From and after the Amendment No. 2 Effective Date, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Loan Agreement as amended by this Amendment. This Amendment shall not constitute a novation of the Loan Agreement.

7. Costs; Expenses; Indemnification. Borrower hereby affirms its obligation under Section 10.04 of the Loan Agreement to reimburse the Administrative Agent and the Lenders for all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates and the Lenders in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of one firm of separate counsel for each of the Administrative Agent and the Lender Group (including the Lender Group Advisor). This Amendment is subject to the provisions of Sections 10.04(b), (c) and (d) of the Loan Agreement, the provisions of which are by this reference incorporated herein in full.

8. **Governing Law; etc. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York. This Amendment is subject to the provisions of Sections 10.14(b) THROUGH (d) and 10.15 of the Loan Agreement relating to submission to**

jurisdiction, venue, service of process and waiver of right to trial by jury, the provisions which are by this reference incorporated herein in full.

9. Headings. Section headings herein are included for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

10. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means (including ".pdf") shall be effective as delivery of a manually executed counterpart of this Amendment. Any signature to this Amendment or any notice or other document delivered in connection herewith may be delivered by any electronic signature complying with the Electronic Signatures in Global and National Commerce Act, the New York Electronic Signature and Records Act or any other similar state laws based the Uniform Electronic Transaction Act, or other transmission method, and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes to the fullest extent permitted by applicable law.

11. Severability. If any provision of this Amendment or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Direction. Each of the Lenders party hereto, constituting the Required Lenders, (a) hereby authorizes and directs the Administrative Agent to execute and deliver its acknowledgment to this Amendment, and (b) hereby acknowledges and agrees that the direction in this Section 11 constitutes a direction from the Required Lenders under the provisions of Article IX of the Loan Agreement and (y) the provisions of Article IX and Section 10.04 of the Loan Agreement shall apply to any and all actions taken by the Administrative Agent in accordance with such direction.

13. Amendment of Exit Facilities Credit Agreement; Amendment to Incorporate Replacement LIBOR Provision.

a. In the event that after the Amendment No. 2 Effective Date any Loan Party enters into, amends or modifies the Exit Facilities Credit Agreement (an "Exit Facilities Credit Agreement Amendment") in a manner that requires any Loan Party to comply with or add a covenant, an event of default, a guarantee or collateral that either is not at such time applicable to the Exit Facilities Credit Agreement (or any Exit Facilities Loan Document) or, if such covenant, event of default, guarantee or collateral shall already be applicable to the Exit Facilities Credit Agreement (or any Exit Facilities Loan Document), is or contains related provisions that are, more restrictive upon any Loan Party than such existing covenant, event of default, guarantee or related provisions, each provision (including any related definitions) relating to such covenant, event of default, guarantee or security in the Exit Facilities Credit Agreement (or Exit Facilities Loan Document) (as amended or modified from time to time thereafter) shall be automatically deemed to be incorporated by reference into the Credit Agreement (or the corresponding Loan Document), mutatis mutandis, as if then set forth therein in full. In addition, to the extent that any such Exit Facilities Credit Agreement Amendment provides for any consent fees or similar payment greater than, or on terms more beneficial than, the consent fees set forth in Section 5 hereto, then the consent fees payable to the Lenders party hereto shall be automatically increased by such overage, or such more beneficial terms shall automatically apply to such consent fees payable hereunder, as applicable. Promptly after any execution of an Exit Facilities Credit Agreement Amendment, the Borrower shall (a) furnish to the Administrative Agent a true and correct executed copy of such Exit Facilities Credit Agreement Amendment and (b) execute and deliver to the Administrative Agent an amendment to the Credit Agreement in form and substance reasonably satisfactory to the Required Lenders, amending or modifying the Credit Agreement by adding or modifying, as the case may be, any such covenant, event of default, guarantee, definitions, consent fees or similar payments, and other related provisions included in or amended by the Exit Facilities Credit Agreement as a result of the Exit Facilities Credit Agreement Amendment.

b. By May 31, 2021 (or such later date as consented to by the Required Lenders (which consent may be communicated via electronic mail sent by any of the Lender Group Advisors)), the Borrower, the Administrative Agent and the Required Lenders shall, in accordance with Section 3.03(b) of the Credit Agreement, amend the Credit Agreement to incorporate customary LIBOR succession provisions reasonably acceptable to the Borrower, the Administrative Agent and the Required Lenders.

[Signature Pages Omitted]

Exhibit 21

List of Subsidiaries

The following is a list of subsidiaries of Monitronics International, Inc., the names under which such subsidiaries do business, and the state or country in which each was organized, as of March 18, 2021. The list does not include dormant subsidiaries or subsidiaries which would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary within the meaning of Item 601(b)(21)(ii) of Regulation S-K.

Subsidiary	Jurisdiction of Formation
Monitronics International, Inc.	Delaware
Monitronics Canada, Inc.	Delaware
MI Servicer LP, LLC	Delaware
MIBU Servicer, Inc.	Delaware
Monitronics Security LP	Delaware
Monitronics Funding LP	Delaware
Platinum Security Solutions, Inc.	Delaware
Security Networks LLC	Florida
LiveWatch Security, LLC	Delaware

Exhibit 31.1

CERTIFICATION

I, William E. Niles, certify that:

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

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

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

4. The registrant's other certifying officer(s) 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 have:

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

b) 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) 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: March 18, 2021

/s/ William E. Niles

William E. Niles
Chief Executive Officer (principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Fred A. Graffam, certify that:

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

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

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

4. The registrant's other certifying officer(s) 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 have:

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

b) 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer(s) 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: March 18, 2021

/s/ Fred A. Graffam

Fred A. Graffam
Chief Financial Officer, Executive Vice President and Assistant Secretary (principal financial and accounting officer)

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 Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the period ended December 31, 2020 (the "Form 10-K") 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018.

Dated:	March 18, 2021	/s/ William E. Niles
		William E. Niles Chief Executive Officer (principal executive officer)
Dated:	March 18, 2021	/s/ Fred A. Graffam
		Fred A. Graffam Chief Financial Officer, Executive 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-K or as a separate disclosure document.