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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D. C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2013

OR

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

For the transition period from            to

Commission File Number 333-110025

**MONITRONICS INTERNATIONAL, INC.**

(Exact name of Registrant as specified in its charter)

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

**74-2719343**  
(I.R.S. Employer Identification No.)

**2350 Valley View Lane, Suite 100**  
**Dallas, Texas**  
(Address of principal executive offices)

**75234**  
(Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

As of May 14, 2013 Monitronics International, Inc. is a wholly owned subsidiary of Ascent Capital Group, Inc.

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**Item 1. Financial Statements.**

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

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21,041	\$ 3,433
Restricted cash	2,640	2,640
Trade receivables, net of allowance for doubtful accounts of \$1,477 in 2013 and \$1,436 in 2012	11,434	10,891
Deferred income tax assets, net	5,100	5,100
Prepaid and other current assets	12,020	13,597
Total current assets	<u>52,235</u>	<u>35,661</u>
Property and equipment, net of accumulated depreciation of \$11,674 in 2013 and \$10,189 in 2012	20,336	20,559
Subscriber accounts, net of accumulated amortization of \$350,282 in 2013 and \$308,487 in 2012	992,374	987,975
Dealer network, net of accumulated amortization of \$23,100 in 2013 and \$20,580 in 2012	27,333	29,853
Goodwill	349,227	349,227
Other assets, net	23,199	22,156
Total assets	<u>\$ 1,464,704</u>	<u>\$ 1,445,431</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 5,816	\$ 3,655
Accrued payroll and related liabilities	1,946	3,179
Other accrued liabilities	33,659	23,481
Deferred revenue	9,831	10,327
Purchase holdbacks	11,077	10,818
Current portion of long-term debt	6,905	6,950
Total current liabilities	<u>69,234</u>	<u>58,410</u>
Non-current liabilities:		
Long-term debt	1,108,632	1,101,433
Derivative financial instruments	12,039	12,359
Deferred income tax liability, net	8,958	8,849
Other liabilities	3,474	3,961
Total liabilities	<u>1,202,337</u>	<u>1,185,012</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.01 par value. 1 share authorized, issued and outstanding at March 31, 2013 and December 31, 2012, respectively	—	—
Additional paid-in capital	299,272	298,932
Accumulated deficit	(24,921)	(26,270)
Accumulated other comprehensive loss	(11,984)	(12,243)
Total stockholders' equity	<u>262,367</u>	<u>260,419</u>
Total liabilities and stockholders' equity	<u>\$ 1,464,704</u>	<u>\$ 1,445,431</u>

See accompanying notes to condensed consolidated financial statements.

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<u>2013</u>	<u>2012</u>

Net revenue	\$	100,158	81,881
Operating expenses:			
Cost of services		15,202	11,059
Selling, general, and administrative, including stock-based and long-term incentive compensation		15,903	14,351
Amortization of subscriber accounts and dealer network		44,315	38,081
Depreciation		1,488	1,302
		<u>76,908</u>	<u>64,793</u>
Operating income		23,250	17,088
Other expense:			
Interest expense		21,127	11,622
Realized and unrealized loss on derivative financial instruments		—	2,044
Refinancing expense		—	6,241
Other expense		—	286
		<u>21,127</u>	<u>20,193</u>
Income (loss) before income taxes		2,123	(3,105)
Income tax expense		774	667
Net income (loss)		<u>1,349</u>	<u>(3,772)</u>
Other comprehensive income (loss):			
Unrealized gain (loss) on derivative contracts		259	(2,405)
Total other comprehensive income (loss), net of tax		<u>259</u>	<u>(2,405)</u>
Comprehensive income (loss)	\$	<u>1,608</u>	<u>(6,177)</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three months ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 1,349	(3,772)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of subscriber accounts and dealer network	44,315	38,081
Depreciation	1,488	1,302
Stock based compensation	361	299
Deferred income tax expense	109	113
Unrealized gain on derivative financial instruments	—	(6,793)
Refinancing expense	—	6,241
Long-term debt amortization	192	3,915
Other non-cash activity, net	2,406	1,700
Changes in assets and liabilities:		
Trade receivables	(1,876)	(413)
Prepaid expenses and other assets	1,233	(490)
Payables and other liabilities	10,123	1,399
Net cash provided by operating activities	<u>59,700</u>	<u>41,582</u>
Cash flows from investing activities:		
Capital expenditures	(1,265)	(807)
Purchases of subscriber accounts	(46,043)	(37,380)
Decrease in restricted cash	—	51,420
Net cash provided by (used in) investing activities	<u>(47,308)</u>	<u>13,233</u>
Cash flows from financing activities:		
Proceeds from long-term debt	24,700	967,200
Repayments of long-term debt	(17,738)	(976,000)
Payments of deferred financing costs and refinancing costs	(1,746)	(42,940)
Net cash provided by (used in) financing activities	<u>5,216</u>	<u>(51,740)</u>
Net increase in cash and cash equivalents	17,608	3,075
Cash and cash equivalents at beginning of period	<u>3,433</u>	<u>2,110</u>
Cash and cash equivalents at end of period	\$ <u>21,041</u>	<u>5,185</u>

Supplemental cash flow information:

State taxes paid	\$	—	—
Interest paid		10,437	6,893

See accompanying notes to condensed consolidated financial statements.

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

**(1) Basis of Presentation**

Monitronics International, Inc. and subsidiaries (the “Company” or “Monitronics”) are wholly owned subsidiaries of Ascent Capital Group, Inc. (“Ascent Capital”). The Company provides security alarm monitoring and related services to residential and business subscribers throughout the United States and parts of Canada. The Company monitors signals arising from burglaries, fires, medical alerts and other events through security systems at subscribers’ premises, as well as provides customer service and technical support.

The unaudited interim financial information of the Company has been prepared in accordance with Article 10 of the Securities and Exchange Commission’s (the “SEC”) Regulation S-X. Accordingly, it does not include all of the information required by generally accepted accounting principles in the United States (“U.S. GAAP”) for complete financial statements. The Company’s unaudited condensed consolidated financial statements as of March 31, 2013, and for the three months ended March 31, 2013 and 2012, include Monitronics and all of its direct and indirect subsidiaries. The accompanying interim condensed consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the Monitronics Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on March 1, 2013 (the “2012 Form 10-K”).

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

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

**(2) Recent Accounting Pronouncements**

There were no new accounting pronouncements issued during the three months ended March 31, 2013 that are expected to have a material impact on the Company.

**(3) Other Accrued Liabilities**

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

	March 31, 2013	December 31, 2012
Interest payable	\$ 19,360	\$ 9,624
Income taxes payable	2,946	2,286
Legal accrual	9,454	9,324
Other	1,899	2,247
Total Other accrued liabilities	<u>\$ 33,659</u>	<u>\$ 23,481</u>

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**(4) Long-Term Debt**

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

	March 31, 2013	December 31, 2012
9.125% Senior Notes due April 1, 2020	\$ 410,000	\$ 410,000
Term loans, matures March 23, 2018, LIBOR plus 3.25%, subject to a LIBOR floor of 1.00% (a)	684,037	685,583
\$150 million revolving credit facility, matures December 22, 2017, LIBOR plus 3.75%, subject to a LIBOR floor of 1.00% (b)	21,500	12,800
	<u>1,115,537</u>	<u>1,108,383</u>
Less current portion of long-term debt	(6,905)	(6,950)
Long-term debt	<u>\$ 1,108,632</u>	<u>\$ 1,101,433</u>

(a) The interest rate on the term loan was LIBOR plus 4.25%, subject to a LIBOR floor of 1.25%, until March 25, 2013.

(b) The interest rate on the revolving credit facility was LIBOR plus 4.25%, subject to a LIBOR floor of 1.25%, until March 25, 2013.

On March 23, 2012, the Company closed on a \$410,000,000 privately placed debt offering of 9.125% Senior Notes due 2020 (the “Senior Notes”). The Senior Notes mature on April 1, 2020 and bear interest at 9.125% per annum. Interest payments are due semi-annually on April 1 and October 1 of each year, beginning on October 1, 2012. In August 2012, the Company completed an exchange of the Senior Notes for identical securities in a registered offering under the Securities Act of 1933, as amended.

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

#### Credit Facility

On March 23, 2012, the Company entered into a senior secured credit facility with the lenders party thereto and Bank of America, N.A., as administrative agent, which provided a \$550,000,000 term loan at a 1% discount and a \$150,000,000 revolving credit facility (the “Credit Agreement”). Proceeds from the Credit Agreement and the Senior Notes, together with cash on hand, were used to retire all outstanding borrowings under the Company’s former credit facility, securitization debt, and to settle all related derivative contracts (the “Refinancing”).

On November 7, 2012, the Company entered into an amendment to the Credit Agreement (“Amendment No. 1”), which provided an incremental term loan with an aggregate principal amount of \$145,000,000. The incremental term loan was used to fund the acquisition of approximately 93,000 subscriber accounts for a purchase price of approximately \$131,000,000.

On March 25, 2013, the Company entered into a second amendment to the Credit Agreement (“Amendment No. 2”). Pursuant to Amendment No. 2, the Company repriced the interest rates applicable to the Credit Agreement’s facility (the “Repricing”) which is comprised of the term loans and revolving credit facility noted above (the Credit Agreement together with Amendment No. 1 and Amendment No. 2, the “Credit Facility”). Concurrently with the Repricing, the Company extended the maturity of the revolving credit facility by nine months to December 22, 2017.

On March 27, 2013, the Company borrowed \$20,700,000 on the Credit Facility revolver to fund its April 1, 2013 interest payment due under the Senior Notes of approximately \$18,700,000 and other business activities.

The Credit Facility term loans bear interest at LIBOR plus 3.25%, subject to a LIBOR floor of 1.00%, and mature on March 23, 2018. Principal payments of approximately \$1,726,000 and interest on the term loans are due quarterly. The Credit Facility revolver bears interest at LIBOR plus 3.75%, subject to a LIBOR floor of 1.00%, and matures on December 22, 2017. There is an annual commitment fee of 0.50% on unused portions of the Credit Facility revolver. As of March 31, 2013, \$128,500,000 is available for borrowing under the revolving credit facility.

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At any time after the occurrence of an event of default under the Credit Facility, the lenders may, among other options, declare any amounts outstanding under the Credit Facility immediately due and payable and terminate any commitment to make further loans under the Credit Facility. In addition, failure to comply with restrictions contained in the Senior Notes could lead to an event of default under the Credit Facility.

The Credit Facility is secured by a pledge of all of the outstanding stock of the Company and all of its existing subsidiaries and is guaranteed by all of the Company’s existing subsidiaries. Ascent Capital has not guaranteed any of the Company’s obligations under the Credit Facility.

The Company recorded deferred financing costs of \$24,211,000 related to the Senior Notes and Credit Facility, which are included in Other assets on the accompanying condensed consolidated balance sheet as of March 31, 2013, and will be amortized over the term of the respective debt instruments using the effective-interest method.

As a result of the Refinancing, the Company accelerated amortization of the securitization debt premium and certain deferred financing costs related to the former senior secured credit facility, and expensed certain other refinancing costs. The components of the Refinancing expense, reflected in the condensed consolidated statement of operations and comprehensive income (loss) as a component of Other income (expense) for the three months ended March 31, 2012, are as follows (amounts in thousands):

	<b>For the three months ended March 31, 2012</b>
Accelerated amortization of deferred financing costs	\$ 389
Accelerated amortization of securitization debt discount	6,679
Other refinancing costs	7,624
Gain on early termination of derivative instruments	(8,451)
Total refinancing expense	<u>\$ 6,241</u>

In order to reduce the financial risk related to changes in interest rates associated with the floating rate term loans under the Credit Facility, the Company entered into two interest rate swap agreements (each with separate counterparties) in 2012, with terms similar to the Credit Facility term loans. On March 25, 2013, the Company negotiated amendments to the terms of these interest rate swap agreements (the “Swaps”) to coincide with the Repricing. The Swaps have a maturity date of March 23, 2018 to match the term of the Credit Facility term loans. The Swaps have been designated as effective hedges of the Company’s variable rate debt and qualify for hedge accounting. See note 5, Derivatives, for further disclosures related to these derivative instruments. As a result of the Swaps, the interest rate on the borrowings under the Credit Facility term loans have been effectively converted from a variable rate to a weighted average fixed rate of 5.03%.

The terms of the Senior Notes and Credit Facility provide for certain financial and nonfinancial covenants. As of March 31, 2013, the Company was in compliance with all required covenants.

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

Remainder of 2013	\$ 5,179
2014	6,905
2015	6,905
2016	6,905
2017	28,405
2018	655,976
Thereafter	<u>410,000</u>
Total principal payments	1,120,275

Less: Discount	4,738
Total debt on condensed consolidated balance sheet	<u>\$ 1,115,537</u>

(5) **Derivatives**

The Company utilizes interest rate swap agreements to reduce the interest rate risk inherent in the variable rate Credit Facility term loans. The valuation of these instruments is determined using widely accepted valuation techniques, including

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discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatility. The Company incorporates credit valuation adjustments to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements. See note 7, Fair Value Measurements, for additional information about the credit valuation adjustments.

On March 25, 2013, the Company negotiated amendments to the terms of its existing interest rate swap agreements to coincide with the repricing of the Credit Facility. The Swaps, as amended, are held with the same counterparties as the existing interest rate swap agreements. See the amended Swaps' terms below:

Notional	Effective Date	Fixed Rate Paid	Variable Rate Received
\$ 544,500,000	March 28, 2013	1.884%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor
144,275,000	March 28, 2013	1.384%	3 mo. USD-LIBOR-BBA, subject to a 1.00% floor

Upon entering into swap amendments on March 25, 2013, the Company simultaneously dedesignated its existing interest rate swap agreements and redesignated the Swaps as cash flow hedges for the underlying change in the swap terms. The amounts previously recognized in Accumulated other comprehensive loss relating to the dedesignation will be recognized in Interest expense over the remaining life of the Swaps. The amended Swaps are designated and qualify as cash flow hedging instruments, with the effective portion of the Swaps change in fair value recorded in Accumulated other comprehensive loss. Any ineffective portions of the Swaps change in fair value are recognized in current earnings in Interest expense. Changes in the fair value of the Swaps recognized in Accumulated other comprehensive loss are reclassified to Interest expense when the hedged interest payments on the underlying debt are recognized. Amounts in Accumulated other comprehensive loss expected to be recognized in Interest expense in the coming 12 months total approximately \$4,861,000.

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

	For the three months ended March 31,	
	2013	2012
Effective portion of gain (loss) recognized in Accumulated other comprehensive loss	\$ (909)	(2,503)
Effective portion of gain (loss) reclassified from Accumulated other comprehensive loss into Net income (a)	\$ (1,168)	(98)
Ineffective portion of amount of gain (loss) recognized into Net income on interest rate swaps (a)	\$ 19	—

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

On March 23, 2012, in connection with the Refinancing, the Company terminated all of its previously outstanding derivative financial instruments and recorded a gain of \$8,451,000. These derivative financial instruments were not designated as hedges. For the three months ended March 31, 2012, the realized and unrealized loss on derivative financial instruments includes settlement payments of \$8,837,000 partially offset by a \$6,793,000 unrealized gain related to the change in the fair value of these derivatives prior to their termination in March 2012.

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(6) **Accumulated Other Comprehensive Income (Loss)**

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

	Accumulated other comprehensive income (loss)
As of December 31, 2012	(12,243)
Unrealized loss on derivatives recognized through Accumulated other comprehensive income (loss)	(909)
Reclassifications of unrealized loss on derivatives into net income (a)	1,168
As of March 31, 2013	<u>(11,984)</u>

(a) Amounts reclassified into net income are included in Interest expense on the condensed consolidated statement of operations. See note 5, Derivatives, for further information.

(7) **Fair Value Measurements**

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

- Level 1 - Quoted prices for identical instruments in active markets.

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

The following summarizes the fair value level of assets and liabilities that are measured on a recurring basis at March 31, 2013 and December 31, 2012 (amounts in thousands):

	Level 1	Level 2	Level 3	Total
<b>March 31, 2013</b>				
Derivative financial instruments - assets	—	117	—	117
Derivative financial instruments - liabilities	—	(12,039)	—	(12,039)
Total	\$ —	(11,922)	—	(11,922)
<b>December 31, 2012</b>				
Derivative financial instruments - assets	—	116	—	116
Derivative financial instruments - liabilities	—	(12,359)	—	(12,359)
Total	\$ —	(12,243)	—	(12,243)

The Company has determined that the majority of the inputs used to value the Swaps fall within Level 2 of the fair value hierarchy. The credit valuation adjustments associated with the derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by their counterparties. As the counterparties have publicly available credit information, the credit spreads over LIBOR used in the calculations represent implied credit default swap spreads obtained from a third-party credit data provider. However, as of March 31, 2013, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Swaps. As a result, the Company has determined that its derivative valuations are classified in Level 2 of the fair value hierarchy.

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The following table presents the activity in the Level 3 balances (amounts in thousands):

	Three months ended March 31,	
	2013	2012
Beginning balance	\$ —	(16,959)
Unrealized gain recognized	—	16,959
Ending balance	\$ —	—

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

	March 31, 2013	December 31, 2012
<b>Long term debt, including current portion:</b>		
Carrying value	\$ 1,115,537	\$ 1,108,383
Fair value (a)	1,152,296	1,130,978

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

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

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

The Company is involved in litigation and similar claims incidental to the conduct of its business. Matters that are probable of unfavorable outcome to the Company and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, management's estimate of the outcomes of such matters and experience in contesting, litigating and settling similar matters. In management's opinion, none of the pending actions is likely to have a material adverse impact on the Company's financial position or results of operations.

In the third quarter of 2011, a monitoring service subscriber filed suit against the Company and Tel-Star Alarms, Inc., an authorized dealer, alleging negligence related to a home break-in. On November 16, 2011, a trial court awarded the plaintiff \$8,600,000, of which \$6,000,000 is expected to be covered by the Company's general liability insurance policies. An appeal of this court ruling has been filed. As of March 31, 2013, the Company has recorded legal reserves of approximately \$9,383,000 and an insurance receivable of approximately \$6,743,000, related to this matter. In the fourth quarter of 2012, the Company funded approximately \$2,640,000 into an escrow account for the excess liability above the insurance coverage, classified as restricted cash on the March 31, 2013 and December 31, 2012 condensed consolidated balance sheets. This amount will be released upon settlement of the appeal.

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

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

Factors relating to the Company and its consolidated subsidiaries, as a whole:

- general business conditions and industry trends;
- macroeconomic conditions and their effect on the general economy and on the U.S. housing market, in particular single family homes which represent the Company's largest demographic;
- uncertainties in the development of our business strategies, including market acceptance of new products and services;
- the competitive environment in which we operate, in particular increasing competition in the alarm monitoring industry from larger existing competitors and new market entrants, including telecommunications and cable companies;
- integration of acquired assets and businesses;
- the regulatory environment in which we operate, including the multiplicity of jurisdictions and licensing requirements to which the Company is subject and the risk of new regulations, such as the increasing adoption of false alarm ordinances;
- the availability and terms of capital, including the ability of the Company to obtain additional funds to grow its business;
- the Company's high degree of leverage and the restrictive covenants governing its indebtedness;
- the outcome of any pending, threatened, or future litigation, including potential liability for failure to respond adequately to alarm activations;
- availability of qualified personnel;
- the Company's anticipated growth strategies;
- the Company's ability to acquire and integrate additional accounts, including competition for dealers with other alarm monitoring companies which could cause an increase in expected subscriber acquisition costs;
- the operating performance of the Company's network, including the potential for service disruptions due to acts of nature or technology deficiencies;
- changes in the nature of strategic relationships with original equipment manufacturers, dealers and other business partners;
- the reliability and creditworthiness of the Company's independent alarm systems dealers and subscribers;
- changes in the Company's expected rate of subscriber attrition;
- changes in technology that may make the Company's service less attractive or obsolete, or require significant expenditures to update, including the phase-out of 2G networks by cellular carriers;
- the development of new services or service innovations by competitors; and
- the trend away from the use of public switched telephone network lines and resultant increase in servicing costs associated with alternative methods of communication.

For additional risk factors, please see Part I, Item 1A, Risk Factors, in the 2012 Form 10-K. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis provides information concerning our results of operations and financial condition. This discussion should be read in conjunction with our accompanying condensed consolidated financial statements and the notes thereto included elsewhere herein and the 2012 Form 10-K.

## Overview

The Company provides security alarm monitoring and related services to residential and business subscribers throughout the United States and parts of Canada. The Company monitors signals arising from burglaries, fires, medical alerts and other events through

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security systems at subscribers' premises, as well as provides customer service and technical support. Nearly all of its revenues are derived from monthly recurring revenues under security alarm monitoring contracts purchased from independent dealers in its exclusive nationwide network.

### Attrition

Account cancellation, otherwise referred to as subscriber attrition, has a direct impact on the number of subscribers that the Company services and on its financial results, including revenues, operating income and cash flow. A portion of the subscriber base can be expected to cancel its service every year. Subscribers may choose not to renew or terminate their contract for a variety of reasons, including relocation, cost and switching to a competitor's service. The largest category of canceled accounts relate to subscriber relocation or the inability to contact the subscriber. The Company defines its attrition rate as the number of canceled accounts in a given period divided by the weighted average of number of subscribers for that period. The Company considers an account canceled if payment from the subscriber is deemed uncollectible or if the subscriber cancels for various reasons. If a subscriber relocates but continues its service, this is not a cancellation. If the subscriber relocates, discontinues its service and a new subscriber takes over the original subscriber's service continuing the revenue stream (a "new owner takeover"), this is also not a cancellation. The Company adjusts the number of canceled accounts by excluding those that are contractually guaranteed by its dealers. The typical dealer contract provides that if a subscriber cancels in the first year of its contract, the dealer must either replace the canceled account with a new one or refund the purchase price. To help ensure the dealer's obligation to the Company, the Company typically holds back a portion of the purchase price for every account purchased, ranging from 5-10%. In some cases, the amount of the purchase holdback may be less than actual attrition experience.

The table below presents subscriber data for the twelve months ended March 31, 2013 and 2012:

	Twelve Months Ended	
	March 31,	
	2013	2012
Beginning balance of accounts	706,881	680,120
Accounts purchased (a)	206,665	110,801
Accounts canceled (b)	(92,696)	(78,806)
Canceled accounts guaranteed to be refunded from holdback	(2,515)	(5,234)
Ending balance of accounts	<u>818,335</u>	<u>706,881</u>
Monthly weighted average accounts	<u>759,180</u>	<u>695,150</u>
Attrition rate	<u>(12.2)%</u>	<u>(11.3)%</u>

(a) During the three months ended March 31, 2013 and 2012, the Company purchased 28,460 and 24,174 subscriber accounts, respectively. Monthly recurring revenue purchased during the three months ended March 31, 2013 and 2012 was approximately \$1,277,000 and \$1,000,000, respectively.

(b) Net of canceled accounts that are contractually guaranteed to be refunded from holdback.

The attrition rate for the twelve months ended March 31, 2013 and 2012 was 12.2% and 11.3%, respectively. Increased attrition reflects the current age of accounts in the portfolio and an increase in disconnections due to household relocations.

The Company also analyzes its attrition by classifying accounts into annual pools based on the year of purchase. The Company then tracks the number of accounts that cancel as a percentage of the initial number of accounts purchased for each pool for each year subsequent to its purchase. Based on the average cancellation rate across the pools, in recent years the Company has averaged less than 1% attrition within the initial 12-month period after considering the accounts which were replaced or refunded by the dealers at no additional cost to 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. The peak following the end of the initial contract term is primarily a result of the buildup of subscribers that moved or no longer had need for the service but did not cancel their service until the end of their initial contract term. Subsequent to the peak following the end of the initial contract term, the number of subscribers that cancel as a percentage of the initial number of subscribers in that pool declines.

### Adjusted EBITDA

We evaluate the performance of our operations based on financial measures such as revenue and “Adjusted EBITDA.” Adjusted EBITDA is defined as net income (loss) before interest expense, interest income, income taxes, depreciation, amortization (including

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

### Results of Operations

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

	Three months ended	
	March 31,	
	2013	2012
Net revenue	\$ 100,158	81,881
Cost of services	15,202	11,059
Selling, general, and administrative	15,903	14,351
Amortization of subscriber accounts and dealer network	44,315	38,081
Interest expense	21,127	11,622
Realized and unrealized loss on derivative financial instruments	—	2,044
Income tax expense	774	667
Net income (loss)	1,349	(3,772)
Adjusted EBITDA (a)	\$ 69,414	56,484
Adjusted EBITDA as a percentage of Revenue	69.3%	69.0%

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

*Net revenue.* Net revenue increased \$18,277,000, or 22.3%, for the three months ended March 31, 2013 as compared to the corresponding prior year period. The increase in net revenue is attributable to a 15.8% increase in the number of subscriber accounts from 706,881 as of March 31, 2012 to 818,335 as of March 31, 2013. The growth in subscriber accounts reflects the effects of the purchase of approximately 93,000 accounts in a bulk buy on October 25, 2012 and purchases through the Company’s authorized dealer program subsequent to March 31, 2012. In addition, average monthly revenue per subscriber increased from \$37.74 as of March 31, 2012 to \$39.74 as of March 31, 2013.

*Cost of services.* Cost of services increased \$4,143,000, or 37.5%, for the three months ended March 31, 2013 as compared to the corresponding prior year period. The increase is primarily attributable to an increased number of accounts monitored across the cellular network and having interactive and home automation services, which result in higher operating and service costs. Cost of services as a percent of net revenue increased from 13.5% for the three months ended March 31, 2012 to 15.2% for the three months ended March 31, 2013.

*Selling, general and administrative.* Selling, general and administrative costs (“SG&A”) increased \$1,552,000, or 10.8%, for the three months ended March 31, 2013 as compared to the corresponding prior year period. The increase is primarily attributable to increased payroll expenses of approximately \$955,000 as compared to the corresponding prior year period. SG&A as a percent of net revenue decreased from 17.5% for the three months ended March 31, 2012 to 15.9% for the three months ended March 31, 2013.

*Amortization of subscriber accounts and dealer network.* Amortization of subscriber accounts and dealer network increased \$6,234,000 for the three months ended March 31, 2013 as compared to the corresponding prior year period. The increase is primarily attributable to amortization of subscriber accounts purchased subsequent to March 31, 2012.

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*Interest Expense.* Interest expense increased \$9,505,000 for the three months ended March 31, 2013 as compared to the corresponding prior year period. The increase in interest expense is primarily due to the presentation of interest cost related to the Company’s current derivative instruments. Interest cost related to the Company’s current derivative instruments is presented in Interest expense on the statement of operations as the related derivative instrument is an effective cash flow hedge of the

Company's interest rate risk for which hedge accounting is applied. As the Company did not apply hedge accounting on its prior derivative instruments, the related interest costs incurred prior to March 23, 2012 are presented in Realized and unrealized loss on derivative financial instruments in the condensed consolidated statements of operations and comprehensive income (loss). In addition, the increase in interest expense is due to the increase in debt and the increase in interest rates associated with the Senior Notes and Credit Facility as compared to the Company's prior debt obligations. These increases were offset by a decrease in amortization of debt discount, as the debt discount related to the securitized debt structure outstanding, prior to the March 23, 2012 refinancing, significantly exceeded the amortization of the debt discount on the Credit Facility. Amortization of debt discount for the three months ended March 31, 2013 and 2012 was \$192,000 and \$3,915,000, respectively.

*Realized and unrealized loss on derivative financial instruments.* There was no realized and unrealized gain or loss on derivative financial instruments for the three months ended March 31, 2013, as hedge accounting was applied on the Company's outstanding derivative instruments. Realized and unrealized loss on derivative financial instruments for the three months ended March 31, 2012 was \$2,044,000, which includes settlement payments of \$8,837,000 partially offset by a \$6,793,000 unrealized gain related to the change in the fair value of the derivative financial instruments that were terminated on March 23, 2012.

*Income tax expense.* The Company had pre-tax income of \$2,123,000 and income tax expense of \$774,000 for the three months ended March 31, 2013. The Company had a pre-tax loss of \$3,105,000 and income tax expense of \$667,000 for the three months ended March 31, 2012. Income tax expense for all periods presented primarily relates to Texas state margin tax incurred on the Company's operations.

*Adjusted EBITDA.* The following table provides a reconciliation of total Adjusted EBITDA to net income (loss):

	Three months ended March 31,	
	2013	2012
(Amounts in thousands)		
Total Adjusted EBITDA	\$ 69,414	56,484
Amortization of subscriber accounts and dealer network	(44,315)	(38,081)
Depreciation	(1,488)	(1,302)
Stock-based and long-term incentive compensation	(361)	(299)
Realized and unrealized loss on derivative instruments	—	(2,044)
Refinancing costs	—	(6,241)
Interest expense	(21,127)	(11,622)
Income tax expense	(774)	(667)
Net income (loss)	<u>\$ 1,349</u>	<u>(3,772)</u>

Adjusted EBITDA increased \$12,930,000, or 22.9%, for the three months ended March 31, 2013 as compared to the respective prior year period. The increase in Adjusted EBITDA was primarily due to revenue growth.

### Liquidity and Capital Resources

At March 31, 2013, we had \$21,041,000 of cash and cash equivalents and \$2,640,000 of current restricted cash on a consolidated basis. Our primary sources of funds are our cash flows from operating activities which are generated from alarm monitoring and related service revenues. On March 27, 2013, the Company borrowed \$20,700,000 on the Credit Facility revolver to fund its April 1, 2013 interest payment due under the Senior Notes of approximately \$18,700,000 and other business activities. During the three months ended March 31, 2013 and 2012, our cash flow from operating activities was \$59,700,000 and \$41,582,000, respectively. The primary driver of our cash flow from operating activities is Adjusted EBITDA. Fluctuations in our Adjusted EBITDA and the components of that measure are discussed in "Results of Operations" above. In addition, our cash flow from operating activities may be significantly impacted by changes in working capital.

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During the three months ended March 31, 2013 and 2012, the Company used cash of \$46,043,000 and \$37,380,000, respectively, to fund purchases of subscriber accounts net of holdback and guarantee obligations. In addition, during the three months ended March 31, 2013 and 2012, the Company used cash of \$1,265,000 and \$807,000, respectively, to fund our capital expenditures.

In considering our liquidity requirements for 2013, we evaluated our known future commitments and obligations. We will require the availability of funds to finance our strategy, which is to grow through subscriber account purchases. In addition, we considered the borrowing capacity of our Credit Facility revolver, under which we could borrow an additional \$128,500,000 as of March 31, 2013. Based on this analysis, we expect that cash on hand, cash flow generated from operations and available borrowings under the Credit Facility will provide sufficient liquidity to fund our anticipated current requirements.

The existing long-term debt at March 31, 2013 includes the principal balance of \$1,120,275,000 under our Senior Notes, Credit Facility, and Credit Facility revolver. The Senior Notes have an outstanding principal balance of \$410,000,000 as of March 31, 2013 and mature on April 1, 2020. The Credit Facility term loan has an outstanding principal balance of \$688,775,000 as of March 31, 2013 and requires principal payments of approximately \$1,726,000 per quarter with the remaining outstanding balance becoming due on March 23, 2018. The Credit Facility revolver has an outstanding balance of \$21,500,000 as of March 31, 2013 and becomes due on December 22, 2017.

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

### **Item 3. Quantitative and Qualitative Disclosure about Market Risk**

#### **Interest Rate Risk**

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

#### *Tabular Presentation of Interest Rate Risk*

The table below provides information about our outstanding debt obligations and derivative financial instruments that are sensitive to changes in interest rates. Interest rate swaps are presented at fair value and by maturity date. Debt amounts represent principal payments by maturity date.

Year of Maturity	Fixed Rate Derivative Instruments (a)	Variable Rate Debt	Fixed Rate Debt	Total
Amounts in thousands				
2013	\$ —	5,179	—	5,179
2014	—	6,905	—	6,905
2015	—	6,905	—	6,905
2016	—	6,905	—	6,905
2017	—	28,405	—	28,405
Thereafter	11,922	655,976	410,000	1,077,898
Total	\$ 11,922	710,275	410,000	1,132,197

(a) The derivative financial instruments reflected in this column include two interest rate swaps, both with a maturity date of March 23, 2018. As a result of these interest rate swaps, the interest rate on the borrowings under the Credit Facility term loans have been effectively converted from a variable rate to a weighted average fixed rate of 5.03%. See notes 4, 5 and 7 to our condensed consolidated financial statements included in this quarterly report for further information.

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**Item 4. Controls and Procedures**

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Company carried out an evaluation, under the supervision and with the participation of management, including its chief executive officer and chief financial officer (the “Executives”), of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Executives concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2013 to provide reasonable assurance that information required to be disclosed in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

There has been no change in the Company’s internal controls over financial reporting that occurred during the three months ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, its internal controls over financial reporting.

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MONITRONICS INTERNATIONAL, INC. AND SUBSIDIARIES

**PART II - OTHER INFORMATION**

**Item 6. Exhibits**

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

4.1	Form of Amendment No. 2 to the Credit Agreement, dated March 25, 2013, by and among Monitronics, Bank of America, N.A., individually and as administrative agent, and other financial institutions signatory thereto. *
31.1	Rule 13a-14(a)/15d-14(a) Certification. *
31.2	Rule 13a-14(a)/15d-14(a) Certification. *
32	Section 1350 Certification. *
101.INS	XBRL Instance Document. **
101.SCH	XBRL Taxonomy Extension Schema Document. **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. **
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document. **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. **

\* Filed herewith.

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

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SIGNATURES

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

MONITRONICS INTERNATIONAL, INC.

Date: May 14, 2013

By: /s/ Michael R. Haislip  
Michael R. Haislip  
President and Chief Executive Officer

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EXHIBIT INDEX

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32	Section 1350 Certification. *
101.INS	XBRL Instance Document. **
101.SCH	XBRL Taxonomy Extension Schema Document. **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. **
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. **
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document. **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. **

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\* Filed herewith.

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

**FORM OF**  
**AMENDMENT NO. 2 TO CREDIT AGREEMENT**

This Amendment No. 2 to Credit Agreement (this "Amendment") is entered into as of March 25, 2013 by and among Monitronics International, Inc., a Texas corporation ("Borrower") and Bank of America, N.A., individually and as administrative agent (the "Administrative Agent").

RECITALS

- A. Borrower, the Administrative Agent and the Lenders are party to that certain Credit Agreement dated as of March 23, 2012, as amended by Amendment No. 1 to Credit Agreement and Consent dated as of November 7, 2012 (the "Credit Agreement").
- B. The Borrower desires to refinance all of the existing Term Loans outstanding under the Credit Agreement (the "Outstanding Term Loans") and to amend the existing terms of its Revolving Credit Commitments, Revolving Credit Loans and Letters of Credit;
- C. The Term Loans will be provided (i) in part by Persons who are Term Lenders on the date hereof (each, an "Existing Term Lender"; and each Existing Term Lender that converts pursuant to this Amendment, a "Converting Term Lender") and who agree to convert all of their Outstanding Term Loans (each such Outstanding Term Loan, a "Converting Term Loan") to Term B Loans (as defined in this Amendment) by execution and delivery of a consent to this Amendment ("Consent") substantially in the form of Exhibit A hereto; and (ii) in part by additional Persons that will execute and deliver a joinder to this Agreement ("Joinder") substantially in the form of Exhibit B hereto, pursuant to which each such Person shall become a Lender (an "Additional Term B Lender") with respect to Term B Loans (such Term B Loans, "Additional Term B Loans") in an aggregate principal amount equal to the amount set forth on the signature page of such Person's Joinder.
- D. Upon effectiveness of this Amendment, (i) each Converting Term Lender shall be deemed to have converted all of its Outstanding Term Loans to Term B Loans with no actual repayment; (ii) each Additional Term B Lender will make its Additional Term B Loan and the Borrower will prepay the Outstanding Term Loans of the Lenders that are not Converting Term Lenders ("Non-Converting Term Loans") with cash proceeds of the Additional Term B Loans; and (iii) certain other provisions of the Credit Agreement will be amended as provided in this Amendment. This Amendment, the conversion of the Converting Term Loans, the replacement of the Non-Converting Term Loans, the amendments to the terms of the Revolving Credit Commitments, Revolving Credit Loans and Letters of Credit, and all related transactions are hereinafter collectively referred to as the "Transaction".

Now, therefore, in consideration of the mutual execution hereof and other good and valuable consideration, the parties hereto agree as follows:

1. Defined Terms. Unless otherwise defined herein, capitalized terms used herein shall have the meanings, if any, assigned to such terms in the Credit Agreement.
2. Interpretation. The rules of interpretation set forth in Section 1.02 of the Credit Agreement shall be applicable to this Amendment and are incorporated herein by this reference.
3. Amendments to Credit Agreement. Upon the Effective Date (as defined below), the Credit Agreement shall be amended as follows:

- (a) The defined term "Applicable Percentage" in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

"Applicable Percentage" means (a) in respect of the Term Facility, with respect to any Term Lender at any time, the percentage (carried out to the ninth decimal place) of the Term Facility represented by the principal amount of such Term Lender's Term Loans at such time and (b) in respect of the Revolving Credit Facility, with respect to any Revolving Credit Lender at any time, the percentage (carried out to the ninth decimal place) of the Revolving Credit Facility represented by such Revolving Credit Lender's Revolving Credit Commitment at such time, subject to adjustments as provided in Section 2.14. If the commitment of each Revolving Credit Lender to make Revolving Credit Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.02, or if the Revolving Credit Commitments have expired, then the Applicable Percentage of each Revolving Credit Lender in respect of the Revolving Credit Facility shall be determined based on the Applicable Percentage of such Revolving Credit Lender in respect of the Revolving Credit Facility most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender in respect of each Facility is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

- (b) The defined term "Applicable Rate" in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

"Applicable Rate" means (a) with respect to the Revolving Credit Facility, 2.75% per annum for Base Rate Loans and 3.75% per annum for Eurodollar Rate Loans and Letter of Credit Fees and (b) with respect to the Term Facility, 2.25% per annum for Base Rate Loans and 3.25% per annum for Eurodollar Rate Loans (or with respect to any Term Loans issued pursuant to Section 2.16 of this Agreement, such rates as set forth in the applicable Joinder Agreement).

- (c) The defined term "Consolidated Net Income" in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

"Consolidated Net Income" means, at any date of determination, the net income (or loss) of the Borrower and its Subsidiaries on a consolidated basis for any period; provided that Consolidated Net Income shall exclude (a) extraordinary gains and extraordinary losses for such period, (b) the net income of any Subsidiary during such period to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such income is not permitted by operation of the terms of its Organization Documents or any agreement, instrument or Law applicable to such Subsidiary during such period, except that the Borrower's equity in any net loss of any such Subsidiary for such period shall be included in determining Consolidated Net Income, (c) any income (or loss) for such period of any Person if such Person is not a Subsidiary, except that the Borrower's equity in the net income of any such Person for such period shall be included in Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Borrower or a Subsidiary as a dividend or other distribution (and in the case of a dividend or other distribution to a Subsidiary, such Subsidiary is not precluded from further distributing such amount to the Borrower as described in clause (b) of this proviso), (d) any gains (or losses) realized as a result of the recognition of non-recurring credits (or charges) for

such period, and (e) any gains (or losses) resulting from any Discounted Voluntary Prepayment pursuant to Section 2.17.

- (d) The initial paragraph of the defined term "Eligible RMR" in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Eligible RMR” means, as of any time, 100% of the aggregate amount of RMR subject to billing under Monitoring Contracts between customers and the Loan Parties and 14.6/28 of RMR under agreements to provide wholesale monitoring services in effect in which no person other than the Loan Parties or any of their Subsidiaries and the Administrative Agent has any interest (other than Liens permitted by Section 7.01 to the extent junior to the Lien of the Administrative Agent and Liens permitted by Section 7.01(m)), net of any amounts per month payable to any person as a percentage of RMR or in the nature of discounting, factoring or other accounts receivable financing (if permitted), provided, however, that Eligible RMR will not include any revenue:

(e) The defined term “Eurodollar Rate” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Eurodollar Rate” means:

(a) for any Interest Period with respect to a Eurodollar Rate Loan, the rate per annum equal to (i) the British Bankers Association LIBOR Rate or the successor thereto if the British Bankers Association is no longer making a LIBOR Rate available (“LIBOR”), as published by Reuters (or such other commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two (2) London Banking Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period or, (ii) if such rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurodollar Rate Loan being made, continued or converted and with a term equivalent to such Interest Period would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at approximately 11:00 a.m. (London time) two (2) London Banking Days prior to the commencement of such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to (i) LIBOR, at approximately 11:00 a.m., London time determined two (2) London Banking Days prior to such date for Dollar deposits being delivered in the London interbank market for a term of one (1) month commencing that day or (ii) if such published rate is not available at such time for any reason, the rate per annum determined by the Administrative Agent to be the rate at which deposits in Dollars for delivery on the date of determination in same day funds in the approximate amount of the Base Rate Loan being made or maintained and with a term equal to one (1) month would be offered by Bank of America’s London Branch to major banks in the London interbank eurodollar market at their request at the date and time of determination.

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Notwithstanding the foregoing, in no event shall the Eurodollar Rate be less than 1.00%.

(f) The defined term “FATCA” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

(g) The defined term “Maturity Date” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Maturity Date” means (a) with respect to the Revolving Credit Facility, December 22, 2017, and (b) with respect to the Term Facility, March 23, 2018 (or with respect to any Term Loans issued pursuant to Section 2.16 of this Agreement, such later date set forth in the applicable Joinder Agreement); provided, however, that, in each case, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

(h) The defined term “Restricted Payment” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Restricted Payment” means, with respect to any Person, any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of such Person or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to such Person’s stockholders, partners or members (or the equivalent of any thereof), or on account of any option, warrant or other right to acquire any such dividend or other distribution or payment.

(i) The defined term “Sanction(s)” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Sanction(s)” means any international economic sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

(j) The defined term “Term Borrowing” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Term Borrowing” means a borrowing consisting of simultaneous Term Loans of the same Type and, in the case of Eurodollar Rate Loans, having the same Interest Period made by each of the Term Lenders pursuant to Section 2.01(a), Section 2.01(c) or

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pursuant to the applicable Joinder Agreement delivered in connection with an issuance of Term Loans pursuant to Section 2.16 of this Agreement.

(k) The defined term “Term Commitment” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Term Commitment” means, as to each Term Lender, (a) its obligation to make Term Loans to the Borrower pursuant to Section 2.01(a) in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 under the caption “Term Commitment” or opposite such caption in the Assignment and Assumption pursuant to which such Term Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement, (b) its Term B Commitment, or (c) its commitment to make Term Loans pursuant to the applicable Joinder Agreement delivered in connection with an issuance of Term Loans pursuant to Section 2.16 of this Agreement.

(l) The defined term “Term Facility” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Term Facility” means, at any time, (a) the aggregate principal amount of the Term Loans of all Term Lenders outstanding at such time, including, without limitation, the Term B Loans advanced or converted on the Amendment No. 2 Effective Date, and any Term Loans issued pursuant to Section 2.16 of this Agreement and (b) prior to the issuance of any Term Loans, the aggregate principal amount of the Term Commitments with respect to such Term Loans.

(m) The defined term “Term Lender” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Term Lender” means at any time, (a) on or prior to the Closing Date, any Lender that has a Term Commitment at such time and (b) at any time

after the Closing Date, any Lender that holds Term Loans at such time, including, without limitation, the Term B Lenders and any Lenders issuing Term Loans pursuant to Section 2.16 of this Agreement.

(n) The defined term “Term Loan” in Section 1.01 of the Credit Agreement is hereby deleted and replaced with the following:

“Term Loan” means an advance made by any Term Lender under the Term Facility, including, without limitation, the Term B Loans advanced or converted on the Amendment No. 2 Effective Date, and any Term Loans issued pursuant to Section 2.16 of this Agreement.

(o) Section 1.01 of the Credit Agreement is amended by adding the following definitions in the appropriate alphabetical order:

“Acceptable Discount” has the meaning specified in Section 2.17(c).

“Acceptance Date” has the meaning specified in Section 2.17(b).

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“Additional Term B Commitment” means, with respect to an Additional Term B Lender, the commitment of such Additional Term B Lender to make an Additional Term B Loan on the Amendment No. 2 Effective Date in the amount set forth on the joinder agreement of such Additional Term B Lender in the form attached to Amendment No. 2 as Exhibit B.

“Additional Term B Lender” means a Person with an Additional Term B Commitment to make Additional Term B Loans to the Borrower on the Amendment No. 2 Effective Date, which for the avoidance of doubt may be an Existing Term Lender, and which shall constitute a “Lender” under the Credit Agreement as of the Amendment No. 2 Effective Date.

“Additional Term B Loan” means a Loan that is made in respect of an Additional Term B Commitment pursuant to Section 2.01(c)(ii) on the Amendment No. 2 Effective Date.

“Amendment No. 2” means that certain Amendment No. 2 to Credit Agreement dated as of March 25, 2013.

“Amendment No. 2 Effective Date” means March 25, 2013, the “Effective Date” as defined in Amendment No. 2.

“Applicable Discount” has the meaning specified in Section 2.17(c).

“Converting Term Lender” means each Existing Term Lender that has elected to convert its Existing Term Loans to Term B Loans pursuant to Amendment No. 2.

“Converting Term Loans” means each Existing Term Loan as to which the Lender thereof is a Converting Term Lender.

“Discounted Prepayment Option Notice” has the meaning specified in Section 2.17(b).

“Discounted Voluntary Prepayment” has the meaning specified in Section 2.17(a).

“Discounted Voluntary Prepayment Notice” has the meaning specified in Section 2.17(e).

“Discount Range” has the meaning specified in Section 2.17(b).

“Existing Agreement” means this Agreement as in effect immediately prior to the Amendment No. 2 Effective Date.

“Existing Term Lender” means a Term Lender that holds Existing Term Loans immediately prior to the Amendment No. 2 Effective Date.

“Existing Term Loan” means each “Term Loan” as defined in the Existing Agreement.

“Joinder Agreement” has the meaning specified in Section 2.16(f).

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“Lender Participation Notice” has the meaning specified in Section 2.17(c).

“Non-Converting Term Loan” means each Term Loan outstanding immediately prior to the Amendment No. 2 Effective Date other than a Converting Term Loan.

“Offered Loans” has the meaning specified in Section 2.17(c).

“Proposed Discounted Prepayment Amount” has the meaning specified in Section 2.17(b).

“Qualifying Lenders” has the meaning specified in Section 2.17(d).

“Qualifying Loans” has the meaning specified in Section 2.17(d).

“Term B Commitment” means, with respect to a Lender, (x) such Lender’s Additional Term B Commitment and (y) the agreement of such Lender to convert the principal amount of its Term Loans (as set forth in such Lender’s Consent (as defined in Amendment No. 2)) for an equal principal amount of Term B Loans on the Amendment No. 2 Effective Date.

“Term B Lender” means each Additional Term B Lender and Converting Term Lender.

“Term B Loan” means any loan converted or made pursuant to clauses (i) or (ii) of Section 2.01(c), respectively.

(p) Section 2.01 of the Credit Agreement is hereby amended by adding the following clause (c) at the end thereof to read in full as follows:

(c) Subject to the terms and conditions set forth herein and in Amendment No. 2:

(i) Each Converting Term Lender severally agrees that its Converting Term Loans are hereby converted to a like principal amount of

Term B Loans on the Amendment No. 2 Effective Date. All Converting Term Loans will have the Types and Interest Periods specified in the Committed Loan Notice delivered in connection therewith. All accrued and unpaid interest on the Converting Term Loans to, but not including, the Amendment No. 2 Effective Date shall be payable on the Amendment No. 2 Effective Date, but no amounts under Section 3.05 shall be payable in connection with such conversion.

(ii) Each Additional Term B Lender severally agrees to make an Additional Term B Loan to the Borrower on the Amendment No. 2 Effective Date in the principal amount equal to its Additional Term B Commitment on the Amendment No. 2 Effective Date. The Borrower shall prepay the aggregate principal amount of the Non-Converting Term Loans with the aggregate gross proceeds of the Additional Term B Loans, concurrently with the receipt thereof. All Additional Term B Loans will have the Types and Interest Periods specified in the Committed Loan Notice delivered in connection therewith. All accrued and unpaid interest on the Non-Converting Term Loans to, but not including, the Amendment No. 2 Effective Date shall be payable on the Amendment No. 2

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Effective Date, and the Borrower will make any payments required under Section 3.05 with respect to the Non-Converting Term Loans in accordance therewith.

(iii) The Term B Loans shall have the same terms as the Term Loans as set forth in the Credit Agreement and the Loan Documents before giving effect to Amendment No. 2, except as modified by Amendment No. 2; it being understood that the Term B Loans (and all principal, interest and other amounts in respect thereof) will constitute "Obligations" under this Agreement and the other Loan Documents and shall have the same rights and obligations under this Agreement and other Loan Documents as the Term Loans prior to the Amendment No. 2 Effective Date, except as explicitly modified by Amendment No. 2.

(q) Section 2.04(a)(i) of the Credit Agreement is hereby deleted and replaced with the following:

(i) Subject to Section 2.04(a)(ii) and the last sentence of this Section 2.04(a)(i), the Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay Term Loans or Revolving Credit Loans in whole or in part without premium or penalty; provided that (A) such notice must be received by the Administrative Agent not later than 12:00 p.m. (1) three Business Days prior to any date of prepayment of Eurodollar Rate Loans and (2) on the date of prepayment of Base Rate Loans; (B) any prepayment of Eurodollar Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof; and (C) any prepayment of Base Rate Loans shall be in a principal amount of \$500,000 or a whole multiple of \$100,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the Facility (and, in the case of the Term Facility, the repayment installments), the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if Eurodollar Rate Loans are to be prepaid, the Interest Period(s) of such Loans. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's ratable portion of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a Eurodollar Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Subject to Section 2.14, each prepayment of the outstanding Term Loans pursuant to this Section 2.04(a)(i) shall be applied to the principal repayment installments thereof as directed by the Borrower. Notwithstanding anything to the contrary contained herein, the Borrower shall not be permitted to prepay the Term Facility pursuant to this Section 2.04(a)(i) during the period from the Closing Date through the date ten Business Days thereafter.

(r) Section 2.04(a)(ii) of the Credit Agreement is hereby deleted and replaced with the following:

(ii) In the event that, on or prior to the six month anniversary of the Amendment No. 2 Effective Date, the Borrower (x) prepays, refinances, substitutes or replaces any Term Loans in connection with a Repricing Transaction or (y) effects any amendment of this Agreement resulting in a Repricing Transaction, the Borrower shall pay to the Administrative Agent, for the ratable account of each of the Term Lenders, (I) in the case of clause (x), a prepayment premium of 1.00% of the aggregate principal

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amount of the Term Loans so prepaid, refinanced, substituted or replaced and (II) in the case of clause (y), a fee equal to 1.00% of the aggregate principal amount of the Term Loans outstanding immediately prior to such amendment which are the subject of such Repricing Transaction. Such amounts shall be due and payable on the date of effectiveness of such Repricing Transaction.

(s) Section 2.04(b)(i) of the Credit Agreement is hereby deleted and replaced with the following:

(i) Commencing with the fiscal year ending December 31, 2013, within five Business Days after financial statements have been delivered pursuant to Section 6.01(a) and the related Compliance Certificate has been delivered pursuant to Section 6.02(b), the Borrower shall prepay an aggregate principal amount of Loans (such prepayments to be applied as set forth in clauses (v) and (viii) below) equal to the positive amount (if any) rounded down to an integral of \$100,000 of (A) 50% of Excess Cash Flow for the fiscal year covered by such financial statements minus (B) the aggregate principal amount of Term Loans prepaid pursuant to Section 2.04(a)(i) during such period and the aggregate principal amount of Term Loans prepaid pursuant to Section 2.17 to the extent funded with internally generated cash (it being understood and agreed that such amount shall be the amount of the applicable Discounted Voluntary Prepayment as opposed to the par value of the Term Loans prepaid).

(t) Section 2.05(b)(i) of the Credit Agreement is hereby deleted and replaced with the following:

(i) Upon each Term Borrowing, the Term Commitments with respect thereto shall be automatically and permanently reduced to zero.

(u) Section 2.06(a) of the Credit Agreement is hereby deleted and replaced with the following:

(a) Term Loans. The Borrower shall repay to the Term Lenders on the last day of each quarter an amount equal to 0.25% of the initial aggregate principal amount of each Term Loan (or, in the case of Term B Loans, of the aggregate principal amount of Term B Loans outstanding immediately after giving effect to Amendment No. 2), which amounts shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.04 or Section 2.17. The final principal repayment installment of the Term Loans shall be repaid on the Maturity Date for the Term Facility and in any event shall be in an amount equal to the aggregate principal amount of all Term Loans outstanding on such date. Notwithstanding the foregoing, the amortization and Maturity Date with respect to any Term Loans issued pursuant to Section 2.16 of this Agreement shall be as set forth in the applicable Joinder Agreement.

(v) Clause (ii) of the proviso in Section 2.12 of the Credit Agreement is hereby deleted and replaced with the following:

(ii) the provisions of this Section shall not be construed to apply to (A) any payment made by or on behalf of the Borrower pursuant to and in accordance with the express terms of this Agreement (including pursuant to Section 2.04(a), Section 2.17 and in connection with the application of funds arising from the existence of a Defaulting Lender), (B) the application of Cash Collateral provided for in Section 2.13, or (C) any

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payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or subparticipations in L/C Obligations to any assignee or participant, other than an assignment to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this Section shall apply).

(w) Section 2.16(f) of the Credit Agreement is hereby deleted and replaced with the following:

(f) Amendments; Joinder Agreements. Each of the parties hereto hereby agrees that, upon the effectiveness of any increase of the Term Facility pursuant to this Section 2.16, this Agreement may be amended to the extent (but only to the extent) necessary to reflect the existence and terms of the new Term Loans evidenced thereby as provided for in the last paragraph of Section 10.01. Any such deemed amendment may be memorialized in an agreement among each Lender providing such increase, the Administrative Agent and the Borrower in the form attached hereto as Exhibit N (a "Joinder Agreement") setting forth the applicable terms of the Term Loans issued pursuant thereto or in any other writing agreed to by the Administrative Agent and the Borrower and furnished to the other parties hereto. Each new Lender shall deliver such incremental commitment agreements and other documentation as the Borrower and the Administrative Agent shall reasonably request.

(x) Article II of the Credit Agreement is hereby amended by adding a new Section 2.17 to read in full as follows:

2.17 Prepayments Below Par.

(a) Borrower's Right to Prepay. The Borrower shall have the right at any time and from time to time to prepay the Term Loans at a discount to the par value of the Term Loans and on a non-pro rata basis (each, a "Discounted Voluntary Prepayment") pursuant to the procedures described in this Section 2.17, provided that (i) immediately after giving effect to the Discounted Voluntary Prepayment, no Revolving Credit Loans shall be outstanding and no Default shall have occurred and be continuing or would result from the Discounted Voluntary Prepayment, (ii) any Discounted Voluntary Prepayment shall be offered to all holders of the Term Loans and (iii) the Borrower shall deliver to the Administrative Agent, together with each Discounted Prepayment Option Notice, a certificate of a Responsible Officer of the Borrower (1) stating that no Default has occurred and is continuing or would result from the Discounted Voluntary Prepayment, (2) stating that the Borrower does not have any material non-public information that has not been disclosed to the Lenders that could reasonably be expected to have a material effect on the Lenders' decision to accept a Discounted Voluntary Prepayment and (3) stating that each of the conditions to such Discounted Prepayment Option Notice contained in this Section 2.17 has been satisfied. Any Term Loans prepaid pursuant to this Section 2.17 shall be deemed to be immediately cancelled and may not be reborrowed.

(b) Notice. To the extent the Borrower seeks to make a Discounted Voluntary Prepayment, the Borrower will provide written notice to the Administrative Agent (each, a "Discounted Prepayment Option Notice") that the Borrower desires to prepay all or a portion of the Term Loans in an aggregate

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principal amount specified therein by Borrower (each, a "Proposed Discounted Prepayment Amount"), in each case at a discount to the par value of the Term Loan as specified below. The Proposed Discounted Prepayment Amount shall not be less than \$1,000,000 (unless otherwise agreed by the Administrative Agent). The Discounted Prepayment Option Notice shall further specify with respect to the proposed Discounted Voluntary Prepayment (i) a discount range (which may be a single percentage) selected by the Borrower with respect to such proposed Discounted Voluntary Prepayment equal to a percentage of par of the principal amount of the Term Loans (the "Discount Range"), and (ii) the date by which Lenders are required to indicate their election to participate in such proposed Discounted Voluntary Prepayment, which shall be at least 5 Business Days following the date of the Discounted Prepayment Option Notice (the "Acceptance Date").

(c) Lender Acceptance. Upon receipt of a Discounted Prepayment Option Notice, the Administrative Agent shall promptly notify each Term Lender thereof. On or prior to the Acceptance Date, each such Lender may specify by written notice (each, a "Lender Participation Notice"), it being understood that a Lender may deliver more than one Lender Participation Notice, and that each such Lender Participation Notice of such Lender shall constitute an independent and unconditional offer, and no such Lender Participation Notice may be contingent on the making of any prepayment with respect to the Offered Loans (defined below) in respect of any other Lender Participation Notice, or otherwise be contingent or conditional in any way, to the Administrative Agent setting forth (i) a maximum acceptable discount to par (the "Acceptable Discount") within the Discount Range (for example, a Lender specifying a discount to par of 20% would accept a purchase price of 80% of the par value of the portion of the Term Loans to be prepaid) and (ii) a maximum principal amount (subject to rounding requirements specified by the Administrative Agent and the Borrower) of the Term Loans held by such Lender with respect to which such Lender is willing to permit a Discounted Voluntary Prepayment at the Acceptable Discount ("Offered Loans"). Based on the Acceptable Discounts and principal amounts of the Offered Loans, the Administrative Agent, in consultation with the Borrower, shall determine the applicable discount for the portion of the Term Loans to be prepaid (the "Applicable Discount"), which Applicable Discount shall be (y) the percentage specified by the Borrower if such Borrower has selected a single percentage pursuant to Section 2.17(b) for the Discounted Voluntary Prepayment or (z) otherwise, the highest Acceptable Discount at which the Borrower can prepay Offered Loans in a principal amount at least equal to the Proposed Discounted Prepayment Amount (determined by adding the principal amounts of Offered Loans commencing with the Offered Loans with the highest Acceptable Discount); provided, however, that in the event that less than the Proposed Discounted Prepayment Amount can be prepaid at any Acceptable Discount, the Applicable Discount shall be the lowest Acceptable Discount specified by the Lenders that is within the Discount Range. The Applicable Discount shall be applicable for all Lenders who have offered to participate in the Discounted Voluntary Prepayment and have Qualifying Loans (as defined below). Any Lender whose Lender Participation Notice is not received by the Administrative Agent by the Acceptance Date shall be deemed to have declined to accept a Discounted Voluntary Prepayment of its portion of the Term Loans at any discount to their par value within the Discount Range.

(d) Allocation. The Borrower shall make a Discounted Voluntary Prepayment by prepaying the portion of the Term Loans to be prepaid (or the respective portions thereof) offered by the Lenders ("Qualifying Lenders") that specify an Acceptable Discount that is equal to or greater than the Applicable Discount ("Qualifying Loans") at the Applicable Discount, provided that if the aggregate proceeds required to prepay all Qualifying Loans (disregarding any interest payable at such time) would exceed the amount of aggregate proceeds required to prepay the Proposed Discounted Prepayment Amount, such amounts in each case calculated by applying the Applicable Discount, the Borrower shall prepay such Qualifying Loans ratably among the Qualifying Lenders based on their respective principal amounts (subject to rounding requirements specified by the Administrative Agent and the Borrower). If the aggregate proceeds required to prepay all Qualifying Loans (disregarding any interest payable at such time) would be less than or equal to the amount of aggregate proceeds required to prepay the Proposed Discounted Prepayment Amount, such amounts in each case calculated by applying the Applicable Discount, the Borrower shall prepay all Qualifying Loans.

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(e) Payment Mechanics. Each Discounted Voluntary Prepayment shall be made within 10 Business Days of the Acceptance Date (or such later date as the Administrative Agent shall reasonably agree, given the time required to calculate the Applicable Discount and determine the amount and holders of Qualifying Loans), without premium or penalty, upon irrevocable notice (each a “Discounted Voluntary Prepayment Notice”), delivered to the Administrative Agent no later than 12:00 p.m., 3 Business Days prior to the date of such Discounted Voluntary Prepayment, which notice shall specify the date of the Discounted Voluntary Prepayment, the principal amount of the Qualifying Loans to be prepaid and the Applicable Discount determined by the Administrative Agent. Upon receipt of any Discounted Voluntary Prepayment Notice, the Administrative Agent shall promptly notify each relevant Lender thereof. If any Discounted Voluntary Prepayment Notice is given, the amount specified in such notice shall be due and payable to the applicable Lenders, subject to the Applicable Discount, on the applicable portion of the Qualifying Loans, on the date specified therein together with accrued interest (on the par principal amount) to but not including such date on the amount prepaid. The par principal amount of each Discounted Voluntary Prepayment of the Term Loans shall be applied ratably to reduce the remaining installments of such Term Loans.

(f) Additional Procedures. To the extent not expressly provided for herein, each Discounted Voluntary Prepayment shall be consummated pursuant to reasonable procedures (including as to timing, rounding, minimum amounts, Type and Interest Periods and calculation of Applicable Discount in accordance with Section 2.17(b) above) established by the Administrative Agent and the Borrower.

(y) Article V of the Credit Agreement is hereby amended by adding a new Section 5.27 to read in full as follows:

5.27 OFAC. Neither the Borrower, nor any of its Subsidiaries, nor, to the knowledge of any Responsible Officer of the Borrower, any director or officer thereof, is

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an individual or entity currently the subject of any Sanctions, nor is the Borrower or any Subsidiary located, organized or resident in a Designated Jurisdiction.

(z) Section 6.02(k) of the Credit Agreement is hereby deleted and replaced with the following:

(k) as soon as available, and in any event within 45 days after the end of the first three fiscal quarters of each fiscal year of the Borrower (including the fiscal quarter which began prior to the Closing Date) and within 120 days after the end of each fiscal year of the Borrower:

- (i) a rolling 12-month attrition report (including unit and dollar attrition);
- (ii) a roll-forward schedule of all RMR and all Eligible RMR (in both accounts and dollar RMR) for the prior twelve (12) months; and
- (iii) a report regarding credit scores for all customers.

(aa) Section 6.02(l) of the Credit Agreement is hereby deleted and replaced with the following:

(l) as soon as available, and in any event within 45 days after the end of the first three fiscal quarters of each fiscal year of the Borrower (including the fiscal quarter which began prior to the Closing Date) and within 120 days after the end of each fiscal year of the Borrower a report summarizing completed acquisitions permitted under Section 7.03(h).

(bb) Section 7.01 of the Credit Agreement is hereby amended by deleting the word “and” at the conclusion of the Section 7.01(k), replacing the “.” at the conclusion of Section 7.01(l) with “; and” and adding a new Section 7.01(m) to read in full as follows:

(m) Liens on Monitoring Contracts acquired from new Approved Alarm Dealers that secure residual contingent obligations to previous buyers of Monitoring Contracts from such Approved Alarm Dealers that will be terminated in the ordinary course of business; provided that, upon each such acquisition, the percentage of the Loan Parties’ Monitoring Contracts subject to such Liens shall not exceed 5% of all of the Loan Parties’ Monitoring Contracts.

(cc) Section 7.02(d) of the Credit Agreement is hereby deleted and replaced with the following:

(d) Indebtedness under the Senior Unsecured Note Documents, additional senior unsecured notes (including additional senior unsecured notes under the Senior Unsecured Note Documents), other unsecured Indebtedness and any refinancings, refundings, renewals or extensions thereof; provided that with respect to the issuance or incurrence of any such Indebtedness (i) no Default or Event of Default has occurred and is continuing, (ii) after giving effect to the issuance of such Indebtedness the Borrower is in pro forma compliance with Section 7.11(a), and (iii) the maturity date of any such Indebtedness is not prior to September 23, 2018;

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(dd) Section 7.03(h) of the Credit Agreement is hereby deleted and replaced with the following:

(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 the Aggregate Purchase Price for each such Permitted Portfolio Purchase does not exceed \$75,000,000, individually;

(ee) Section 10.06(b)(iii)(A) of the Credit Agreement is hereby amended by deleting the last proviso thereto and replacing it with the following:

; and provided, further, that the Borrower’s consent shall not be required in connection with assignments by the Arrangers and Affiliates thereof in connection with the primary syndication of the Term B Loans;

(ff) Section 10.18 of the Credit Agreement is hereby deleted and replaced with the following:

10.18 USA PATRIOT Act; Sanctions. Each Lender that is subject to the Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Act”), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Act. The Borrower shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Act. The Borrower will not use the proceeds of any Credit Extension, or lend,

contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is known by any Responsible Officer of the Borrower to be the subject of Sanctions.

(gg) The exhibits to the Credit Agreement are hereby amended by adding Exhibit N in the form of the exhibit attached hereto as Exhibit D.

4. Representations and Warranties of Borrower. Borrower represents and warrants as of the date hereof that:

(a) The execution, delivery and performance by Borrower of this Amendment have been duly authorized by all necessary corporate action and that this Amendment and the Credit Agreement (as amended hereby) constitute the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms, except as the enforcement thereof may be subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally;

(b) The representations and warranties of Borrower contained in Article V of the Credit Agreement or any other Loan Document, or which are contained in any document

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furnished at any time under or in connection therewith, are true and correct on and as of the date hereof 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), except that the representations and warranties contained in Sections 5.05(a) and (b) of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to Sections 6.01(a) and (b) of the Credit Agreement, respectively; and

(c) No Default exists, or will result from the Term B Loans made by the Term B Lenders on the Effective Date or the application of the proceeds thereof.

5. Effective Date. This Amendment shall become effective (the "Effective Date") upon the satisfaction of the following conditions:

(a) The Administrative Agent (or its counsel) shall have received from (i) each Term B Lender with a Term B Commitment, (ii) the Administrative Agent, (iii) the Borrower and (iv) Required Lenders as of immediately prior to the Effective Date, (x) a counterpart of this Amendment signed on behalf of such party or (y) a Consent. The Administrative Agent shall have received from each Additional Term B Lender an executed counterpart to a Joinder Agreement in the form of Exhibit B hereto.

(b) Each of the Guarantors and the Parent shall have executed and delivered to the Administrative Agent a Reaffirmation of Loan Documents in the form of Exhibit C hereto.

(c) The Administrative Agent shall have received a Note executed by the Borrower in favor of each Term B Lender requesting a Note.

(d) The Administrative Agent shall have received such certificates of resolutions or other action, incumbency certificates and/or other certificates of each Loan Party and the Parent as the Administrative Agent may require evidencing the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Amendment and the other Loan Documents to which such Loan Party and the Parent is a party or is to be a party.

(e) The Administrative Agent shall have received such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party and the Parent is duly organized or formed, and that each Loan Party and the Parent is validly existing, in good standing and qualified to engage in business in its jurisdiction of organization.

(f) The Administrative Agent shall have received a certificate of the Borrower signed by a Responsible Officer of the Borrower certifying (i) that the conditions specified in Section 4.02(a) and (b) of the Credit Agreement have been satisfied, (ii) that there has been no event or circumstance since December 31, 2012 that has had or would be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, and (iii) that there is no action, suit, investigation or proceeding pending or, to the knowledge of the Borrower, threatened in any court or before any arbitrator or Governmental Authority that would reasonably be expected to have a Material Adverse Effect.

(g) The Administrative Agent shall have received a certificate of the Borrower attesting to the Solvency of the Borrower and the Loan Parties taken as a whole before and after

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giving effect to the Transaction, signed by the Borrower's chief financial officer in form and substance acceptable to the Administrative Agent.

(h) The Administrative Agent shall have received a favorable opinion of counsel and of appropriate local counsel to the Loan Parties and the Parent, addressed to the Administrative Agent and each Lender party hereto, in form and substance acceptable to the Administrative Agent.

(i) Borrower shall have paid to the Administrative Agent all fees, costs and expenses payable to the Administrative Agent and Lenders pursuant to or in connection with this Amendment, it being agreed that the fees and expenses of counsel shall be paid promptly on a post-closing basis.

(j) Each Additional Term B Lender and the Administrative Agent shall have received all documentation and other information about the Loan Parties and the Parent required under applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) that has been requested in writing at least 5 Business Days prior to the Effective Date.

(k) The Administrative Agent shall have received, in form and substance satisfactory to it, such additional certificates, documents and other information as the Administrative Agent shall reasonably require.

6. Reference to and Effect Upon the Credit Agreement

(a) Except as specifically amended above, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(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 Credit Agreement or any Loan Document, nor constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and be a reference to the Credit Agreement as amended hereby.

7. **Reservation of Rights.** Borrower acknowledges and agrees that neither the execution nor the delivery by the Administrative Agent and the Lenders of this Amendment, shall be deemed to create a course of dealing or otherwise obligate the Administrative Agent or any Lender to execute similar documents under the same or similar circumstances in the future.

8. **Costs and Expenses.** Borrower hereby affirms its obligation under Section 10.04 of the Credit Agreement to reimburse the Administrative Agent for all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates in connection with the preparation, negotiation, execution and delivery of this Amendment, including but not limited to the reasonable fees, charges and disbursements of counsel for the Administrative Agent with respect thereto.

9. **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 and 10.15 of the Credit Agreement relating to submission to jurisdiction, venue, service of

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

10. **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.

11. **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.

12. **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.

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**EXHIBIT A**

**CONSENT TO AMENDMENT NO. 2**

CONSENT (this “Consent”) to Amendment No. 2 to Credit Agreement, dated as of March [ ], 2013 (the “Amendment”) by and among the Borrower, and the Administrative Agent, to the Credit Agreement dated as of March 23, 2012, as amended by Amendment No. 1 to Credit Agreement and Consent dated as of November 7, 2012, among Monitronics International, Inc., Bank of America, N.A., as administrative agent, and each lender from time to time party thereto (the “Credit Agreement”). Unless otherwise defined herein, terms used herein shall have the meanings given to them in the Amendment.

**Term B Lenders**

The undersigned Term Lender hereby irrevocably and unconditionally approves the Amendment and

consents to the conversion of 100% of the outstanding principal amount of the Term Loans held by such Lender into Term B Loans in a like principal amount. The outstanding principal amount of the Term Loans held by such Lender is \$

**Revolving Credit Lenders**

The undersigned Revolving Credit Lender hereby irrevocably and unconditionally approves the Amendment and the continuation of its Revolving Credit Commitments.

IN WITNESS WHEREOF, the undersigned has caused this Consent to be executed and delivered by a duly authorized officer.

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**EXHIBIT B**

**JOINDER AGREEMENT**

JOINDER AGREEMENT, dated as of March [ ], 2013 (this “Agreement”), by and among [ADDITIONAL TERM B LENDERS] (each, an “Additional Term B Lender”), MONITRONICS INTERNATIONAL, INC., a Texas corporation (the “Borrower”), and BANK OF AMERICA, N.A. (the “Administrative Agent”).

**RECITALS:**

WHEREAS, reference is hereby made to the Credit Agreement, dated as of March 23, 2012, as amended by Amendment No. 1 to Credit Agreement and Consent dated as of November 7, 2012 and Amendment No. 2 to Credit Agreement dated as of March 25, 2013 (as further amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “Credit Agreement”), among the Borrower, the Administrative Agent, and each lender from time to time party thereto (capitalized terms used but not defined herein having the meaning provided in the Credit Agreement);

WHEREAS, subject to the terms and conditions of the Credit Agreement, the Borrower may establish Additional Term B Commitments with Additional Term B Lenders; and

WHEREAS, subject to the terms and conditions of the Credit Agreement, Additional Term B Lenders shall become Term Lenders pursuant to one or more joinders;

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

Each Additional Term B Lender hereby agrees to provide the respective Additional Term B Commitment set forth on its signature page hereto pursuant to and in accordance with Section 2.01(c) of the Credit Agreement. The Additional Term B Commitments provided pursuant to this Agreement shall be subject to all of the terms in the Credit Agreement and to the conditions set forth in the Credit Agreement, and shall be entitled to all the benefits afforded by the Credit Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from the Guaranty Agreement and security interests created by the Collateral Documents.

Each Additional Term B Lender and the Administrative Agent acknowledge and agree that the Additional Term B Commitments provided pursuant to this Agreement shall constitute Term Commitments for all purposes of the Credit Agreement and the other applicable Loan Documents. Each Additional Term B Lender hereby agrees to make an Additional Term B Loan to the Borrower in an amount equal to its Additional Term B Commitment set forth on its signature page hereto on the Amendment No. 2 Effective Date in accordance with Section 2.01(c) of the Credit Agreement.

Each Additional Term B Lender (i) confirms it has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to consummate the transactions contemplated hereby and to become an Additional Term B Lender under the Credit Agreement; (ii) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.01 of the Credit Agreement, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Agreement; (iii) confirms it has, independently and without reliance upon the Administrative Agent or any other Lender and based

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on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement; (iv) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement and other Loan Documents; (v) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the Loan Documents are required to be performed by it as a Lender.

Upon the execution and delivery of a counterpart of this Agreement by each Additional Term B Lender, the Administrative Agent and the Borrower, each of the undersigned Additional Term B Lenders shall become Lenders under the Credit Agreement and shall have the respective Additional Term B Commitments set forth on its signature page hereto, effective as of the Amendment No. 2 Effective Date.

For each Additional Term B Lender, delivered herewith to the Administrative Agent and the Borrower are such forms, certificates or other evidence with respect to United States federal income tax withholding matters as such Additional Term B Lender may be required to deliver to the Administrative Agent and the Borrower pursuant to Section 3.01 of the Credit Agreement.

This Agreement may not be amended, modified or waived except by an instrument or instruments in writing signed and delivered on behalf of each of the parties hereto.

This Agreement, the Credit Agreement and the other Loan Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties or any of them with respect to the subject matter hereof.

**THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

If any provision of this Agreement is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby and (ii) 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.

This Agreement 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 Agreement by telecopy or other electronic imaging means (including “.pdf”) shall be effective as delivery of a manually executed counterpart of this Agreement.

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**EXHIBIT C**

**REAFFIRMATION OF LOAN DOCUMENTS**

Each of the undersigned acknowledges receipt of a copy of that certain Amendment No. 2 to Credit Agreement dated as of the date hereof (the “Amendment”) relating to the Credit Agreement dated as of March 23, 2012, as amended by Amendment No. 1 to Credit Agreement and Consent dated as of November 7, 2012 (the “Credit Agreement”) referred to therein, consents to the Amendment and each of the transactions referenced therein, hereby reaffirms its obligations under the Loan Documents to which it is a party and agrees that all references in any Loan Document to the “Credit Agreement” shall mean and be a reference to the Credit Agreement as amended by the Amendment. Capitalized terms used herein, but not otherwise defined herein, shall have the meanings ascribed to such terms in the Credit Agreement, as amended by the Amendment.

Dated as of March 25, 2013

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**EXHIBIT D**

*Exhibit N*

**FORM OF JOINDER AGREEMENT**

JOINDER AGREEMENT, dated as of [ ], 20[ ] (this “Agreement”), by and among [INCREMENTAL TERM LENDERS] (each, an “Incremental Term Lender”), MONITRONICS INTERNATIONAL, INC., a Texas corporation (the “Borrower”) and BANK OF AMERICA, N.A. (the “Administrative Agent”).

**RECITALS:**

WHEREAS, reference is hereby made to the Credit Agreement, dated as of March 23, 2012, as amended by Amendment No. 1 to Credit Agreement and Consent dated as of November 7, 2012 and Amendment No. 2 to Credit Agreement dated as of March 25, 2013 (as further amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the “Credit Agreement”), among the Borrower, the Administrative Agent, and each lender from time to time party thereto (capitalized terms used but not defined herein having the meanings provided in the Credit Agreement);

WHEREAS, subject to the terms and conditions of the Credit Agreement, the Borrower may request an increase in the Term Facility; and

WHEREAS, subject to the terms and conditions of the Credit Agreement, the Incremental Term Lenders shall become Term Lenders pursuant to one or more Joinder Agreements;

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

Each Incremental Term Lender hereby agrees to provide the respective Term Commitment set forth on its signature page hereto pursuant to and in accordance with Section 2.16 of the Credit Agreement. The Term Commitments provided pursuant to this Agreement shall be subject to the terms set forth on Exhibit A hereto and otherwise as set forth in the Credit Agreement and to the conditions set forth in the Credit Agreement, and shall be entitled to all the benefits afforded by the Credit Agreement and the other Loan Documents, and shall, without limiting the foregoing, benefit equally and ratably from the Guaranty Agreement and security interests created by the Collateral Documents.

Each Incremental Term Lender and the Administrative Agent acknowledge and agree that the Term Commitments provided pursuant to this Agreement shall constitute Term Commitments for all purposes of the Credit Agreement and the other applicable Loan Documents. Each Incremental Term Lender hereby agrees to make a Term Loan to the Borrower in an amount equal to its Term Commitment set forth on its signature page hereto on the date hereof in accordance with Section 2.16 of the Credit Agreement and on the terms set forth on Exhibit A hereto.

Each Incremental Term Lender (i) confirms it has full power and authority, and has taken all action necessary, to execute and deliver this Agreement and to consummate the transactions contemplated hereby and to become a Term Lender under the Credit Agreement; (ii) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.01 of

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the Credit Agreement, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into Agreement; (iii) confirms it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement; (iv) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement and other Loan Documents; (v) appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the Loan Documents are required to be performed by it as a Lender.

Upon the execution and delivery of a counterpart of this Agreement by each Incremental Term Lender, the Administrative Agent and the Borrower, each of the undersigned Incremental Term Lenders shall become Lenders under the Credit Agreement and shall have the respective Term Commitments set forth on its signature page hereto, effective as of the date hereof.

For each Incremental Term Lender, delivered herewith to the Administrative Agent and the Borrower are such forms, certificates or other evidence with respect to United States federal income tax withholding matters as such Incremental Term Lender may be required to deliver to the Administrative Agent and the Borrower pursuant to Section 3.01 of the Credit Agreement.

This Agreement may not be amended, modified or waived except by an instrument or instruments in writing signed and delivered on behalf of each of the parties hereto.

This Agreement, the Credit Agreement and the other Loan Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties or any of them with respect to the subject matter hereof.

**THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

If any provision of this Agreement is held to be illegal, invalid or unenforceable, (i) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby and (ii) 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.

This Agreement 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 Agreement by telecopy or other electronic imaging means (including “.pdf”) shall be effective as delivery of a manually executed counterpart of this Agreement.

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## CERTIFICATION

I, Michael R. Haislip, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monitronics International, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2013

/s/ Michael R. Haislip

Michael R. Haislip  
President and Chief Executive Officer

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## CERTIFICATION

I, Michael R. Meyers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Monitronics International, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
  - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2013

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

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

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

The Quarterly Report on Form 10-Q for the period ended March 31, 2013 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012.

Dated: May 14, 2013 \_\_\_\_\_ /s/ Michael R. Haislip  
Michael R. Haislip  
President and Chief Executive Officer

Dated: May 14, 2013 \_\_\_\_\_ /s/ Michael R. Meyers  
Michael R. Meyers  
Chief Financial Officer, Vice President and Assistant Secretary  
(Principal Accounting Officer)

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

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