MDC PARTNERS INC
Form 10-K
March 10, 2014

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2013

Commission File Number 001-13178

MDC PARTNERS INC.

(Exact Name of Registrant as Specified in Its Charter)

Canada	98-0364441

(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

745 Fifth Avenue,
New York, NY, 10151
(646) 429-1800

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Subordinate Voting Shares, no par value	NASDAQ; Toronto Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (Check one):

Large Accelerated Filer o Accelerated Filer x Non-Accelerated o Smaller reporting company o

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

The aggregate market value of the shares of all classes of voting and non-voting common stock of the registrant held by non-affiliates as of June 30, 2013 was approximately $461 million, computed upon the basis of the closing sales price ($12.03/share) of the Class A subordinate voting shares on that date.

As of February 26, 2014, there were 50,272,247 outstanding shares of Class A subordinate voting shares without par value, and 3,755 outstanding shares of Class B multiple voting shares without par value, of the registrant.

MDC PARTNERS INC.

TABLE OF CONTENTS

TABLE OF CONTENTS

References in this Annual Report on Form 10-K to MDC Partners , MDC , the Company, we, us and our refer Partners Inc. and, unless the context otherwise requires or otherwise is expressly stated, its subsidiaries.

All dollar amounts are stated in US dollars unless otherwise stated.

DOCUMENTS INCORPORATED BY REFERENCE

The following sections of the Proxy Statement for the Annual Meeting of Stockholders to be held on June 5, 2014, are incorporated by reference in Parts I and III: Election of Directors, Section 16(a) Beneficial Ownership Reporting Compliance, Executive Compensation, Report of the Human Resources & Compensation Committee on Executive Compensation, Outstanding Shares, Appointment of Auditors, and Certain Relationships and Related Transactions

AVAILABLE INFORMATION

Information regarding the Company s Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, will be made available, free of charge, at the Company s website at *http://www.mdc-partners.com*, as soon as reasonably practicable after the Company electronically files such reports with or furnishes them to the Securities and Exchange Commission (SEC). The information found on, or otherwise accessible through, the Company s website is not incorporated into, and does not form a part of, this Annual Report or Form 10-K. Any document that the Company files with the SEC may also be read and copied at the SEC s public reference room located at 100 F. Street, N.E., Washington, DC 20549. Please call the SEC at 1 (800) SEC-0330 for further information on the public reference room. The Company s filings are also available to the public from the SEC s website at *http://www.sec.gov.*

The Company s Code of Conduct, Whistleblower Policy, and each of the charters for the Audit Committee, Human Resources & Compensation Committee and the Nominating and Corporate Governance Committee, are available free of charge on the Company s website at *http://www.mdc-partners.com* or by writing to MDC Partners Inc., 745 Fifth Avenue, New York, NY 10151, Attention: Investor Relations.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. The Company s representatives may also make forward-looking statements orally from time to time. Statements in this document that are not historical facts, including statements about the Company s beliefs and expectations, recent business and economic trends, potential acquisitions, estimates of amounts for deferred acquisition consideration and put option rights, constitute forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined in this section. Forward- looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events, if any.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statements. Such risk factors include, but are not limited to, the following:

- risks associated with severe effects of international, national and regional economic conditions;
- the Company s ability to attract new clients and retain existing clients;
- the spending patterns and financial success of the Company s clients;
- the Company s ability to retain and attract key employees;
- the Company s ability to remain in compliance with its debt agreements and the Company s ability to finance its contingent payment obligations when due and payable, including but not limited to those relating to put option rights and deferred acquisition consideration;
- the successful completion and integration of acquisitions which complement and expand the Company s business capabilities; and
- foreign currency fluctuations.

The Company s business strategy includes ongoing efforts to engage in material acquisitions of ownership interests in entities in the marketing communications services industry. The Company intends to finance these acquisitions by using available cash from operations, from borrowings under its WF Credit Agreement and through incurrence of bridge or other debt financing, any of which may increase the Company s leverage ratios, or by issuing equity, which may have a dilutive impact on existing shareholders proportionate ownership. At any given time, the Company may be engaged in a number of discussions that may result in one or more material acquisitions. These opportunities require confidentiality and may involve negotiations that require quick responses by the Company. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transactions, the announcement of any such transaction may lead to increased volatility in the trading price of the Company s securities.

Investors should carefully consider these risk factors and the additional risk factors outlined in more detail in this Annual Report on Form 10-K under the caption Risk Factors and in the Company s other SEC filings.

SUPPLEMENTARY FINANCIAL INFORMATION

The Company reports its financial results in accordance with generally accepted accounting principles (GAAP) of the United States of America (US GAAP). However, the Company has included certain non-US GAAP financial measures and ratios, which it believes, provide useful information to both management and readers of this report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by US GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other titled measures determined in accordance with US GAAP.

TABLE OF CONTENTS

PART I

Item 1. Business

BUSINESS

MDC PARTNERS INC.

MDC was formed by Certificate of Amalgamation effective December 19, 1986, pursuant to the Business Corporations Act (Ontario). Effective December 19, 1986, MDC amalgamated with Branbury Explorations Limited, and thereby became a public company operating under the name of MDC Corporation. On January 1, 2004, MDC changed its name to its current name, MDC Partners Inc., and on June 28, 2004, MDC was continued under Section 187 of the Canada Business Corporations Act. MDC s registered address is located at 45 Hazelton Avenue, Toronto, Ontario, M5R 2E3, and head office address is located at 745 Fifth Avenue, New York, NY 10151.

MDC is a leading provider of marketing, activation, communications and marketing effectiveness solutions and services to customers globally with operating units throughout the world.

MDC s subsidiaries provide a comprehensive range of customized marketing, activation, communications and consulting services, including a wide range of advertising and consumer communication services, media management and effectiveness across all channels, interactive and mobile marketing, direct marketing, database and customer relationship management, sales promotion, corporate communications, market research, date and analytics and insights, corporate identity, design and branding, social media, marketing, product and service innovation, ecommerce and other related services.

Part I Business

MDC s strategy is to build, grow and acquire market-leading businesses that deliver innovative, value-added marketing, activation, communications and strategic consulting services to their clients. MDC Partners strives to be a partnership of marketing communications and consulting companies (or Partners) whose strategic, creative and innovative solutions are media-agnostic, challenge the status quo and achieve measurable superior returns on investment and transformative growth and business performance for clients and stakeholders.

MDC s Corporate Group ensures that MDC is the most Partner-responsive marketing services network through its strategic mandate to help Partner firms find clients, talent and tuck under acquisitions, as well as cross-sell services and enhance their culture for innovation and growth. MDC s Corporate Group also works directly with Partner firms to expand their offerings through new strategic services, as well as leverage the collective expertise and scale of the group as a whole. The Corporate Group uses this leverage to provide various shared services to help reduce costs across the group.

The MDC model is driven by three key elements:

Perpetual Partnership. The perpetual partnership creates ongoing alignment of interests to drive performance. The perpetual partnership model functions by (1) identifying the right Partners with a sustainable differentiated position in the marketplace; (2) creating the right Partnership structure generally by taking a majority ownership position and leaving a substantial noncontrolling equity or economic ownership position in the hands of operating management to incentivize long-term growth; (3) providing access to more strategic resources, best practices, and leveraging the network s scale; and (4) focusing on delivering financial results.

Entrepreneurialism. MDC s Entrepreneurial spirit and that of its Partner firms is optimized through (1) its unique perpetual partnership model that incentivizes senior-level involvement and ambition; (2) Partner access to shared resources within the Corporate Group that allow individual firms to focus on client business and company growth; and (3) MDC s collaborative creation of customized solutions to support and grow Partner businesses.

Human and Financial Capital. The model balances accountability with financial flexibility and meaningful incentives to support growth.

TABLE OF CONTENTS

MDC operates through Partner companies within the following reportable segments:

Strategic Marketing Services

The Strategic Marketing Services segment generally consists of firms that offer a full suite of integrated marketing communication and consulting services, including advertising and media, interactive marketing, direct marketing, public relations, corporate communications, market research, corporate identity and branding, product and service innovation, and sales promotion to national and global clients. The Strategic Marketing Services segment is comprised of the following agencies: 72andSunny; Allison & Partners; Anomaly; Attention; Bruce Mau Design; Capital C; Colle + McVoy; Concentric Partners; Crispin Porter + Bogusky; Doner; Hello Design; HL Group Partners; kbs+; Kwittken; Laird + Partners; The Media Kitchen; Mono Advertising; Redscout; Sloane & Company; Union; Varick Media Management; Veritas; Vitro and Yamamoto.

Performance Marketing Services

The Performance Marketing Services segment includes firms that provide consumer insights and analytic solutions to satisfy the growing need for targetable, measurable solutions or cost effective means of driving return on marketing investment and growth for regional, national and global clients. The Performance Marketing Services segment is comprised of the following agencies: 6degrees Communications; Accent; Boom Marketing; Bryan Mills Iradesso; Integrated Media Solutions; Kenna Communications; LBN Partners; Northstar Research Partners; Relevent; RJ Palmer; Source Marketing; TargetCast; TargetCom; Team; Trade X and Maxxcom Global Media Group.

Ownership Information

The following table includes certain information about MDC s operating subsidiaries as of December 31, 2013. The Put and Call Options information represents existing contractual rights. Owners of interests in certain subsidiaries have the right in certain circumstances to require MDC to acquire additional ownership interests held by them. The owners ability to exercise any such put option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of MDC to fund the related amounts during the periods described in the accompanying notes. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights. The amount payable by MDC in the event such rights are exercised is dependent on defined valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise, the growth rate of the earnings of the relevant subsidiary during that period, and, in some cases, the currency exchange rate at the date of payment. See also Management s Discussion and Analysis Othercalance Sheet Commitments Put Rights of Subsidiaries Noncontrolling Shareholders for further discussion.

Put options represent puts of ownership interests by other interest holders to MDC with reciprocal call rights held by MDC for the same ownership interests with similar terms. The percentages shown represent the potential ownership interest MDC could achieve in each company assuming that the remaining equity holder(s) were to fully exercise their put option rights at the earliest opportunity.

TABLE OF CONTENTS

MDC PARTNERS INC.

SCHEDULE OF CURRENT AND POTENTIAL MARKETING COMMUNICATIONS COMPANY OWNERSHIP

Company	% Owned at 12/31/13	Year of Initial Investment	Put/Call Options 2013	Thereafter
			(See Notes)	
Consolidated:				
Strategic Marketing Services				
72andSunny	51.0 %	2010		Note 1
Allison & Partners	51.0 %	2010		Note 2
Anomaly	60.0 %	2011		Note 3
Attention	60.8 %	2009		Note 4
Bruce Mau Design	100.0 %	2004		Note 5
Capital C Partners	100.0 %	2010		Note 6
Colle + McVoy	95.0 %	1999	100.0 %	Note 7
Concentric Partners	70.0 %	2011		Note 8
Crispin Porter + Bogusky	100.0 %	2001		Note 9
Hello Design	49.0 %	2004		
Doner	30.0 %	2012	70.0 %	Note 10
HL Group Partners	93.8 %	2007		
kirshenbaum bond senecal + partners	100.0 %	2004		Note 11
The Media Kitchen	100.0 %	2010		
Varick Media Management	100.0 %	2010		
Kwittken	60.0 %	2010		Note 12
Laird + Partners	65.0 %	2011		Note 13
Mono Advertising	49.9 %	2004	70.0 %	Note 14
Redscout	100.0 %	2007		
Sloane & Company	70.0 %	2010		Note 15
Union	70.0 %	2013		Note 16
Veritas	95.0 %	1993	96.0 %	Note 17
Vitro	81.6 %	2004		Note 18
Yamamoto	100.0 %	2000		
Performance Marketing Services				
6degrees Communications	66.3 %	1993	77.3 %	Note 19
Accent	100.0 %	1999		
Boom Marketing	85.0 %	2005		
Bryan Mills Iradesso	62.8 %	1989	100.0 %	Note 20
Integrated Media Solutions	100.0 %	2010		
Kenna Communications	80.0 %	2010		Note 21

henderson bas kohn	100.0 %	2004		Note 22
LBN Partners	70.0 %	2013		Note 23
Maxxcom Global Media	100.0 %	2012		
Northstar Research Partners	91.8 %	1998	100.0 %	Note 24
Relevent	60.0 %	2010		
RJ Palmer	100.0 %	2011		
Source Marketing	91.0 %	1998		Note 25
Communifx	100.0 %	2010		Note 26
TargetCast	70.0 %	2012		Note 27
TargetCom	100.0 %	2000		
TEAM	100.0 %	2010		
Trade X	75.0 %	2011		Note 28

3

TABLE OF CONTENTS

Notes

(1) MDC has the right to increase its ownership interest in 72andSunny Partners LLC through acquisition of an incremental interest of up to 100% in 2016.

(2) MDC has the right to increase its ownership interest in Allison & Partners LLC through acquisition of an incremental interest, and other holders have the right to put only upon termination to MDC the same incremental interest up to 100% of this entity in 2015.

(3) MDC has the right to increase its ownership interest in Anomaly Partners LLC through acquisition of an incremental interest of up to 100% in 2015.

(4) MDC has the right to increase its ownership in Attention Partners, LLC through acquisitions of incremental interests, and the other interest holders have the right to put to MDC the same incremental interests up to 100% only upon termination.

(5) Effective January 24, 2013, MDC owns 100% of the equity interests of each of Bruce Mau Holdings Ltd. And Bruce Mau Design (USA) LLC.

(6) During 2013, MDC acquired 100% of Capital C Partners LP.

(7) MDC has the right to increase its economic ownership in Colle + McVoy, LLC through acquisition of an incremental interest, and the other interest holder has the right to put to MDC the same incremental interest, up to 100% of this entity in 2014.

(8) MDC has the right to increase its ownership in Concentric Partners LLC through acquisition of an incremental interest of up to 100% in 2016.

(9) Includes Crispin Porter & Bogusky LLC, and certain other domestic and international operating subsidiaries.

(10) MDC has the right to increase its ownership in Doner Partners LLC through conversion of preferred interests and/or acquisitions of incremental interests, up to 70% of this entity in 2014 and up to 100% in 2017.

(11) Consists of Kirshenbaum Bond Senecal + Partners LLC, Kwittken PR LLC, Varick Media Management LLC, certain other domestic and international operating subsidiaries, and The Media Kitchen, a division of kirshenbaum bond senecal + partners.

(12) MDC has the right to increase its ownership in Kwittken PR LLC through acquisitions of incremental interests, up to 100% of this entity in 2015.

(13) MDC has the right to increase its ownership in Laird + Partners New York LLC through acquisition of an incremental interest of up to 100% in 2016.

(14) MDC has the right to increase its ownership in Mono Advertising, LLC through acquisitions of incremental interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 75.0% in 2014.

(15) MDC has the right to increase its ownership interest in Sloane & Company LLC through acquisition of incremental interests, and other interest holders have the right to put to MDC the same incremental interests up to 100% in 2015.

(16) MDC has the right to increase its ownership in Union Advertising Canada, LP through acquisition of incremental interests, up to 80% of this entity in 2018, 90% in 2019, and 100% in 2020.

(17) MDC has the right to increase its ownership in Veritas Communications Inc. through acquisitions of incremental interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 98.3% of this entity in 2014 and 100% in 2015.

(18) Effective January 1, 2012, Vitro Robertson, LLC and Skinny NYC, LLC were combined into a new entity Vitro Partners, LLC. MDC has the right to increase its ownership in Vitro Partners, LLC through acquisition interests, and other interest holders have the right to put to MDC the same incremental interests up to 88.1% of this entity in 2015, and up to 100% in 2017.

(19)

Subject to certain conditions, MDC has the right to increase its ownership in 6degrees Integrated Communications Corp. through acquisitions of incremental interests, and the other interest holders have the right to put to MDC the same incremental interests up to 77.3% of this entity in 2014. Effective January 1, 2014, MDC acquired an additional 8.63%.

TABLE OF CONTENTS

(20) MDC has the right to increase its ownership in Bryan Mills Iradesso, Corp. through acquisition of an incremental interest, and the other interest holders have the right to put to MDC the same incremental interest, up to 100% of this entity in 2014.

(21) Effective June 13, 2012, MDC increased its economic ownership in henderson bas kohn to 100%. Effective January 1, 2013, MDC merged the operations into Kenna Communications LP.

(22) MDC has the right to increase its ownership interest in Kenna Communications LP through acquisition of an incremental interest, up to 100% in 2015.

(23) MDC has the right to increase its ownership interest in LBN Partners LLC through acquisition of an incremental interest, and the other interest holders have the right to put to MDC the same incremental interest, up to 100% of this entity in 2018.

(24) The Northstar Research Partners Group consists of Northstar Research Holdings USA LP and Northstar Research Holdings Canada Inc. MDC has the right to increase its ownership in Northstar Research Canada through acquisitions of incremental interests, and the other holders have the right to put to MDC the same incremental interests, up to 100% of this entity in 2014.

(25) MDC has the right to increase its ownership in Source Marketing, LLC through acquisitions of incremental interests, and the other interest holders have the right to put to MDC the same incremental interests up to 100% in 2015. Effective January 1, 2014, MDC acquired an additional 4.0%.

(26) Effective April 1, 2012, MDC increased its ownership interest in Communifx Partners to 100%. In addition, MDC has merged the operations into Source Marketing, LLC.

(27) MDC has the right to increase its ownership in TargetCast LLC through acquisitions of incremental interests. In February of 2014, MDC increased its ownership to 100%.

(28) MDC has the right to increase its ownership interest in Trade X Partners LLC through acquisitions of incremental interests up to 100% in 2015.

Financial Information Relating to Business Segments and Geographic Regions

For financial information relating to the Company s Marketing Communications Businesses and the geographic regions the businesses operate within, refer to Note 15 (Segment Information) of the Notes to the Consolidated Financial Statements included in this Annual Report and to Item 7. Management s Discussion and Analysis for further discussion.

Competition

In the competitive, highly fragmented marketing and communications industry, the Company s operating companies compete for business with the operating subsidiaries of large global holding companies such as Omnicom Group Inc., Interpublic Group of Companies, Inc., WPP Group plc, Publicis Group SA, Dentsu Inc., and Havas Advertising. These global holding companies generally have greater resources than those available to MDC and its subsidiaries, and such resources may enable them to aggressively compete with the Company s marketing communications businesses. Each of MDC s operating companies also faces competition from numerous independent agencies that operate in multiple markets. MDC s operating companies must compete with these other companies to maintain existing client relationships and to obtain new clients and assignments. MDC s operating companies compete at this level by providing clients with disruptive marketing ideas and strategies that are focused on increasing clients revenues and profits. These existing and potential clients include multinational corporations and national companies with mid-to-large sized marketing budgets. MDC also benefits from cooperation among the entrepreneurial operating companies through referrals and the sharing of both services and expertise, which enables MDC to service clients varied marketing needs by crafting custom integrated solutions.

A partner agency s ability to compete for new clients is affected in some instances by the policy, which many advertisers and marketers impose, of not permitting their agencies to represent competitive accounts in the same market. In the vast majority of cases, however, MDC s consistent maintenance of separate, independent operating companies has enabled MDC to represent competing clients across its network.

5

TABLE OF CONTENTS

Industry Trends

Historically, advertising has been the primary service provided by the marketing communications industry. However, as clients aim to establish one-to-one relationships with customers, and more accurately measure the effectiveness of their marketing expenditures, specialized and digital communications services and database marketing and analytics are consuming a growing portion of marketing dollars. The Company believes this is increasing the demand for a broader range of non-advertising marketing communications services (i.e., direct marketing, sales promotion, interactive, strategic communications and public relations, etc). The notion of a mass market audience is giving way to life-style segments, social events/networks, and online/mobile communities, each segment requiring a customized message and/or different, often non- traditional, channels of communication and connection to their e-commerce capabilities. Global marketers now demand breakthrough and integrated creative ideas, and no longer require traditional brick-and-mortar communications partners in every market to optimize the effectiveness of their marketing efforts. Combined with the fragmentation of the media landscape, these factors provide new opportunities for small to mid-sized communications companies like those in the MDC network. In addition, marketers now require ever greater speed-to-market to drive financial returns on their marketing and media investment, causing them to turn to more nimble, entrepreneurial and collaborative communications firms like MDC Partners.

There are several recent economic and industry trends that affect or may be expected to affect the Company s results of operations. For example, the rapid increase in the amount of revenue attributable to digital offerings is indicative of the changing needs of clients and the evolving competitive landscape. Changes in the way consumers interact with media due to increased use of the Internet, and adoption of smartphones and tablets, has led to increased demand for digital offerings, which we expect could have a positive impact on our results of operation.

The increase of expenses at a greater rate than revenues over recent periods reflects both the increase in expenses for deferred acquisition consideration and from our investment in headcount for certain growth initiatives. Should our acquisitions continue to outperform current expectations, expenses for deferred acquisition consideration could increase as well in future periods. If our growth initiatives do not provide sufficient revenue to offset the incremental costs in future periods, profits could be reduced and severance expense could be incurred in order to return to targeted profit margins over time.

Over the last several years, client procurement departments have begun to focus on marketing services company fees to ensure efficiency of the investment the client is making in marketing. This has led to a more competitive pricing environment and increased efforts on delivering and measuring proper value for the fees received from clients. We have invested in resources to work with client procurement departments to ensure that we are able to deliver against client goals in a mutually beneficial way. For example, we have explored new compensation models, such as performance-based incentive payments and equity, in order to meet to greater align our success with our clients. These incentive payments may offset negative pricing pressure from client procurement departments.

Clients

The Company serves clients in virtually every industry, and in many cases, the same clients in various locations, and through several partner firms. Representation of a client rarely means that MDC handles marketing communications for all brands or product lines of the client in every geographical location. MDC s agencies have written contracts with many of their clients. As is customary in the industry, these contracts provide for termination by either party on relatively short notice. See Management s Discussion and Analysis Executive Overview for a further discussion of MDC s arrangements with its clients.

During 2013, 2012 and 2011, the Company s largest client, Sprint, accounted for approximately 5%, 5% and 6% of revenues, respectively. In addition, MDC s ten largest clients (measured by revenue generated) accounted for 28%, 26% and 29% of 2013, 2012 and 2011 revenues, respectively.

6

TABLE OF CONTENTS

Employees

As of December 31, 2013, MDC and its subsidiaries had the following number of employees within its reportable segments:

Segment	Total
Strategic Marketing Services	3,602
Performance Marketing Services	3,561
Corporate	55
Total	7,218

See Management s Discussion and Analysis for a discussion of the effect of cost of services sold on MDC s historical results of operations. Because of the personal service character of the marketing communications businesses, the quality of personnel is of crucial importance to MDC s continuing success. MDC considers its relations with employees to be satisfactory.

Effect of Environmental Laws

MDC believes it is substantially in compliance with all regulations concerning the discharge of materials into the environment, and such regulations have not had a material effect on the capital expenditures or operations of MDC.

TABLE OF CONTENTS

Item 1A. Risk Factors

The following factors could adversely affect the Company s revenues, results of operations or financial condition. See also Statement Regarding Forward-Looking Disclosure.

Future economic and financial conditions could adversely impact our financial condition and results.

Economic and financial conditions deteriorated sharply in the latter part of 2008, and these deteriorating conditions continued in 2009 and 2010. In 2011 through 2013, the United States experienced modest economic growth, but the pace of the global economic recovery is uneven and a future economic downturn could renew reductions in client spending levels and adversely affect our results of operations and financial position in 2014.

a. As a marketing services company, our revenues are highly susceptible to declines as a result of unfavorable economic conditions.

Global economic conditions affect the advertising and marketing services industry more severely than other industries. In the past, some clients have responded to weakening economic conditions with reductions to their marketing budgets, which include discretionary components that are easier to reduce in the short term than other operating expenses. This pattern may recur in the future. Decreases in our revenue would negatively affect our financial results, including a reduction of our estimates of free cash flow from operations.

b. If our clients experience financial distress, their weakened financial position could negatively affect our own financial position and results.

We have a diverse client base, and at any given time, one or more of our clients may experience financial difficulty, file for bankruptcy protection or go out of business. The unfavorable economic and financial conditions that have impacted many sectors of the global economy could result in an increase in client financial difficulties that affect us. The direct impact on us could include reduced revenues and write-offs of accounts receivable. If these effects were severe, the indirect impact could include impairments of goodwill, covenant violations relating to the WF Credit Agreement or the 6.75% Notes, or reduced liquidity. Our 10 largest clients (measured by revenue generated) accounted for 28% of revenue in 2013.

c. Conditions in the credit markets could adversely impact our results of operations and financial position.

Turmoil in the credit markets or a contraction in the availability of credit would make it more difficult for businesses to meet their capital requirements and could lead clients to change their financial relationship with their vendors, including us. If that were to occur, it could materially adversely impact our results of operations and financial position.

MDC competes for clients in highly competitive industries.

The Company operates in a highly competitive environment in an industry characterized by numerous firms of varying sizes, with no single firm or group of firms having a dominant position in the marketplace. MDC is, however, smaller than several of its larger industry competitors. Competitive factors include creative reputation, management, personal relationships, quality and reliability of service and expertise in particular niche areas of the marketplace. In addition, because a firm s principal asset is its people, barriers to entry are minimal, and relatively small firms are, on occasion, able to take all or some portion of a client s business from a larger competitor.

While many of MDC s client relationships are long-standing, companies put their advertising and marketing services businesses up for competitive review from time to time, including at times when clients enter into strategic transactions or experienced senior management changes. From year to year, the identities of MDC s 10 largest customers may change, as a result of client losses and additions and other factors. To the extent that the Company fails to maintain existing clients or attract new clients, MDC s business, financial condition and operating results may be affected in a materially adverse manner.

TABLE OF CONTENTS

The loss of lines of credit under our WF Credit Agreement could adversely affect MDC s liquidity and our ability to implement MDC s acquisition strategy and fund any put options if exercised.

MDC uses amounts available under the WF Credit Agreement, together with cash flow from operations, to fund its working capital needs, to fund the exercise of put option obligations and to fund our strategy of making selective acquisitions of ownership interests in entities in the marketing communications services industry, including through contingent deferred acquisition payments.

The Company is currently in compliance with all of the terms and conditions of the WF Credit Agreement. If, however, events were to occur, which result in MDC losing all or a substantial portion of its available credit under the WF Credit Agreement, or if MDC was prevented from accessing such lines of credit due to other restrictions such as those in the indenture governing the 6.75% Notes, MDC could be required to seek other sources of liquidity. In addition, if MDC were unable to replace this source of liquidity, then MDC s ability to fund its working capital needs and any contingent obligations with respect to put options or contingent deferred acquisition payments would be materially adversely affected.

We have significant contingent obligations related to deferred acquisition consideration and minority interests in our subsidiaries, which will require us to utilize our cash flow and/or to incur additional debt to satisfy.

The Company has made a number of acquisitions for which it has deferred payment of a portion of the purchase price, usually for a period between one to five years after the acquisition. The deferred acquisition consideration is generally payable based on achievement of certain thresholds of future earnings of the acquired company and, in certain cases, also based on the rate of growth of those earnings. Once any contingency is resolved, the Company may pay the contingent consideration over time.

The Company records liabilities on its balance sheet for deferred acquisition payments at their estimated value based on the current performance of the business, which are re-measured each quarter. At December 31, 2013, these aggregate liabilities were $153.9 million, of which $53.0 million, $42.6 million, $36.0 million and $22.3 million would be payable in 2014, 2015, 2016 and thereafter, respectively.

In addition to the Company s obligations for deferred acquisition consideration, managers of certain of the Company s acquired subsidiaries hold minority interests in such subsidiaries. In the case of certain minority interests related to acquisitions, the founder is entitled to a proportionate distribution of earnings from the relevant subsidiary, which is recognized on the Company s consolidated income statement under Net income attributable to the non-controlling interests.

The minority shareholder often has the right to require the Company to purchase all or part of its interest, either at specified dates or upon the termination of such shareholder s employment with the subsidiary or death (put rights). In addition, the Company usually has rights to call the minority shareholder s interest at a specified date. The purchase price for both puts and calls is typically calculated based on specified formulas tied to the financial performance of the subsidiary.

The Company recorded $148.5 million on its December 31, 2013 balance sheet as Redeemable Noncontrolling Interests for its estimated obligations in respect of minority shareholder put and call rights based on the current performance of the subsidiaries, $17.8 million of which related to put rights for which, if exercised, the payments are due at specified dates, with the remainder of Redeemable Noncontrolling Interests attributable to put or call rights exercisable only upon termination of employment or death. No obligation is recorded on the balance sheet for minority interests for which the Company has a call right but the minority holder has no put right.

Payments to be made by the Company in respect of deferred acquisition consideration and minority shareholder put rights may be significantly higher than the estimated amounts described above because the actual obligation adjusts based on the performance of the acquired businesses over time, including future growth in earnings from the calculations made at December 31, 2013. Similarly, the payments made by the Company under call rights would increase with growth in earnings of the acquired businesses. The Company expects that deferred contingent consideration and minority share interests for managers may be features of future acquisitions that it may undertake and that it may also grant similar minority share interests to managers of its subsidiaries unrelated to acquisitions.

TABLE OF CONTENTS

The Company expects that its obligations in respect of deferred acquisition consideration and payments to minority shareholders under put and call rights will be a significant use of the Company s liquidity in the foreseeable future, whether in the form of free cash flow or borrowings under the Company s revolving credit facility or from other funding sources. For further information, see the disclosure under the heading Business Ownership Information and the heading Liquidity and Capital Resources .

MDC may not realize the benefits it expects from past acquisitions or acquisitions MDC may make in the future.

MDC s business strategy includes ongoing efforts to engage in material acquisitions of ownership interests in entities in the marketing communications services industry. MDC intends to finance these acquisitions by using available cash from operations and through incurrence of debt or bridge financing, either of which may increase its leverage ratios, or by issuing equity, which may have a dilutive impact on its existing shareholders. At any given time MDC may be engaged in a number of discussions that may result in one or more material acquisitions. These opportunities require confidentiality and may involve negotiations that require quick responses by MDC. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transactions, the announcement of any such transaction may lead to increased volatility in the trading price of its securities.

Our expenses have, in recent periods, increased at a greater rate than revenues, which in part reflects both the increase in expenses for deferred acquisition consideration and from our investment in headcount for certain growth initiatives. Should our acquisitions continue to outperform current expectations, expenses for deferred acquisition consideration could increase as well in future periods. If our growth initiatives do not provide sufficient revenue to offset the incremental costs in future periods, profits could be reduced and severance expense could be incurred in order to return to targeted profit margins over time.

The success of acquisitions or strategic investments depends on the effective integration of newly acquired businesses into MDC s current operations. Such integration is subject to risks and uncertainties, including realization of anticipated synergies and cost savings, the ability to retain and attract personnel and clients, the diversion of management s attention from other business concerns, and undisclosed or potential legal liabilities of the acquired company. MDC may not realize the strategic and financial benefits that it expects from any of its past acquisitions, or any future acquisitions.

MDC s business could be adversely affected if it loses key clients or executives.

MDC s strategy has been to acquire ownership stakes in diverse marketing communications businesses to minimize the effects that might arise from the loss of any one client or executive. The loss of one or more clients could materially affect the results of the individual operating companies and the Company as a whole. Management succession at our operating units is very important to the ongoing results of the Company because, as in any service business, the success of a particular agency is dependent upon the leadership of key executives and management personnel. If key executives were to leave our operating units, the relationships that MDC has with its clients could be adversely affected.

MDC s ability to generate new business from new and existing clients may be limited.

To increase its revenues, MDC needs to obtain additional clients or generate demand for additional services from existing clients. MDC s ability to generate initial demand for its services from new clients and additional demand from existing clients is subject to such clients and potential clients requirements, pre-existing vendor relationships, financial condition, strategic plans and internal resources, as well as the quality of MDC s employees, services and reputation and the breadth of its services. To the extent MDC cannot generate new business from new and existing clients due to these limitations, MDC s ability to grow its business and to increase its revenues will be limited.

MDC s business could be adversely affected if it loses or fails to attract key employees.

Employees, including creative, research, media, account and practice group specialists, and their skills and relationships with clients, are among MDC s most important assets. An important aspect of MDC s competitiveness is its ability to retain key employee and management personnel. Compensation for these key employees is an essential factor in attracting and retaining them, and MDC may not offer a level of compensation sufficient to attract and retain these key employees. If MDC fails to hire and retain a sufficient number of these key employees, it may not be able to compete effectively. If key executives were to leave our operating units, the relationships that MDC has with its clients could be adversely affected.

MDC is exposed to the risk of client defaults.

MDC s agencies often incur expenses on behalf of their clients for productions in order to secure a variety of media time and space, in exchange for which they receive a fee. The difference between the gross cost of the production and media and the net revenue earned by us can be significant. While MDC takes precautions against default on payment for these services (such as credit analysis and advance billing of clients) and has historically had a very low incidence of default, MDC is still exposed to the risk of significant uncollectible receivables from our clients. The risk of a material loss could significantly increase in periods of severe economic downturn. Such a loss could have a material adverse effect on our results of operations and financial position.

MDC s results of operations are subject to currency fluctuation risks.

Although MDC s financial results are reported in U.S. dollars, a portion of its revenues and operating costs are denominated in currencies other than the US dollar. As a result, fluctuations in the exchange rate between the U.S. dollar and other currencies, particularly the Canadian dollar, may affect MDC s financial results and competitive position.

Goodwill and intangible assets may become impaired.

We have recorded a significant amount of goodwill and intangible assets in our consolidated financial statements in accordance with U.S. GAAP resulting from our acquisition activities, which principally represents the specialized know-how of the workforce at the agencies we have acquired. We test, at least annually, the carrying value of goodwill for impairment, as discussed in Note 2 to our consolidated financial statements. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. While we have concluded, for each year presented in our financial statements, that our goodwill relating to continuing operations is not impaired, future events could cause us to conclude that the asset values associated with a given operation may become impaired. Any resulting impairment loss could materially adversely affect our results of operations and financial condition.

MDC is subject to regulations and litigation risk that could restrict our activities or negatively impact our revenues.

Advertising and marketing communications businesses are subject to government regulation, both domestic and foreign. There has been an increasing tendency in the United States on the part of advertisers to resort to litigation and self-regulatory bodies to challenge comparative advertising on the grounds that the advertising is false and deceptive. Moreover, there has recently been an expansion of specific rules, prohibitions, media restrictions, labeling disclosures, and warning requirements with respect to advertising for certain products and usage of personally identifiable information. Representatives within government bodies, both domestic and foreign, continue to initiate proposals to ban the advertising of specific products and to impose taxes on or deny deductions for advertising which, if successful, may have an adverse effect on advertising expenditures and consequently MDC s revenues.

Certain of MDC s agencies produce software and e-commerce tools for their clients, and these product offerings have become increasingly subject to litigation based on allegations of patent infringement or other violations of intellectual property rights. As we expand these product offerings, the possibility of an intellectual property claim against us grows. Any such claim, with or without merit, could result in costly litigation and distract management from day-to-day operations and may result in us deciding to enter into license agreements to avoid ongoing patent litigation costs. If we are not successful in defending such claims, we could be required to stop offering these services, pay monetary amounts as damages, enter into royalty or licensing arrangements, or satisfy indemnification obligations that we have with some of our clients. Such arrangements may cause our operating margins to decline.

11

MDC is subject to regulations and litigation risk that could restrict ouractivities or negatively impact our revenues.

TABLE OF CONTENTS

In addition, laws and regulations related to user privacy, use of personal information and internet tracking technologies have been proposed or enacted in the United States and certain international markets. These laws and regulations could affect the acceptance of the internet as an advertising medium. These actions could affect our business and reduce demand for certain of our services, which could have a material adverse effect on our results of operations and financial position.

The indenture governing the 6.75% Notes and the WF Credit Agreement governing our secured line of credit contain various covenants that limit our discretion in the operation of our business.

The indenture governing the 6.75% Notes and the WF Credit Agreement governing our lines of credit contain various provisions that limit our discretion in the operation of our business by restricting our ability to:

- sell assets;
- pay dividends and make other distributions;
- redeem or repurchase our capital stock;
- incur additional debt and issue capital stock;
- create liens;
- consolidate, merge or sell substantially all of our assets;
- enter into certain transactions with our affiliates;
- make loans, investments or advances;
- repay subordinated indebtedness;
- undergo a change in control;
- enter into certain transactions with our affiliates;
- engage in new lines of business; and
- enter into sale and leaseback transactions.

These restrictions on our ability to operate our business in our discretion could seriously harm our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities. The WF Credit Agreement is subject to various additional covenants, including a senior leverage ratio, a total leverage ratio, a fixed charge coverage ratio, and a minimum EBITDA level (as defined). Events beyond our control could affect our ability to meet these financial tests, and we cannot assure you that we will meet them.

Our substantial indebtedness could adversely affect our cash flow and prevent us from fulfilling our obligations, including the 6.75% Notes.

As of December 31, 2013, MDC had $665.1 million inclusive of original issue premium of indebtedness. In addition, we expect to make additional drawings under the WF Credit Agreement from time to time. Our ability to pay principal and interest on our indebtedness is dependent on the generation of cash flow by our subsidiaries. Our subsidiaries business may not generate sufficient cash flow from operations to meet MDC s debt service and other obligations. If we are unable to meet our expenses and debt service obligations, we may need to obtain additional debt, refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. We may not be able to obtain additional debt, refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations, to obtain additional debt or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business, financial condition and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable; the lenders under the

Our substantial indebtedness could adversely affect our cash flow andprevent us from fulfilling our obligations, inclu

TABLE OF CONTENTS

WF Credit Agreement could terminate their commitments to loan us money and foreclose against the assets securing our borrowings; and we could be forced into bankruptcy or liquidation. Our level of indebtedness could have important consequences. For example it could:

- make it more difficult for us to satisfy our obligations with respect to the 6.75% Notes;
- make it difficult for us to meet our obligations with respect to our contingent deferred acquisition payments;
- limit our ability to increase our ownership stake in our Partner firms;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and other activities;
- limit our flexibility in planning for, or reacting to, changes in our business and the advertising industry, which may place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, particularly in concert with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds or take other actions.

Despite our current debt levels, we may be able to incur substantially more indebtedness, which could further increase the risks associated with our leverage.

We may incur substantial additional indebtedness in the future. The terms of our Credit Agreement and the indenture governing the 6.75% Notes permit us and our subsidiaries to incur additional indebtedness subject to certain limitations. If we or our subsidiaries incur additional indebtedness, the related risks that we face could increase.

We are a holding company dependent on our subsidiaries for our ability to service our debt and pay dividends.

MDC is a holding company with no operations of our own. Consequently, our ability to service our debt and to pay cash dividends on our common stock is dependent upon the earnings from the businesses conducted by our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. Although our operating subsidiaries have generally agreed to allow us to consolidate and sweep cash, subject to the timing of payments due to minority holders, any distribution of earnings to us from our subsidiaries is contingent upon the subsidiaries earnings and various other business considerations. Also, our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of common stock to participate in those assets, will be structurally subordinated to the claims of that subsidiary s creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us.

We could change or suspend our existing dividend practice in the future.

The declaration and payment of dividends on our common stock is at the discretion of MDC s board of directors and will depend upon limitations contained in our Credit Agreement and the indenture governing the 6.75% Notes, future earnings, capital requirements, our general financial condition and general business conditions. MDC s practice is to pay dividends only out of excess free cash flow from operations, and in the event that worsening economic conditions, disruptions in the credit markets or other factors have a significant effect on our liquidity, MDC s board of directors could decide to reduce or suspend dividend payments in the future.

13

TABLE OF CONTENTS

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

See the notes to the Company s consolidated financial statements included in this Annual Report for a discussion of the Company s lease commitments and the Management s Discussion and Analysis for the impact of occupancy costs on the Company s operating expenses.

The Company maintains office space in many cities in the United States, Canada, Europe, and the Caribbean. This space is primarily used for office and administrative purposes by the Company s employees in performing professional services. This office space is in suitable and well-maintained condition for MDC s current operations. All of the Company s materially important office space is leased from third parties with varying expiration dates. Certain of these leases are subject to rent reviews or contain various escalation clauses and certain of our leases require our payment of various operating expenses, which may also be subject to escalation. In addition, leases related to the Company s non-US businesses are denominated in other than US dollars and are therefore subject to changes in foreign exchange rates.

Item 3. Legal Proceedings

MDC s operating entities are involved in legal proceedings of various types. While any litigation contains an element of uncertainty, MDC has no reason to believe that the outcome of such proceedings or claims will have a material adverse effect on the financial condition or results of operations of MDC.

Item 4. Mine Safety Disclosures

Not applicable.

TABLE OF CONTENTS

PART II

Item 5. Market for Registrant s Common Equity Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders of Class A Subordinate Voting Shares

The principal United States market on which the Company s Class A subordinate voting shares are traded is the NASDAQ National Market (NASDAQ) (symbol: MDCA), and the principal market in Canada is the Toronto Stock Exchange (symbol: MDZ.A). As of March 1, 2013, the approximate number of holders of our Class A subordinate voting shares, including those whose shares are held in nominee name, was 2,800. All share amounts and share prices have been adjusted for the Company s 3 for 2 stock split, which was effective November 29, 2013. Quarterly high and low sales prices per share of the Company s Class A subordinate voting shares, as reported on NASDAQ and The Toronto Stock Exchange, respectively, for each quarter in the years ended December 31, 2013 and 2012, are as follows:

Nasdaq

Quarter Ended	High	Low
	($ per Share)	
March 31, 2012	9.67	7.40
June 30, 2012	7.67	6.16
September 30, 2012	8.57	6.16
December 31, 2012	8.60	6.23
March 31, 2013	10.78	7.75
June 30, 2013	12.55	9.52
September 30, 2013	18.65	12.48
December 31, 2013	25.51	18.41

The Toronto Stock Exchange

Quarter Ended	High	Low
	(C$ per Share)	
March 31, 2012	9.66	7.51
June 30, 2012	7.69	6.19
September 30, 2012	8.17	6.13
December 31, 2012	8.33	6.33
March 31, 2013	10.89	7.70
June 30, 2013	12.73	9.71
September 30, 2013	19.22	12.67
December 31, 2013	27.30	18.83

As of February 25, 2014, the last reported sale price of the Class A subordinate voting shares was $22.70 on NASDAQ and C$25.06 on the Toronto Stock Exchange.

Dividend Practice

In 2013, MDC s board of directors declared the following dividends: a $0.19 per share semi-annual dividend to all shareholders of record as of the close of business on May 10, 2013; a $0.11 per share quarterly dividend to all shareholders of record as of the close of business on August 6, 2013; and a $0.16 per share quarterly dividend to all shareholders of record as of the close of business on November 7, 2013. MDC s practice is to pay dividends only out of excess free cash flow from operations. MDC is further limited in the extent to which we are able to pay dividends under our Credit Agreement and the indenture governing the 6.75% Notes. The payment of any future dividends will be at the discretion of MDC s board of directors and will depend upon limitations contained in our Credit Agreement and the indenture governing the 6.75% Notes, future earnings, capital requirements, our general financial condition and general business conditions.

15

TABLE OF CONTENTS

In 2012, MDC s board of directors declared the following dividends: a $0.19 per share semi-annual dividend to all shareholders of record as of the close of business on May 8, 2012; and a $0.19 per share semi-annual dividend to all shareholders of record as of the close of business on December 20, 2012.

In 2011, MDC s board of directors declared the following dividends: a $0.09 per share quarterly dividend to all shareholders of record as of the close of business on March 17, 2011; a $0.09 per share dividend quarterly to all shareholders of record as of the close of business on May 16, 2011; a $0.09 per share quarterly dividend to all shareholders of record as of the close of business on August 17, 2011; a $0.09 per share quarterly dividend to all shareholders of record as of the close of business on October 28, 2011; and a $0.09 per share quarterly dividend to all shareholders of record as of the close of business on February 15, 2012.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information regarding securities issued under our equity compensation plans as of December 31, 2013.

	Number of Securities to Be Issued Upon Exercise of Outstanding Options and Rights (a)	Weighted Average Exercise Price of Outstanding Options and Rights (b)	Number of Securities Remaining Available for Future Issuance (Excluding Column (a)) (c)
Equity Compensation Plans:			
Approved by stockholders:			
Share options	112,500	$ 6.03	1,434,554
Not approved by stockholders:			
None			

On May 26, 2005, the Company s shareholders approved the 2005 Stock Incentive Plan, which provides for the issuance of three million Class A shares. On June 2, 2009 and June 1, 2007, the Company s shareholders approved amendments to the 2005 Stock Incentive Plan, which increased the number of shares available for issuance to 6.75 million Class A shares. In addition, the plan was amended to allow shares under this plan to be used to satisfy share obligations under the Stock Appreciation Rights Plan. On May 30, 2008, the Company s shareholders approved the 2008 Key Partner Incentive Plan, which provides for the issuance of 900,000 Class A shares. On June 1, 2011, the Company s shareholders approved the 2011 Stock Incentive Plan, which provides for the issuance of up to 3 million Class A shares.

See also Note 12 of the Notes to the Consolidated Financial Statements included herein.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

On November 15, 2013, the Company issued an additional $110 million principal amount of 6.75% Senior Notes to various institutional investors in a private offering exempt from registration in reliance on Rule 144A and Regulation

S under the Securities Act. We received net proceeds from the offering of approximately $110.9 million, and we used the proceeds for general corporate purposes.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

Issuer Purchases of Equity Securities:

Shares Class A subordinate voting shares

For the twelve months ended December 31, 2013, the Company made no open market purchases of its Class A shares or its Class B shares. Pursuant to its Credit Agreement and Indenture governing the 6.75% Notes, the Company is currently limited from repurchasing its shares in the open market.

During 2013, the Company s employees surrendered 595,448 Class A shares valued at approximately $13.8 million in connection with the required tax withholding resulting from the vesting of restricted stock. The Company paid these withholding taxes on behalf of the related employees. These Class A shares were subsequently retired and no longer remain outstanding as of December 31, 2013.

16

TABLE OF CONTENTS

In October 2013, the Company settled the exercise of 2,786,002 Stock Appreciation Rights by management in exchange for cash, resulting in a stock based compensation charge of $78 million.

Transfer Agent and Registrar for Common Stock

The transfer agent and registrar for the Company s common stock is Canadian Stock Transfer Company (f/k/a CIBC Mellon Trust Company). Canadian Stock Transfer Company operates a telephone information inquiry line that can be reached by dialing toll-free 1-800-387-0825 or 416-643-5500.

Correspondence may be addressed to:
MDC Partners Inc.
C/o Canadian Stock Transfer Company
P.O. Box 4202, Postal Station A
Toronto, Ontario M5W 0E4

Item 6. Selected Financial Data

The following selected financial data should be read in connection with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes that are included in this annual report on Form 10-K.

	Years Ended December 31,				
	2013	2012	2011	2010	2009
	(Dollars in Thousands, Except per Share Data)				
Operating Data					
Revenues	$1,148,881	$1,063,265	$934,288	$686,167	$534,012
Operating profit (loss)	$(31,992)	$(15,926)	$10,481	$30,155	$21,554
Loss from continuing operations	$(131,018)	$(71,895)	$(74,163)	$(1,556)	$(10,683)
Stock-based compensation included in income (loss) from continuing operations	$100,405	$32,197	$23,657	$16,507	$15,444
Loss per Share					
Basic					
Continuing operations attributable to MDC Partners Inc. common shareholders	$(2.92)	$(1.71)	$(1.89)	$(0.29)	$(0.40)
Diluted					
Continuing operations attributable to MDC Partners Inc. common shareholders	$(2.92)	$(1.71)	$(1.89)	$(0.29)	$(0.40)
Cash dividends declared per share	$0.46	$0.38	$0.45	$0.23	$
Financial Position Data					
Total assets	$1,425,227	$1,344,945	$1,055,745	$914,348	$604,519
Total debt	$665,128	$431,703	$385,174	$286,216	$217,946
Redeemable noncontrolling interests	$148,534	$117,953	$107,432	$77,560	$33,728
Deferred acquisition consideration	$153,913	$196,446	$137,223	$107,991	$30,645

Fixed charge coverage ratio	N/A	N/A	N/A	N/A	N/A
Fixed charge deficiency	$131,829	$61,687	$28,057	$1,949	1,941

Several significant factors that should be considered when comparing the annual results shown above are as follows:

Year Ended December 31, 2013

During 2013, the Company completed an acquisition and a number of transactions. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

TABLE OF CONTENTS

On March 20, 3013, the Company issued and sold $550 million aggregate principal amount 6.75% Notes due 2020 (the 6.75% Notes). The 6.75% Notes are guaranteed on a senior unsecured basis by all of MDC s existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure MDC s senior secured revolving credit agreement (the Credit Agreement). The 6.75% Notes bear interest at a rate of 6.75% per annum, accruing from March 20, 2013. Interest is payable semiannually in arrears in cash on May 1 and November 1 of each year, beginning on October 1, 2013. The 6.75% Notes will mature on April 1, 2020, unless earlier redeemed or repurchased. The notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds from the offering of the 6.75% Notes equal to approximately $537.6 million. The Company used net proceeds to redeem all of the existing 11% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for loss on redemption of notes of $55.6 million, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes. In addition, the Company entered into an amended and restated, $225 million senior secured revolving credit agreement due 2018.

In November 2013, stock-based compensation included a charge of $78.0 million relating to the cash settlement of the outstanding Stock Appreciation Rights (SAR s).

On November 15, 2013, the Company issued an additional $110 million aggregate principal amount of its 6.75% Notes. The additional notes were issued under the Indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes.

During 2013, the Company discontinued two subsidiaries and an operating division. All periods reflect these discontinued operations. See Note 10 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2012

During 2012, the Company completed a number of acquisitions. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On December 10, 2012, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold an additional $80 million aggregate principal amount of 11% Notes due 2016. The additional notes were issued under the Indenture governing the 11% Notes and treated as a single series with the original 11% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $83.2 million, which included an original issue premium of $4.8 million, and underwriter fees of $1.6 million. The Company used the net proceeds of the offering to repay the outstanding balance under the Company s revolving credit agreement described elsewhere herein, and for general corporate purposes.

During 2012, the Company discontinued a subsidiary and certain operating divisions. All periods reflect these discontinued operations. See Note 10 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2011

During 2011, the Company completed a number of acquisitions. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On April 19, 2011, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold an additional $55 million aggregate principal amount of 11% Notes due 2016. The additional notes were issued under the Indenture governing the 11% Notes and treated as a single series with the original 11% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $59.6 million, which included an original issue premium of $6.1 million, and underwriter fees of $1.5 million. The Company used the net proceeds of the offering to repay the outstanding balance under the Company s revolving credit agreement described elsewhere herein, and for general corporate purposes.

Effective December 31, 2011, the Company discontinued an operating division. All periods reflect this discontinued operation. See Note 10 of the Notes to the Consolidated Financial Statements included herein.

18

TABLE OF CONTENTS

Year Ended December 31, 2010

During 2010, the Company completed a significant number of acquisitions. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On May 14, 2010, the Company and its wholly-owned subsidiaries, as guarantors issued and sold $65 million aggregate principal amount of 11% Notes due 2016. The additional notes were issued under the Indenture governing the 11% notes and treated as a single series with the original 11% notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $67.2 million, which included an original issue premium of $2.6 million, and underwriter fees of $0.4 million. The Company used the net proceeds of the offering to repay the outstanding balance under the Company s revolving Credit Agreement described elsewhere herein, and for general corporate purposes, including acquisitions.

Effective September 30, 2010, the Company ceased a subsidiary. All periods reflect these discontinued operations. See Note 10 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2009

On October 23, 2009, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold $225 million aggregate principal amount of 11% Notes due 2016 (the 11% Notes). The 11% Notes bear interest at a rate of 11% per annum, accruing from October 23, 2009. Interest is payable semiannually in arrears in cash on May 1 and November 1 of each year, beginning on May 1, 2010. The 11% Notes will mature on November 1, 2016, unless earlier redeemed or repurchased. In addition, the Company entered into a Credit Agreement described elsewhere herein. The Company used the net proceeds of this offering to repay the outstanding balance and terminate its prior Fortress Financing Agreement, and redeemed its outstanding 8% C$45 million convertible debentures. As a result, the Company incurred $4.5 million of early termination fees and wrote off of the remaining deferred financing costs relating to its prior Financing Agreement and convertible debentures.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise indicated, references to the Company mean MDC Partners Inc. and its subsidiaries, and references to a fiscal year means the Company s year commencing on January 1 of that year and ending December 31 of that year (e.g., fiscal 2013 means the period beginning January 1, 2013, and ending December 31, 2013).

The Company reports its financial results in accordance with generally accepted accounting principles (GAAP) of the United States of America (US GAAP). However, the Company has included certain non-US GAAP financial measures and ratios, which it believes provide useful information to both management and readers of this report in measuring the financial performance and financial condition of the Company. One such term is organic revenue , which means growth in revenues from sources other than acquisitions or foreign exchange impacts. These measures do not have a standardized meaning prescribed by US GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other titled measures determined in accordance with US GAAP.

TABLE OF CONTENTS

Executive Summary

The Company s objective is to create shareholder value by building market-leading subsidiaries and affiliates that deliver innovative, value-added marketing communications and strategic consulting to their clients. Management believes that shareholder value is maximized with an operating philosophy of Perpetual Partnership with proven committed industry leaders in marketing communications.

MDC manages the business by monitoring several financial and non-financial performance indicators. The key indicators that we review focus on the areas of revenues and operating expenses and capital expenditures. Revenue growth is analyzed by reviewing the components and mix of the growth, including: growth by major geographic location; existing growth by major reportable segment (organic); growth from currency changes; and growth from acquisitions.

MDC conducts its businesses through the Marketing Communications Group. Within the Marketing Communications Group, there are two reportable operating segments: Strategic Marketing Services and Performance Marketing Services. In addition, MDC has a Corporate Group which provides certain accounting, administrative, financial, human resource and legal functions.

Marketing Communications Businesses

Through its operating partners , MDC provides advertising, consulting, customer relationship management, and specialized communication services to clients throughout the world.

The operating companies earn revenue from agency arrangements in the form of retainer fees or commissions; from short-term project arrangements in the form of fixed fees or per diem fees for services; and from incentives or bonuses. Additional information about revenue recognition appears in Note 2 of the Notes to the Consolidated Financial Statements.

MDC measures operating expenses in two distinct cost categories: cost of services sold, and office and general expenses. Cost of services sold is primarily comprised of employee compensation related costs and direct costs related primarily to providing services. Office and general expenses are primarily comprised of rent and occupancy costs and administrative service costs including related employee compensation costs. Also included in operating expenses is depreciation and amortization.

Because we are a service business, we monitor these costs on a percentage of revenue basis. Cost of services sold tend to fluctuate in conjunction with changes in revenues, whereas office and general expenses and depreciation and amortization, which are not directly related to servicing clients, tend to decrease as a percentage of revenue as revenues increase because a significant portion of these expenses are relatively fixed in nature.

We measure capital expenditures as either maintenance or investment related. Maintenance capital expenditures are primarily composed of general upkeep of our office facilities and equipment that are required to continue to operate our businesses. Investment capital expenditures include expansion costs, the build out of new capabilities, technology or call centers, or other growth initiatives not related to the day to day upkeep of the existing operations. Growth capital expenditures are measured and approved based on the expected return of the invested capital.

Certain Factors Affecting Our Business

Overall Factors Affecting our Business and Results of Operations. The most significant factors include national, regional and local economic conditions, our clients profitability, mergers and acquisitions of our clients, changes in top management of our clients and our ability to retain and attract key employees. New business wins and client losses occur due to a variety of factors. The two most significant factors are; clients desire to change marketing communication firms, and the creative product our firms are offering. A client may choose to change marketing communication firms for a number of reasons, such as a change in top management and the new management wants to retain an agency that it may have previously worked with. In addition, if the client is merged or acquired by another company, the marketing communication firm is often changed. Further, global clients are trending to consolidate the use of numerous marketing communication firms to just one or two. Another factor in a client changing firms is the agency s campaign or work product is not providing results and they feel a change is in order to generate additional revenues.

20

TABLE OF CONTENTS

Clients will generally reduce or increase their spending or outsourcing needs based on their current business trends and profitability. These types of changes impact the Performance Marketing Services Group more than the Strategic Marketing Services Group due to the Performance Marketing Services Group having clients who require project-based work as opposed to the Strategic Marketing Services Group who primarily have retainer-based relationships.

Acquisitions and Dispositions. Our strategy includes acquiring ownership stakes in well-managed businesses with strong reputations in the industry. We engaged in a number of acquisition and disposal transactions during the 2010 to 2013 period, which affected revenues, expenses, operating income and net income. Additional information regarding material acquisitions is provided in Note 4 Acquisitions and information on dispositions is provided in Note 10 Discontinued Operations in the Notes to the Consolidated Financial Statements.

Foreign Exchange Fluctuation. Our financial results and competitive position are affected by fluctuations in the exchange rate between the US dollar and non-US dollars, primarily the Canadian dollar. See also Quantitative and Qualitative Disclosures About Market Risk Foreign Exchange.

Seasonality. Historically, with some exceptions, we generate the highest quarterly revenues during the fourth quarter in each year. The fourth quarter has historically been the period in the year in which the highest volumes of media placements and retail related consumer marketing occur.

Fourth Quarter Results. Revenues for the fourth quarter of 2013 increased to $307.1 million, compared to 2012 fourth quarter revenues of $292.6 million. The increase consisted of organic growth of $14.5 million, acquisition revenue of $2.2 million and a decrease of $2.3 million due to foreign currency fluctuations. The Strategic Marketing Services segment had revenue growth of $17.7 million in 2013, of which $18.7 million was organic, offset by a decrease of $1.0 million due to foreign currency fluctuations. The Performance Marketing Services segment had decreased revenue of $3.3 million in 2013, of which $4.1 million was an organic decline and $1.4 million related to foreign currency fluctuations, offset by $2.2 million of acquisition related revenue. Operating results for the fourth quarter of 2013 resulted in a loss of $71.6 million, compared to a loss of $6.9 million in 2012. The decrease in operating profits was primarily related to two compensation related items: a stock based compensation charge of $55.8 million relating to the Company s settlement of its outstanding SAR s in cash, and a one-time bonus to the Company s CEO of $9.6 million for the Company s stock price hitting certain targets. These decreases were offset in part by the increase in revenue. Loss from continuing operations for the fourth quarter of 2013 was $91.8 million, compared to $21.9 million in 2012. Other expense net increased to expense of $4.6 million in 2013, compared to income of $0.4 million in 2012 due to unrealized losses due to foreign currency fluctuations. Interest expense was lower in 2013 by $0.3 million, income tax expense was also higher by $0.3 million and equity in earnings of affiliates was $0.1 million in 2013, compared to $0.2 million in 2012. Interest expense decreased due to the Company s refinancing of its outstanding indebtedness, in which the Company issued 6.75% Notes and redeemed all of its outstanding 11% Notes.

TABLE OF CONTENTS

Summary of Key Transactions

Year Ended December 31, 2013

On March 20, 3013, the Company issued and sold $550 million aggregate principal amount 6.75% Notes. The Company received net proceeds from the offering of the 6.75% Notes equal to approximately $537.6 million. The Company used the net proceeds to redeem all of the existing 11% Senior Notes due 2016, together with accrued interest, related premiums, fees and expenses and recorded a charge for loss on redemption of notes of $55.6 million, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes. In addition, the Company entered into an amended and restated $225 million senior secured revolving credit agreement due 2018.

On November 15, 2013, the Company issued an additional $110 million aggregate principal amount of its 6.75% Notes. The additional notes were issued under the Indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $111.9 million, which included an original issue premium of $4.1 million, and underwriter fees of $2.2 million. The Company used the net proceeds of the offering for general corporate purposes.

Year Ended December 31, 2012

The Company completed several key acquisitions and transactions in 2012. These acquisitions included the acquisition of Doner Partners LLC (Doner). The Company acquired a 30% voting interest and a convertible preferred interest that allows the Company to increase ordinary voting ownership to 70% at MDC s option, at no additional cost to the Company. Doner is a full service integrated creative agency. In addition, the Company acquired a 70% interest in TargetCast LLC (TargetCast), a full service integrated media agency.

The total aggregate purchase price for these 2012 transactions was $82.8 million, which included closing cash payments equal to $18.5 million and $8.0 million of working capital payments, plus additional estimated contingent purchase payments in future years of approximately $59.5 million. See Note 4 of the Notes to the Consolidated Financial Statements included herein for additional information on these and other acquisitions.

On December 10, 2012, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold an additional $80 million aggregate principal amount of 11% Notes due 2016. The additional notes were issued under the Indenture governing the 11% Notes and treated as a single series with the original 11% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $83.2 million, which included an original issue premium of $4.8 million, less underwriter fees of $1.6 million. The Company used the net proceeds of the offering to repay the outstanding balance under the Company s revolving credit agreement described elsewhere herein, and for general corporate purposes.

Year Ended December 31, 2011

The Company completed several key acquisitions in 2011. These acquisitions included the acquisition of a 70% interest in Concentric Partners, LLC (Concentric), a 65% interest in Laird + Partners, New York LLC (Laird), a 100%

interest in RJ Palmer Partners LLC (RJ Palmer), a 75% interest in Trade X Partners LLC (Trade X) and a 60% interest in Anomaly Partners, LLC (Anomaly).

The total aggregate purchase price for these 2011 transactions was $76.8 million, which included closing cash payments equal to $40 million plus additional estimated contingent purchase payments in future years of approximately $36.8 million. See Note 4 of the Notes to the Consolidated Financial Statements included herein for additional information on these and other acquisitions.

On April 19, 2011, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold an additional $55 million aggregate principal amount of 11% Notes due 2016. The additional notes were issued under the Indenture governing the 11% Notes and treated as a single series with the original 11% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $59.6 million,

22

TABLE OF CONTENTS

which included an original issue premium of $6.1 million, and underwriter fees of $1.5 million. The Company used the net proceeds of the offering to repay the outstanding balance under the Company s WF Credit Agreement described elsewhere herein, and for general corporate purposes.

Results of Operations for the Years Ended December 31, 2013, 2012 and 2011:

	For the Year Ended December 31, 2013			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$805,439	$343,442	$	$1,148,881
Cost of services sold	510,014	244,480		754,494
Office and general expenses	186,369	73,696	126,714	386,779
Depreciation and amortization	23,720	14,486	1,394	39,600
Operating profit (loss)	85,336	10,780	(128,108)	(31,992)
Other income (expense):				
Other income, net				2,531
Foreign exchange loss				(5,537)
Interest expense, finance charges, and loss on redemption of notes, net				(100,592)
Loss from continuing operations before income taxes, equity in affiliates				(135,590)
Income tax recovery				(4,291)
Loss from continuing operations before equity in affiliates				(131,299)
Equity in earnings of non-consolidated affiliates				281
Loss from continuing operations				(131,018)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(11,384)
Net loss				(142,402)
Net income attributable to non-controlling interests	(4,889)	(1,572)		(6,461)
Net loss attributable to MDC Partners Inc.				$(148,863)
Stock based compensation	$7,249	$3,425	$89,731	$100,405

23

TABLE OF CONTENTS

	For the Year Ended December 31, 2012			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$719,364	$343,901	$	$1,063,265
Cost of services sold	479,060	254,740		733,800
Office and general expenses	188,954	71,798	38,847	299,599
Depreciation and amortization	27,260	17,190	1,342	45,792
Operating profit (loss)	24,090	173	(40,189)	(15,926)
Other income (expense):				
Other income, net				117
Foreign exchange loss				(976)
Interest expense and finance charges, net				(46,190)
Loss from continuing operations before income taxes, equity in affiliates				(62,975)
Income tax expense				9,553
Loss from continuing operations before equity in affiliates				(72,528)
Equity in earnings of non-consolidated affiliates				633
Loss from continuing operations				(71,895)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(6,681)
Net loss				(78,576)
Net income attributable to non-controlling interests	(5,167)	(1,696)		(6,863)
Net loss attributable to MDC Partners Inc.				$(85,439)
Stock based compensation	$9,186	$8,227	$14,784	$32,197

24

	For the Year Ended December 31, 2011			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$608,022	$326,266	$	$934,288
Cost of services sold	425,316	241,402		666,718
Office and general expenses	137,824	44,172	35,432	217,428
Depreciation and amortization	22,378	16,457	826	39,661
Operating profit (loss)	22,504	24,235	(36,258)	10,481
Other income (expense):				
Other income, net				116
Foreign exchange loss				(1,677)
Interest expense and finance charges, net				(41,561)
Loss from continuing operations before income taxes, equity in affiliates				(32,641)
Income tax expense				41,735
Loss from continuing operations before equity in affiliates				(74,376)
Equity in earnings of non-consolidated affiliates				213
Loss from continuing operations				(74,163)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(2,082)
Net loss				(76,245)
Net income attributable to non-controlling interests	(6,414)	(2,015)		(8,429)
Net loss attributable to MDC Partners Inc.				$(84,674)
Stock based compensation	$5,149	$3,695	$14,813	$23,657

TABLE OF CONTENTS

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue was $1.15 billion for the year ended 2013, representing an increase of $85.6 million, or 8.1%, compared to revenue of $1.06 billion for the year ended 2012. This increase relates primarily to an increase in organic revenue of $88.5 million and acquisition growth of $2.6 million. A strengthening of the US Dollar, primarily versus the Canadian dollar during the year ended December 31, 2013, resulted in a decrease of $5.4 million.

Operating loss for the year ended 2013 was $32.0 million, compared to a loss of $15.9 million in 2012. Operating profit increased by $61.2 million in the Strategic Marketing Services segment and by $10.6 million in the Performance Marketing Services segment. Corporate operating expenses increased by $87.9 million in 2013.

Loss from continuing operations was a loss of $131.0 million in 2013, compared to a loss of $71.9 million in 2012. This increase in loss of $59.1 million was primarily attributable to a decrease in operating profits of $16.1 million (primarily due to an increase in stock based compensation of $68.2 million), and an increase in net interest expense equal to $54.4 million, offset by a decrease in tax expense of $13.8 million. The increase in net interest expense was primarily due to the Company s redemption of its 11% Notes in March 2013 and related premium, fees and expenses of $55.6 million. These amounts were also impacted by an increase in foreign exchange losses of $4.6 million in 2013 and an increase in other income, net of $2.4 million.

Marketing Communications Group

Revenues attributable to the Marketing Communications Group, which consists of two reportable segments Strategic Marketing Services and Performance Marketing Services, were $1.15 billion in the aggregate in 2013, compared to $1.06 million in 2012, representing a year-over-year increase of 8.1%.

The components of the revenue for 2013 are shown in the following table:

	Revenue $000 s	%
Year ended December 31, 2012	$1,063,265	
Acquisition	2,572	0.3 %
Organic	88,479	8.3 %
Foreign exchange impact	(5,435)	(0.5)%
Year ended December 31, 2013	$1,148,881	8.1 %

The geographic mix in revenues was relatively consistent between 2013 and 2012 and is demonstrated in the following table:

	2013	2012
US	82 %	81 %
Canada	12 %	14 %
Europe and other	6 %	5 %

The operating profit of the Marketing Communications Group increased by $71.9 million to $96.1 million from $24.3 million. Operating margins increased by 6.1% and were 8.4% for 2013, compared to 2.3% for 2012. The increase in operating profit and operating margin was primarily due to increases in revenue and decreases in direct costs, office and general expenses, and depreciation and amortization. Total staff costs were consistent at approximately 59%.

Direct costs (excluding staff costs) decreased as a percentage of revenues from 16.8% in 2012, to 13.4% in 2013. Direct costs decreased as there were fewer pass-through costs incurred on the clients behalf during 2013 where the company was acting as principal versus agent for certain client contracts. Office and general expenses decreased as a percentage of revenue from 24.5% in 2012, to 22.6% in 2013. This decrease was primarily due to a reduction of $17.1 million in expense relating to estimated deferred acquisition consideration and the increase in revenue on relatively fixed costs. Depreciation and amortization as a percentage of revenue decreased from 4.2% in 2012 to 3.3% in 2013.

26

TABLE OF CONTENTS

Marketing Communications Businesses

Strategic Marketing Services

Revenues attributable to Strategic Marketing Services in 2013 were $805.4 million, compared to $719.4 million in 2012. The year-over-year increase of $86.1 million, or 12.0%, was attributable primarily to organic growth of $91.4 million or 12.7%; these increases were offset by a foreign exchange translation decrease due to the strengthening of the US dollar compared to the Canadian dollar. This organic revenue growth was driven by net new business wins.

The operating profit of Strategic Marketing Services increased by $61.2 million from $24.1 million in 2012 to $85.3 million in 2013. Operating margins increased from 3.4% in 2012 to 10.6% in 2013. The increase in operating profits and operating margins were primarily due to increases in revenues and decreases in direct costs, office and general costs and depreciation and amortization. Total staff costs were relatively consistent at 60%. Direct costs (excluding staff labor) decreased as a percentage of revenue from 13.2% 2012 to 8.8% in 2013. Direct costs decreased as there were fewer pass-through costs incurred on the clients behalf during 2013 where the company was acting as principal versus agent for certain client contracts. Office and general expenses decreased as a percentage of revenue from 26.3% in 2012 to 23.1% in 2013. The decrease was due to a reduction of $11.8 million in expense relating to estimated deferred acquisition consideration and the increased revenue on relatively fixed costs. Depreciation and amortization as a percentage of revenue decreased from 3.8% in 2012 to 2.9% in 2013.

Performance Marketing Services

Performance Marketing Services generated revenues of $343.4 million for 2013, a decrease of $0.5 million, or 0.1%, compared to revenues of $343.9 million in 2012. The year-over-year decrease was attributable primarily to an organic decline of $2.9 million offset by an increase in acquisition growth of $5.8 million, and a foreign translation decrease of $3.3 million. This organic revenue decline was driven by net new business wins offset by larger reductions of client spending amounts.

The operating profit of Performance Marketing Services increased by $10.6 million, from $0.2 million in 2012 to $10.8 million in 2013. Operating margins increased from 0.1% in 2012 to 3.1% in 2013. The increase in operating profits and operating margins were primarily due to decreases in staff costs, direct costs (excluding staff labor) and depreciation and amortization. Total staff costs decreased from 58.3% in 2012 to 57.4% in 2013. Direct costs decreased from 24.2% in 2012 to 23.9% in 2013 due to decreased pass-through costs incurred on the clients behalf during 2013 where the agency was acting as principal versus agent for certain client contracts. Office and general costs increased from 20.9% in 2012 to 21.5% in 2013 on relatively flat revenue. Depreciation and amortization decreased from 5.0% in 2012 to 4.2% in 2013.

Corporate

Operating costs related to the Company s Corporate operations increased by $87.9 million to $128.1 million in 2013, compared to $40.2 million in 2012. This increase was primarily related to increased compensation and related costs of $89.0 million. The increase in compensation and related costs is due to the Company s settlement of its SAR s in cash resulting in a stock based compensation charge of $78.0 million and a one-time bonus payment of $9.6 million to our CEO for the Company s stock price achieving specified targets. Increases in benefits and severance costs accounted for the remaining increase. Additional advertising and promotion costs, occupancy, travel and entertainment, professional fees, and other administrative costs were offset by the repayment in full of a previously fully reserved loan by the

Company s CEO of $5.3 million.

Other Income, Net

Other income, net, increased by $2.4 million from income of $0.1 million in 2012 to income of $2.5 million in 2013. The increase was primarily related to a distribution received in excess of the assets carrying value of $3.1 million.

Foreign Exchange

The foreign exchange loss was $5.5 million for 2013, compared to a loss of $1.0 million recorded in 2012. This unrealized loss was due primarily to the fluctuation in the US dollar during 2013 and 2012 compared to the Canadian dollar relating to the Company s US dollar denominated intercompany balances with its Canadian subsidiaries.

Interest Expense and Finance Charges, Net

Interest expense and finance charges, net for 2013 was $100.6 million, an increase of $54.4 million over the $46.2 million of interest expense and finance charges, net incurred during 2012. This increase was due to the loss paid on the redemption of the Company s 11% Notes of $55.6 million, offset in part by lower borrowing costs related to the 6.75% Notes issued to replace those notes.

Income Tax Expense

Income tax expense in 2012 was $9.6 million compared to a benefit of $4.3 million for 2013. The Company s effective rate was substantially lower than the statutory rate in 2013, primarily due to nondeductible stock-based compensation, an increase in the valuation allowance, offset in part by noncontrolling interest charges. The Company s effective tax rate was substantially higher than the statutory rate in 2012 due to non-deductible stock-based compensation and an increase in the Company s valuation allowance, offset in part by noncontrolling interest charges.

The Company s US operating units are generally structured as limited liability companies, which are treated as partnerships for tax purposes. The Company is only taxed on its share of profits, while noncontrolling holders are responsible for taxes on their share of the profits.

Equity in Affiliates

Equity in affiliates represents the income attributable to equity-accounted affiliate operations. In 2013, the Company recorded income of $0.3 million compared to income of $0.6 million in 2012.

Noncontrolling Interests

The effects of noncontrolling interest was $6.5 million for 2013, a decrease of $0.4 million from the $6.9 million during 2012. The decrease relates to step-up transactions of entities the Company does not own 100% in both the Strategic Marketing Services and Performance Marketing Service segments.

Discontinued Operations

The loss net of taxes from discontinued operations for 2013 was $11.4 million and $6.7 million in 2012.

Net Loss Attributable to MDC Partners Inc.

As a result of the foregoing, the net loss attributable to MDC Partners Inc. for 2013 was $148.9 million or a loss of $3.16 per diluted share, compared to a net loss of $85.4 million or $1.85 per diluted share reported for 2012.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue was $1.06 billion for the year ended 2012, representing an increase of $129.0 million, or 13.8%, compared to revenue of $934.3 million for the year ended 2011. This increase relates primarily to acquisition growth of $54.2 million and an increase in organic revenue of $77.3 million. A strengthening of the US Dollar, primarily versus the Canadian dollar during the year ended December 31, 2012, resulted in a decrease of $2.5 million.

Operating loss for the year ended 2012 was $15.9 million, compared to operating profits of $10.5 million in 2011. Operating profit decreased by $24.1 million in the Performance Marketing Services segment, and was offset by an increase of $1.6 million in the Strategic Marketing Services segment. Corporate operating expenses increased by $3.9 million in 2012.

Loss from continuing operations was a loss of $71.9 million in 2012, compared to a loss of $74.2 million in 2011. This increase in loss of $2.3 million was primarily attributable to a decrease in operating profits of

TABLE OF CONTENTS

$26.4 million resulting from an increase in deferred acquisition consideration of $40.2 million, offset by the increase in revenue and an increase in net interest expense equal to $4.6 million, offset by the decrease in tax expense of $32.2 million. The increase in net interest expense was primarily due to higher outstanding borrowing under the WF Credit Agreement and the Company s outstanding 11% notes. These amounts were impacted by a decrease in foreign exchange losses of $0.7 million in 2012 and an increase in equity in earnings of non-consolidated affiliates of $0.4 million.

Marketing Communications Group

Revenues attributable to the Marketing Communications Group, which consists of two reportable segments Strategic Marketing Services and Performance Marketing Services, were $1.06 billion in the aggregate in 2012, compared to $934.3 million in 2011, representing a year-over-year increase of 13.8%.

The components of the revenue for 2012 are shown in the following table:

	Revenue $000 s	%
Year ended December 31, 2011	$934,288	
Acquisition	54,198	5.8 %
Organic	77,293	8.3 %
Foreign exchange impact	(2,514)	(0.3)%
Year ended December 31, 2012	$1,063,265	13.8%

The geographic mix in revenues was relatively consistent between 2012 and 2011 and is demonstrated in the following table:

	2012	2011
US	81 %	80 %
Canada	14 %	16 %
Europe and other	5 %	4 %

The operating profit of the Marketing Communications Group decreased by approximately 48.1% to $24.3 million in 2012, from $46.7 million in 2011. The decrease in operating profit of $22.4 million was primarily due to an increase in estimated deferred acquisition consideration adjustments of $40.2 million, an increase in stock based compensation of $8.6 million and increased depreciation and amortization of $5.6 million, all due to acquisitions. These amounts were offset by $32.0 million of increased operating profits driven by the increase in revenue following the Company s strategic investment spending in 2011. Operating margins decreased to 2.3% for 2012, compared to 5.0% for 2011. This decrease in operating margin was primarily related to an increase in office and general expenses as a percentage of revenue from 19.5% in 2011, to 24.5% in 2012. This increase was primarily due to estimated deferred acquisition consideration adjustments as a percentage of revenue which increased to 5.0% in 2012 compared to 1.4% in 2011. In addition, total staff costs increased as a percentage of revenue from 55.2% in 2011, to 59.3% in 2012. Offsetting these increases was a decrease in reimbursed client related direct costs (excluding staff costs) as a percentage of revenue from 22.8% in 2011, to 16.8% in 2012.

Marketing Communications Businesses

Strategic Marketing Services

Revenues attributable to Strategic Marketing Services in 2012 were $719.4 million, compared to $608.0 million in 2011. The year-over-year increase of $111.4 million, or 18.3%, was attributable primarily to organic growth of $74.3 million or 12.2%; and acquisition growth of $38.6 million or 6.4%; these increases were offset by a foreign exchange translation decrease of $1.6 million due to the strengthening of the US dollar compared to the Canadian dollar. This organic revenue growth was driven by net new business wins.

The operating profit of Strategic Marketing Services increased by $1.6 million to $24.1 million in 2012, from $22.5 million in 2011. Operating margins decreased to 3.3% in 2012 from 3.7% in 2011. The increase in operating profit is primarily related to the increase in revenue. This increase was offset by an increase in estimated deferred acquisition consideration adjustments of $24.3 million, increased depreciation and amortization of $4.9 million due to acquisitions, and an increase in stock based compensation of $4.0 million. The decrease in operating margin was primarily related to an increase in office and general expenses as a percentage of revenue from 22.7% in 2011 to 26.3% in 2012 due to the increased estimated deferred acquisition consideration adjustments of 6.6% in 2012 compared to 3.9% in 2011. In addition, total staff costs as a percentage of revenue increased from 56.2% in 2011 to 59.8% in 2012. Depreciation and amortization increased as a percentage of revenue from 3.7% during 2011 to 3.8% during 2012. Offsetting this decrease in margins was a decrease in direct costs (excluding staff costs) as a percentage of revenues from 20.1% of revenue in 2011, to 13.2% of revenue in 2012.

Performance Marketing Services

Performance Marketing Services generated revenues of $343.9 million for 2012, an increase of $17.6 million, or 5.4%, compared to revenues of $326.3 million in 2011. The year-over-year increase was attributable primarily to acquisition growth of $15.6 million, organic revenue growth of $2.0 million, and a foreign translation decrease of $0.9 million. This organic revenue growth was driven by net new business wins.

The operating profit of Performance Marketing Services decreased by $24.0 million to $0.2 million in 2012, from an operating profit of $24.2 million in 2011. Operating margins decreased from 7.4% in 2011 compared to an operating margin of 0.1% in 2012. The decrease in operating profit was primarily due to an increase in estimated deferred acquisition consideration adjustments of $15.9 million and increased stock based compensation of $4.5 million. This decrease was offset in part by increased revenue. The decrease in operating margin in 2012 was due primarily to an increase in total staff costs as a percentage of revenue from 53.5% in 2011 to 58.3% in 2012. Office and general expenses as a percentage of revenue increased from 13.5% in 2011 to 20.9% in 2012 due to an increase in estimated deferred acquisition consideration adjustments as a percentage of revenue of 1.6% in 2012 from a positive net adjustment of 3.2% in 2011, and an increase in stock based compensation expense of $4.5 million. Offsetting these increases was a decrease in direct costs (excluding staff costs) as a percentage of revenue from 27.9% in 2011 to 24.2% in 2012.

Corporate

Operating costs related to the Company s Corporate operations increased by $3.9 million to $40.2 million in 2012, compared to $36.3 million in 2011. This increase was primarily related to increased compensation and related costs of $3.6 million. Additional depreciation and amortization and advertising and promotion costs were offset by decreases in, occupancy, travel and entertainment, professional fees, and other administrative costs.

Other Expense, Net

Other expense, net, remained consistent at income of $0.1 million.

Foreign Exchange

The foreign exchange loss was $1.0 million for 2012, compared to a loss of $1.7 million recorded in 2011. This unrealized loss was due primarily to the fluctuation in the US dollar during 2012 and 2011 compared to the Canadian dollar relating to the Company s US dollar denominated intercompany balances with its Canadian subsidiaries.

Interest Expense and Finance Charges, Net

Interest expense and finance charges, net for 2012 was $46.2 million, an increase of $4.6 million over the $41.6 million of interest expense and finance charges, net incurred during 2011. Interest expense and finance charges increased $4.6 million in 2012 due to the additional borrowings under the Company s WF Credit Agreement throughout 2012 and an additional $80 million 11% notes issued in December 2012. Interest income in 2012 was consistent at $0.2 million.

30

TABLE OF CONTENTS

Income Tax Expense

Income tax expense in 2012 was $9.6 million compared to $41.7 million for 2011. The Company s effective tax rate was substantially higher than the statutory rate in 2012 and 2011 due to non-deductible stock-based compensation and an increase in the Company s valuation allowance, offset in part by noncontrolling interest charges.

The Company s US operating units are generally structured as limited liability companies, which are treated as partnerships for tax purposes. The Company is only taxed on its share of profits, while noncontrolling holders are responsible for taxes on their share of the profits.

Equity in Affiliates

Equity in affiliates represents the income attributable to equity-accounted affiliate operations. In 2012, the Company recorded income of $0.6 million compared to income of $0.2 million in 2011.

Noncontrolling Interests

Noncontrolling interest expense was $6.8 million for 2012, a decrease of $1.6 million from the $8.4 million of noncontrolling interest expense incurred during 2011. The decrease relates to step-up transactions of entities the Company does not own 100%, both the Strategic Marketing Services and Performance Marketing Service segments.

Discontinued Operations

The loss net of taxes from discontinued operations for 2012 was $6.7 million and $2.1 million in 2011.

Net Loss Attributable to MDC Partners Inc.

As a result of the foregoing, the net loss attributable to MDC Partners Inc. for 2012 was $85.4 million or loss of $1.85 per diluted share, compared to a net loss of $84.7 million or $1.94 per diluted share reported for 2011.

Liquidity and Capital Resources

The following table provides information about the Company s liquidity position:

Liquidity	2013	2012	2011
	(In Thousands, Except for Long-Term Debt to Shareholders Equity Ratio)		
Cash and cash equivalents	$ 102,007	$ 60,330	$ 8,096
Working capital (deficit)	$ (189,815)	$ (226,682)	$ (127,888)
Cash from operating activities	$ 59,299	$ 76,304	$ 4,548
Cash from (used in) investing activities	$ (30,124)	$ 7,811	$ (30,436)
Cash from (used in) financing activities	$ 10,492	$ (31,858)	$ 23,299
Ratio of long-term debt to shareholders deficit	(2.40)	(5.09)	(29.76)

As of December 31, 2013, 2012 and 2011, $0.7 million, $2.5 million and $0.9 million, respectively, of the Company s consolidated cash position was held by subsidiaries. Although this amount is available for the subsidiaries use, it does not represent cash that is distributable as earnings to MDC for use to reduce its indebtedness. It is the Company s intent through its cash management system to reduce outstanding borrowings under the WF Credit Agreement by using available cash.

Working Capital

At December 31, 2013, the Company had a working capital deficit of $189.8 million, compared to a deficit of $226.7 million at December 31, 2012. Working capital deficit decreased by $36.9 million primarily related to a $51.3 million decrease in short term deferred acquisition consideration. The decrease was primarily due to timing in the amounts collected from clients, and when paid to suppliers, primarily media outlets. At December 31, 2013 and 2012, the Company had no borrowings under its Credit Agreement. The Company includes amounts due to noncontrolling interest holders, for their share of profits, in accrued and

TABLE OF CONTENTS

other liabilities. During 2013, 2012 and 2011, the Company made distributions to these noncontrolling interest holders of $5.5 million, $7.7 million and $12.3 million, respectively. At December 31, 2013, $5.2 million remains outstanding to be distributed to noncontrolling interest holders over the next twelve months.

The Company expects that available borrowings under its Credit Agreement, together with cash flows from operations and other initiatives, will be sufficient over the next twelve months to adequately fund working capital deficits should there be a need to do so from time to time, as well as all of the Company s obligations including put options and capital expenditures.

Operating Activities

Cash flows provided by continuing operations for 2013 was $62.1 million. This was attributable primarily to a loss on the redemption of notes of $50.4 million, plus non-cash stock based compensation of $22.5 million, depreciation and amortization of $47.4 million, and adjustments to deferred acquisition consideration of $36.1 million, an increase in accounts payable, accruals and other current liabilities of $29.2 million, a decrease in accounts receivable of $17.6 million, an increase in advanced billings of $17.6 million and foreign exchange of $3.1 million. This was partially offset by a loss from continuing operations of $131.0 million, other non-current assets and liabilities of $9.8 million, an increase in prepaid expenses and other current assets of $7.8 million, deferred income tax of $5.4 million, an increase in expenditures billable to clients of $4.4 million, and distributions in excess of carrying value of $3.1 million. Discontinued operations used cash of $2.8 million.

Cash flows provided by continuing operations for 2012 was $80.9 million. This was attributable primarily to a loss from continuing operations of $71.9 million, plus non-cash stock based compensation of $32.2 million, depreciation and amortization of $48.0 million, and adjustments to deferred acquisition consideration of $53.3 million, an increase in accounts payable accruals and other current liabilities of $66.1 million, deferred income taxes of $8.4 million, an increase in advanced billings of $1.7 million and foreign exchange of $0.9 million. This was partially offset by an increase in accounts receivable of $29.9 million, an increase in expenditures billable to clients of $17.2 million, other non-current assets and liabilities of $7.9 million, an increase in prepaid expenses and other current assets of $2.2 million and earnings of non-consolidated affiliates of $0.6 million. Discontinued operations used cash of $4.6 million.

Cash flows provided by continuing operations for 2011 was $5.3 million. This was attributable primarily to a loss from continuing operations of $74.2 million, plus non-cash stock based compensation of $23.7 million, depreciation and amortization of $41.8 million, a decrease in expenditures billable to clients of $15.3 million, deferred income taxes of $40.3 million, and adjustments to deferred acquisition consideration of $13.5 million. This was partially offset by a decrease in advance billings of $32.5 million, increases in accounts receivable of $10.9 million, other non-current assets and liabilities of $2.0 million, a decrease in accounts payable, accruals and other liabilities of $9.6 million, and an increase in prepaid expenses and other current assets of $0.7 million. Discontinued operations used cash of $0.7 million.

Investing Activities

Cash flows used by investing activities were $30.1 million for 2013, compared with cash flows provided by investing activities of $7.8 million for 2012, and cash flows used by investing activities of $30.4 million in 2011.

In the year ended December 31, 2013, capital expenditures totaled $19.5 million, of which $12.2 million was incurred by the Strategic Marketing Services segment, $5.2 million was incurred by the Performance Marketing Services segment, and $2.1 million was incurred by corporate. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements.

In the year ended December 31, 2013, the Company paid $11.9 million, net of cash acquired for acquisitions and $2.7 million for other investments. These outflows were offset by $3.8 million of profit distributions from affiliates, and $0.2 million of proceeds from the sale of assets.

Cash provided by acquisitions during 2012 was $30.9 million, $26.6 million related to acquisition payments, offset by $57.5 million of cash acquired. The Company also used cash of $2.2 million for other investments.

Expenditures for capital assets in 2012 were equal to $20.3 million. Of this amount, $11.5 million was incurred by the Strategic Marketing Services segment, $8.4 million was incurred by the Performance Marketing Services segment. These expenditures consisted primarily of computer equipment, leasehold improvements, furniture and fixtures, and $0.4 million related to the purchase of Corporate assets. These outflows were offset by $1.3 million in profit distributions.

Cash used in acquisitions during 2011 was $6.8 million, $42.5 million related to acquisition payments, reduced by $35.8 million of media cash acquired, and $0.1 million related to deferred payments for acquisitions that closed prior to January 1, 2009. The Company used cash of $4.2 million for other investments.

Expenditures for capital assets in 2011 were equal to $23.3 million. Of this amount, $11.7 million was incurred by the Strategic Marketing Services segment, $4.7 million was incurred by the Performance Marketing Services segment. These expenditures consisted primarily of computer equipment, leasehold improvements, furniture and fixtures, and $6.9 million related to the purchase of Corporate assets. These outflows were offset by $4.6 million in profit distributions.

In 2013, discontinued operations used minimal cash relating to expenditures for capital assets. In 2012 and 2011, discontinued operations used cash of $2.1 million and $0.7 million relating to investing activities.

Financing Activities

During the year ended December 31, 2013, cash flows used in financing activities amounted to $10.5 million, and consisted of $119.6 million of acquisition related payments, the purchase of treasury shares for income tax withholding requirements of $13.8 million, distributions to noncontrolling partners of $5.5 million, payment of dividends of $22.0 million and repayments of long term debt of $2.0 million, offset by proceeds from the issuance of the 6.75% Notes of $664.1 million, which in turn was offset by the repayment of the 11% Notes of $425.0 million, and premium paid on redemption of notes of $50.4 million, deferred financing costs of $20.8 million, and bank overdrafts of $4.9 million.

During the year ended December 31, 2012, cash flows used in financing activities amounted to $31.9 million and primarily consisted of $84.8 million of proceeds from the additional 11% Notes issuance, and bank overdrafts of $26.0 million. These proceeds were offset by acquisition related payments of $68.7 million, repayments of the revolving credit facility of $38.0 million, dividends paid of $22.0 million, distributions to noncontrolling shareholders of $7.7 million, purchase of shares of $3.3 million, deferred financing costs of $2.2 million and repayment of long-term debt of $0.7 million

During the year ended December 31, 2011, cash flows provided by financing activities amounted to $23.3 million and primarily consisted of $61.1 million of proceeds from the additional 11% Notes issuance, proceeds from the WF Credit Agreement of $38.0 million and proceeds for the exercise of stock options of $1.1 million. These proceeds were offset by repayments from bank overdrafts of $5.7 million, by $3.1 million of deferred financing costs relating to the senior notes and revolving WF Credit Agreement. The proceeds of the 11% Notes issuance were partially offset by dividends paid of $16.4 million, distributions to noncontrolling shareholders of $12.3 million, purchase of treasury shares of $4.1 million and repayment of long-term debt of $1.1 million. In addition, the Company made acquisition related payments of $34.3 million of which $31.2 million related to earnout and deferred acquisition payments and $3.1 million related to acquisition of additional equity interests pursuant to put/call option exercises.

Total Debt

6.75% Senior Notes Due 2020

On March 20, 2013, MDC Partners Inc. (MDC) entered into an indenture (the Indenture) among MDC, its existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, MDC s senior secured revolving credit agreement (the Credit Agreement), as guarantors (the Guarantors) and The Bank of New York Mellon, as trustee, relating to the issuance by MDC of its 6.75% Senior Notes due 2020 (the 6.75% Notes). The 6.75% Notes bear interest at a rate of 6.75% per annum, accruing from March 20, 2013. Interest is payable semiannually in arrears in cash on April 1 and October 1 of each year, beginning on October 1, 2013. The 6.75% Notes will mature on April 1, 2020, unless

TABLE OF CONTENTS

earlier redeemed or repurchased. The Company received net proceeds from the offering of the 6.75% Notes equal to approximately $537.6 million. The Company used the net proceeds to redeem all of the existing 11% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge during the nine months ended September 30, 2013, for loss on redemption of notes of $55.6 million, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes.

On November 15, 2013, the Company issued an additional $110 million aggregate principal amount of its 6.75% Notes. The additional notes were issued under the Indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $111.9 million, which included an original issue premium of $4.1 million, and underwriter fees of $2.2 million. The Company used the net proceeds of the offering for general corporate purposes.

The 6.75% Notes are guaranteed on a senior unsecured basis by all of MDC s existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, the Credit Agreement. The 6.75% Notes are unsecured and unsubordinated obligations of MDC and rank (i) equally in right of payment with all of MDC s or any Guarantor s existing and future senior indebtedness, (ii) senior in right of payment to MDC s or any Guarantor s existing and future subordinated indebtedness, (iii) effectively subordinated to all of MDC s or any Guarantor s existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including the Credit Agreement, and (iv) structurally subordinated to all existing and future liabilities of MDC s subsidiaries that are not Guarantors.

MDC may, at its option, redeem the 6.75% Notes in whole at any time or in part from time to time, on and after April 1, 2016 at a redemption price of 103.375% of the principal amount thereof if redeemed during the twelve-month period beginning on April 1, 2016, at a redemption price of 101.688% of the principal amount thereof if redeemed during the twelve-month period beginning on April 1, 2017 and at a redemption price of 100% of the principal amount thereof if redeemed on April 1, 2018 and thereafter.

Prior to April 1, 2016, MDC may, at its option, redeem some or all of the 6.75% Notes at a price equal to 100% of the principal amount of the 6.75% Notes plus a make whole premium and accrued and unpaid interest. MDC may also redeem, at its option, prior to April 1, 2016, up to 35% of the 6.75% Notes with the proceeds from one or more equity offerings at a redemption price of 106.750% of the principal amount thereof.

If MDC experiences certain kinds of changes of control (as defined in the Indenture), holders of the 6.75% Notes may require MDC to repurchase any 6.75% Notes held by them at a price equal to 101% of the principal amount of the 6.75% Notes plus accrued and unpaid interest. In addition, if MDC sells assets under certain circumstances, it must offer to repurchase the 6.75% Notes at a price equal to 100% of the principal amount of the 6.75% Notes plus accrued and unpaid interest.

The Indenture includes covenants that, among other things, restrict MDC s ability and the ability of its restricted subsidiaries (as defined in the Indenture) to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; create restrictions on the payment of dividends or other amounts from MDC s restricted subsidiaries; sell assets; enter into transactions with affiliates; create liens; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC s assets to, another person. These covenants are subject to a number of important limitations and exceptions. The 6.75% Notes are also subject to customary events of default, including cross-payment default and cross-acceleration provisions.

Redemption of 11% Senior Notes Due 2016

On March 20, 2013, the Company redeemed all of the 11% Senior Notes due 2016.

Revolving Credit Agreement

On March 20, 2013, MDC, Maxxcom Inc. (a subsidiary of MDC) and each of their subsidiaries party thereto entered into an amended and restated, $225 million senior secured revolving credit agreement due 2018 (the Credit Agreement) with Wells Fargo Capital Finance, LLC, as agent, and the lenders from time

34

TABLE OF CONTENTS

to time party thereto. Advances under the Credit Agreement will be used for working capital and general corporate purposes, in each case pursuant to the terms of the Credit Agreement. Capitalized terms used in this section and not otherwise defined have the meanings set forth in the Credit Agreement.

Advances under the Credit Agreement bear interest as follows: (a)(i) LIBOR Rate Loans bear interest at the LIBOR Rate and (ii) Base Rate Loans bear interest at the Base Rate, plus (b) an applicable margin. The initial applicable margin for borrowing is 1.25% in the case of Base Rate Loans and 2.00% in the case of LIBOR Rate Loans. In addition to paying interest on outstanding principal under the Credit Agreement, MDC is required to pay an unused revolver fee to lenders under the Credit Agreement in respect of unused commitments thereunder.

The Credit Agreement is guaranteed by substantially all of MDC s present and future subsidiaries, other than immaterial subsidiaries and subject to customary exceptions. The Credit Agreement includes covenants that, among other things, restrict MDC s ability and the ability of its subsidiaries to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; impose limitations on dividends or other amounts from MDC s subsidiaries; incur certain liens, sell or otherwise dispose of certain assets; enter into transactions with affiliates; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC s assets to, another person. These covenants are subject to a number of important limitations and exceptions. The Credit Agreement also contains financial covenants, including a total leverage ratio, a senior leverage ratio, a fixed charge coverage ratio and a minimum earnings level (each as more fully described in the Credit Agreement). The Credit Agreement is also subject to customary events of default.

The foregoing descriptions of the Indenture and the Credit Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the agreements.

Debt excluding the premium on the notes as December 31, 2013 was $661.1 million, an increase of $229.4 million, compared with $431.7 million outstanding at December 31, 2012. This increase in debt was a result of the Company s issuance of its 6.75% Notes offset by the repayment of its 11% Notes. At December 31, 2013, approximately $220.1 million was available under the Credit Agreement.

The Company is currently in compliance with all of the terms and conditions of the Credit Agreement, and management believes, based on its current financial projections, that the Company will be in compliance with its covenants over the next twelve months.

If the Company loses all or a substantial portion of its lines of credit under the Credit Agreement, or if the Company uses the maximum available amount under the Credit Agreement, it will be required to seek other sources of liquidity. If the Company were unable to find these sources of liquidity, for example through an equity offering or access to the capital markets, the Company s ability to fund its working capital needs and any contingent obligations with respect to put options would be adversely affected.

Pursuant to the Credit Agreement, the Company must comply with certain financial covenants including, among other things, covenants for (i) senior leverage ratio, (ii) total leverage ratio, (iii) fixed charges ratio, and (iv) minimum earnings before interest, taxes and depreciation and amortization, in each case as such term is specifically defined in the Credit Agreement. For the period ended December 31, 2013, the Company s calculation of each of these covenants, and the specific requirements under the Credit Agreement, respectively, were as follows:

	December 31, 2013

Total Senior Leverage Ratio	(0.47)
Maximum per covenant	2.00
Total Leverage Ratio	3.41
Maximum per covenant	5.50
Fixed Charges Ratio	3.11
Minimum per covenant	1.00
Earnings before interest, taxes, depreciation and amortization	$ 170.3 million
Minimum per covenant	$ 105 million

35

TABLE OF CONTENTS

These ratios are not based on generally accepted accounting principles and are not presented as alternative measures of operating performance or liquidity. They are presented here to demonstrate compliance with the covenants in the Company s Credit Agreement, as non-compliance with such covenants could have a material adverse effect on the Company.

Disclosure of Contractual Obligations and Other Commercial Commitments

The following table provides a payment schedule of present and future obligations. Management anticipates that the obligations outstanding at December 31, 2013 will be repaid with new financing, equity offerings and/or cash flow from operations (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1 3 Years	3 5 Years	After 5 Years
Indebtedness	$ 660,120	$ 40	$ 80	$	$ 660,000
Capital lease obligations	952	427	525		
Operating leases	265,578	41,166	76,340	61,376	86,696
Interest on debt	278,438	44,550	89,100	89,100	55,688
Deferred acquisition consideration	153,913	53,041	78,624	22,248	
Other Long-term Liabilities	18,947	6,026	5,528	5,173	2,220
Total contractual obligations(1)	$ 1,377,948	$ 145,250	$ 250,197	$ 177,897	$ 804,604

(1) Pension obligations are not included since payments are not known.

The following table provides a summary of other commercial commitments (in thousands) at December 31, 2013:

	Payments Due by Period				
Other Commercial Commitments	Total	Less than 1 Year	1 3 Years	3 5 Years	After 5 Years
Lines of credit	$	$	$	$	$
Letters of credit	$ 4,884	4,884			
Total Other Commercial Commitments	$ 4,884	$ 4,884	$	$	$

For further detail on MDC s long-term debt principal and interest payments, see Note 11 Bank Debt and Long-Term Debt and Convertible Notes and Note 17 Commitments, Contingents and Guarantees of the Company s consolidated financial statements included in this Form 10-K. See also *Deferred Acquisition and Contingent Consideration (Earnouts)* and *Other-Balance Sheet Commitments* below.

Capital Resources

At December 31, 2013, the Company had only utilized the Credit Agreement in the form of undrawn letters of credit of $4.9 million. Cash and undrawn available bank credit facilities to support the Company s future cash requirements at December 31, 2012 was approximately $322.1 million.

The Company expects to incur approximately $25 million of capital expenditures in 2014. Such capital expenditures are expected to include leasehold improvements, furniture and fixtures, and computer equipment at certain of the Company s operating subsidiaries. The Company intends to maintain and expand its business using cash from operating activities, together with funds available under the Credit Agreement. Management believes that the Company s cash flow from operations, funds available under the Credit Agreement and other initiatives will be sufficient to meet its ongoing working capital, capital expenditures and other cash needs over the next twelve months. If the Company continues to spend capital on future acquisitions, management expects that the Company may need to obtain additional financing in the form of debt and/or equity financing.

36

TABLE OF CONTENTS

Deferred Acquisition and Contingent Consideration (Earnouts)

Acquisitions of businesses by the Company may include commitments to contingent deferred purchase consideration payable to the seller. These contingent purchase obligations are generally payable within a one to five-year period following the acquisition date, and are based on achievement of certain thresholds of future earnings and, in certain cases, also based on the rate of growth of those earnings.

Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period and changes in estimated value are recorded in results of operations. At December 31, 2013, there was $153.9 million of deferred consideration included in the Company s balance sheet.

Other-Balance Sheet Commitments

Media and Production

The Company s agencies enter into contractual commitments with media providers and agreements with production companies on behalf of our clients at levels that exceed the revenue from services. Some of our agencies purchase media for clients and act as an agent for a disclosed principal. These commitments are included in accounts payable when the media services are delivered by the media providers. MDC takes precautions against default on payment for these services and has historically had a very low incidence of default. MDC is still exposed to the risk of significant uncollectible receivables from our clients. The risk of a material loss could significantly increase in periods of severe economic downturn.

Put Rights of Subsidiaries Noncontrolling Shareholders

Owners of interests in certain of the Company s subsidiaries have the right in certain circumstances to require the Company to acquire either a portion of or all of the remaining ownership interests held by them. The owners ability to exercise any such put option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during the period 2014 to 2019. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

The amount payable by the Company in the event such put option rights are exercised is dependent on various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through that date of exercise, the growth rate of the earnings of the relevant subsidiary during that period, and, in some cases, the currency exchange rate at the date of payment.

Management estimates, assuming that the subsidiaries owned by the Company at December 31, 2013, perform over the relevant future periods at their 2013 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately $17.8 million to the owners of such rights to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately $1.3 million by the issuance of the Company s Class A subordinate voting shares. In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $130.7 million only upon termination of such owner s employment with the applicable subsidiary or death. The Company intends to finance the cash portion of these contingent payment obligations using available cash from operations, borrowings under the WF Credit Agreement (and refinancings thereof) and, if necessary, through incurrence of additional debt. The ultimate amount payable and the incremental operating income in the future relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when these rights are exercised. Approximately $3.1 million of the estimated $17.8 million that the Company would be required to pay subsidiaries noncontrolling shareholders upon the exercise of outstanding put rights, relates to rights exercisable within the next twelve months. Upon the settlement of the total amount of such put options, the Company estimates that it would receive incremental operating income before depreciation and amortization of $4.7 million that would be attributable to MDC Partners Inc.

37

TABLE OF CONTENTS

The following table summarizes the potential timing of the consideration and incremental operating income before depreciation and amortization based on assumptions as described above.

Consideration[4]	2014	2015	2016	2017	2018 & Thereafter	Total
	($ Millions)					
Cash	$2.7	$ 4.2	$ 3.7	$ 3.9	$ 2.0	$16.5
Shares	0.4	0.4	0.5	0.0	0.0	1.3
	$3.1	$ 4.6	$ 4.2	$ 3.9	$ 2.0	$17.8[1]
Operating income before depreciation and amortization to be received[2]	$1.8	$ 1.9	$ 0.1	$ 0.9	$ 0.0	$4.7
Cumulative operating income before depreciation and amortization[3]	$1.8	$ 3.7	$ 3.8	$ 4.7	4.7	

(1) This amount is in addition to put options only exercisable upon termination or death of $130.7 million have been recognized in Redeemable Noncontrolling Interests on the Company balance sheet.

(2) This financial measure is presented because it is the basis of the calculation used in the underlying agreements relating to the put rights and is based on actual 2013 operating results. This amount represents additional amounts to be attributable to MDC Partners Inc., commencing in the year the put is exercised.

(3) Cumulative operating income before depreciation and amortization represents the cumulative amounts to be received by the company.

(4) The timing of consideration to be paid varies by contract and does not necessarily correspond to the date of the exercise of the put.

Guarantees

Generally, the Company has indemnified the purchasers of certain assets in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for several years. Historically, the Company has not made any significant indemnification payments under such agreements and no provision has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

Transactions With Related Parties

CEO Services Agreement

On April 25, 2007, the Company entered into a new Management Services Agreement (as amended and restated on May 6, 2013, the Services Agreement) with Miles Nadal and with Nadal Management, Inc. to set forth the terms and conditions on which Miles Nadal will continue to provide services to the Company as its Chief Executive Officer. The Services Agreement is subject to automatic one-year extensions unless either party gives to the other a 60-day advance written notice of its intention not to renew. Effective January 1, 2013, the annual retainer amount (base salary) under the Services Agreement was increased to $1,750,000, and effective January 1, 2014, the annual retainer amount was increased to $1,850,000.

During 2011, 2012 and 2013 and in accordance with this Services Agreement, Mr. Nadal repaid an amount equal to $0.1 million, $0.5 million and $5.4 million of loans due to the Company. As of April 26, 2013, Mr. Nadal has repaid and satisfied in full the remaining principal balance of all previously outstanding loans made by the Company to Mr. Nadal and his affiliates. After giving effect to this final repayment by Mr. Nadal to the Company, there is currently $0 remaining due and owing to the Company in respect of all prior loans. For further information, see Note 16 Related Party Transactions.

TABLE OF CONTENTS

Trapeze Media

In 2000, the Company purchased 1,600,000 shares in Trapeze Media Limited (Trapeze) for $0.2 million. At the same time, the Company s CEO purchased 4,280,000 shares of Trapeze for $0.6 million, the Company s former Chief Financial Officer and a Managing Director of the Company each purchased 50,000 Trapeze shares for $7,000 and a Board Member of the Company purchased 75,000 shares of Trapeze for $10,000. In 2001, the Company purchased an additional 1,250,000 shares for $0.2 million, and the Company s CEO purchased 500,000 shares for $0.1 million. In 2002, the Company s CEO purchased 3,691,930 shares of Trapeze for $0.5 million. All of these purchases were made at identical prices (C$0.20/unit). In 2003, the Company and the CEO exchanged their units in Trapeze for non-voting shares and entered into a voting trust agreement.

During 2013 and 2011, an MDC Partner firm provided services to Trapeze in exchange for fees equal to $0.2 million and $0.4 million, respectively. Trapeze did not provide any services to MDC nor its partner firms in the three years ended December 31, 2013.

The Company s Board of Directors, through its Audit Committee, has reviewed and approved these transactions.

Critical Accounting Policies

The following summary of accounting policies has been prepared to assist in better understanding the Company s consolidated financial statements and the related management discussion and analysis. Readers are encouraged to consider this information together with the Company s consolidated financial statements and the related notes to the consolidated financial statements as included herein for a more complete understanding of accounting policies discussed below.

Estimates. The preparation of the Company s financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP , requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities including goodwill, intangible assets, redeemable noncontrolling interests, and deferred acquisition consideration, valuation allowances for receivables and deferred income tax assets and stock based compensation as well as the reported amounts of revenue and expenses during the reporting period. The statements are evaluated on an ongoing basis and estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Actual results can differ from those estimates, and it is possible that the differences could be material.

Revenue Recognition. The Company s revenue recognition policies are as required by the Revenue Recognition topics of the FASB Accounting Standards Codification. The Company earns revenue from agency arrangements in the form of retainer fees or commissions; from short-term project arrangements in the form of fixed fees or per diem fees for services; and from incentives or bonuses. A small portion of the Company s contractual arrangements with clients includes performance incentive provisions, which allow the Company to earn additional revenues as a result of its performance relative to both quantitative and qualitative goals. The Company records revenue net of state taxes, when persuasive evidence of an arrangement exists, services are provided or upon delivery of the products when ownership and risk of loss has transferred to the customer, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured.

The Company recognizes the incentive portion of revenue under these arrangements when specific quantitative goals are assured, or when the Company s clients determine performance against qualitative goals has been achieved. In all circumstances, revenue is only recognized when collection is reasonably assured. The Company records revenue net of sales and other taxes due to be collected and remitted to governmental authorities. In the majority of the Company s businesses, the Company acts as an agent and records revenue equal to the net amount retained, when the fee or commission is earned. In certain arrangements, the Company acts as principal and contracts directly with suppliers for third party media and production costs. In these arrangements, revenue is recorded at the gross amount billed. Additional information about our revenue recognition policy appears in Note 2 to our consolidated financial statements.

Acquisitions, Goodwill and Other Intangibles. A fair value approach is used in testing goodwill for impairment to determine if an other than temporary impairment has occurred. One approach utilized to

39

TABLE OF CONTENTS

determine fair values is a discounted cash flow methodology. When available and as appropriate, comparative market multiples are used. Numerous estimates and assumptions necessarily have to be made when completing a discounted cash flow valuation, including estimates and assumptions regarding interest rates, appropriate discount rates and capital structure. Additionally, estimates must be made regarding revenue growth, operating margins, tax rates, working capital requirements and capital expenditures. Estimates and assumptions also need to be made when determining the appropriate comparative market multiples to be used. Actual results of operations, cash flows and other factors used in a discounted cash flow valuation will likely differ from the estimates used and it is possible that differences and changes could be material. As of December 31, 2013, there were no reporting units at risk of failing step one of the Company s annual goodwill impairment test.

The Company has historically made and expects to continue to make selective acquisitions of marketing communications businesses. In making acquisitions, the price paid is determined by various factors, including service offerings, competitive position, reputation and geographic coverage, as well as prior experience and judgment. Due to the nature of advertising, marketing and corporate communications services companies; the companies acquired frequently have significant identifiable intangible assets, which primarily consist of customer relationships. The Company has determined that certain intangibles (trademarks) have an indefinite life, as there are no legal, regulatory, contractual, or economic factors that limit the useful life.

Business Combinations. Valuation of acquired companies are based on a number of factors, including specialized know-how, reputation, competitive position and service offerings. Our acquisition strategy has been to focus on acquiring the expertise of an assembled workforce in order to continue building upon the core capabilities of our various strategic business platforms to better serve our clients. Consistent with our acquisition strategy and past practice of acquiring a majority ownership position, most acquisitions completed after 2010 include an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent payments for these transactions, as well as certain acquisitions completed in prior years, are derived using the performance of the acquired entity and are based on pre-determined formulas. Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period. Changes in estimated value are recorded in results of operations. In addition, certain acquisitions also include put/call obligations for additional equity ownership interests. The estimated value of these interests are recorded as redeemable noncontrolling interests. As of January 1, 2009, the Company expenses acquisition related costs in accordance with the Accounting Standard s Codification s guidance on acquisition accounting.

For each of our acquisitions, we undertake a detailed review to identify other intangible assets and a valuation is performed for all such identified assets. We use several market participant measurements to determine estimated value. This approach includes consideration of similar and recent transactions, as well as utilizing discounted expected cash flow methodologies. Like most service businesses, a substantial portion of the intangible asset value that we acquire is the specialized know-how of the workforce, which is treated as part of goodwill and is not required to be valued separately. The majority of the value of the identifiable intangible assets that we acquire is derived from customer relationships, including the related customer contracts, as well as trade names. In executing our acquisition strategy, one of the primary drivers in identifying and executing a specific transaction is the existence of, or the ability to, expand our existing client relationships. The expected benefits of our acquisitions are typically shared across multiple agencies and regions.

Redeemable Noncontrolling Interest. The minority interest shareholders of certain subsidiaries have the right to require the Company to acquire their ownership interest under certain circumstances pursuant to a contractual arrangement and the Company has similar call options under the same contractual terms. The amount of consideration under the put and call rights is not a fixed amount, but rather is dependent upon various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise, the growth rate of the earnings of the relevant subsidiary through the date of exercise, etc.

TABLE OF CONTENTS

Allowance for Doubtful Accounts. Trade receivables are stated less allowance for doubtful accounts. The allowance represents estimated uncollectible receivables usually due to customers potential insolvency. The allowance includes amounts for certain customers where risk of default has been specifically identified.

Income Tax Valuation Allowance. The Company records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers factors such as the reversal of deferred income tax liabilities, projected future taxable income, the character of the income tax asset, tax planning strategies, changes in tax laws and other factors. A change to any of these factors could impact the estimated valuation allowance and income tax expense.

Interest Expense. Interest expense primarily consists of the cost of borrowing on the revolving WF Credit Agreement and the 6.75% Notes. The Company uses the effective interest method to amortize the original issue discount and original issue premium on the 6.75% Notes. The Company amortizes deferred financing costs using the effective interest method over the life of the 6.75% Notes and straight line over the life of the revolving WF Credit Agreement.

Stock-based Compensation. The fair value method is applied to all awards granted, modified or settled. Under the fair value method, compensation cost is measured at fair value at the date of grant and is expensed over the service period that is the award s vesting period. When awards are exercised, share capital is credited by the sum of the consideration paid together with the related portion previously credited to additional paid-in capital when compensation costs were charged against income or acquisition consideration. Stock-based awards that are settled in cash or may be settled in cash at the option of employees are recorded as liabilities. The measurement of the liability and compensation cost for these awards is based on the fair value of the award, and is recorded into operating income over the service period, that is the vesting period of the award. Changes in the Company s payment obligation are revalued each period and recorded as compensation cost over the service period in operating income.

The Company treats benefits paid by shareholders to employees as a stock based compensation charge with a corresponding credit to additional paid-in capital.

New Accounting Pronouncements

Information regarding new accounting guidance can be found in Note 18 to our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk related to interest rates, and foreign currencies and impairment risk.

Debt Instruments: At December 31, 2013, the Company s debt obligations consisted of the 6.75% Notes. This facility bears interest at variable rates based upon the Eurodollar rate, US bank prime rate and, US base rate, at the Company s option. The 6.75% Notes bear interest at a fixed rate. The Company s ability to obtain the required bank syndication commitments depends in part on conditions in the bank market at the time of syndication. As of December 31, 2013, the Company had no borrowings on the revolving Credit Agreement. Given that there were no borrowings at December 31, 2013, a 1% increase in the weighted average interest rate, which was 4.5% at December 31, 2013, would have no interest impact.

Foreign Exchange: The Company conducts business in six currencies, the US dollar, the Canadian dollar, the Euro, Jamaican dollar, the British Pound, the Swedish Krona, and the Chinese Renminbi. Our results of operations are subject to risk from the translation to the US dollar of the revenue and expenses of our non-US operations. The effects of currency exchange rate fluctuations on the translation of our results of operations are discussed in the Management s Discussion and Analysis of Financial Condition and Result of Operations and in Note 2 of our consolidated financial statements. For the most part, our revenues and expenses incurred related to our non-US operations are denominated in their functional currency. This minimizes the impact that fluctuations in exchange rates will have on profit margins. Intercompany debt which is not intended to be repaid is included in cumulative translation adjustments. Translation of intercompany debt, which is not intended to be repaid, is included in cumulative translation adjustments. Translation of

41

TABLE OF CONTENTS

current intercompany balances are included in net earnings. The Company generally does not enter into foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The Company is exposed to foreign currency fluctuations relating to its intercompany balances between the US and Canada. For every one cent change in the foreign exchange rate between the US and Canada, the impact to the Company s financial statements would be approximately $1.7 million.

Impairment Risk: At December 31, 2013, the Company had goodwill of $744.3 million and other intangible assets of $56.3 million. The Company will assess the net realizable value of the goodwill and other intangible assets on a regular basis, but at least annually, to determine if the Company incurs any declines in the value of our capital investment. While the Company did not experience impairment during the year ended December 31, 2013, the Company may incur impairment charges in future periods.

TABLE OF CONTENTS

Item 8. Financial Statements and Supplementary Data

MDC PARTNERS INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
MDC Partners Inc.
New York, New York
Toronto, Canada

We have audited the accompanying consolidated balance sheets of MDC Partners Inc. as of December 31, 2013 and 2012 and the related consolidated statements of operations, comprehensive loss, shareholders equity (deficit), and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MDC Partners Inc. at December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MDC Partners Inc. internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992 and our report dated March 10, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
March 10, 2014

TABLE OF CONTENTS

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Thousands of United States Dollars, Except Share and per Share Amounts)

	Years Ended December 31,		
	2013	2012	2011
Revenue:			
Services	$1,148,881	$1,063,265	$934,288
Operating Expenses:			
Cost of services sold	754,494	733,800	666,718
Office and general expenses	386,779	299,599	217,428
Depreciation and amortization	39,600	45,792	39,661
	1,180,873	1,079,191	923,807
Operating Profit (loss)	(31,992)	(15,926)	10,481
Other Income (Expenses)			
Other income	2,531	117	116
Foreign exchange loss	(5,537)	(976)	(1,677)
Interest expense and finance charges	(45,234)	(46,571)	(41,922)
Loss on redemption of Notes	(55,588)		
Interest income	230	381	361
	(103,598)	(47,049)	(43,122)
Loss from continuing operations before income taxes and equity in affiliates	(135,590)	(62,975)	(32,641)
Income tax expense (recovery)	(4,291)	9,553	41,735
Loss from continuing operations before equity in affiliates	(131,299)	(72,528)	(74,376)
Equity in earnings of non-consolidated affiliates	281	633	213
Loss from continuing operations	(131,018)	(71,895)	(74,163)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	(11,384)	(6,681)	(2,082)
Net loss	(142,402)	(78,576)	(76,245)
Net income attributable to the non-controlling interests	(6,461)	(6,863)	(8,429)
Net loss attributable to MDC Partners Inc.	$(148,863)	$(85,439)	$(84,674)
Loss Per Common Share:			
Basic and diluted			
Loss from continuing operations attributable to MDC Partners Inc. common shareholders	$(2.92)	$(1.71)	$(1.89)
Discontinued operations attributable to MDC Partners Inc. common shareholders	(0.24)	(0.14)	(0.05)
Net loss attributable to MDC Partners Inc. common shareholders	$(3.16)	$(1.85)	$(1.94)
Weighted Average Number of Common Shares			

Outstanding:			
Basic and diluted	47,108,406	46,090,159	43,680,560
Stock based compensation expense is included in the following line items above:			
Cost of services sold	$7,222	$4,762	$1,333
Office and general expenses	93,183	27,435	22,324
Total	$100,405	$32,197	$23,657

The accompanying notes to the consolidated financial statements are an integral part of these statements.

MDC PARTNERS INC. CONSOLIDATED STATEMENTS OF OPERATIONS (Thousands of United States Dollars, 88

TABLE OF CONTENTS

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Thousands of United States Dollars)

	Years Ended December 31,		
	2013	2012	2011
Comprehensive Loss			
Net loss	$ (142,402)	$ (78,576)	$ (76,245)
Other comprehensive income (loss), net of tax:			
Foreign currency cumulative translation adjustment	(299)	2,548	504
Benefit plan adjustment, net of income taxes of $1,112 for 2013	6,936	(5,329)	
Other comprehensive income (loss)	6,637	(2,781)	504
Comprehensive loss for the year	(135,765)	(81,357)	(75,741)
Comprehensive loss attributable to the noncontrolling interests	(6,450)	(6,467)	(8,435)
Comprehensive loss attributable to MDC Partners Inc.	$ (142,215)	$ (87,824)	$ (84,176)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

TABLE OF CONTENTS

MDC PARTNERS INC.
CONSOLIDATED BALANCE SHEETS
(Thousands of United States Dollars)

	December 31, 2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$102,007	$60,330
Accounts receivable, less allowance for doubtful accounts of $2,011 and $1,581	309,796	326,087
Expenditures billable to clients	63,246	58,842
Other current assets	25,458	16,892
Total Current Assets	500,507	462,151
Fixed assets, net	52,071	52,914
Investment in affiliates	275	
Goodwill	744,333	720,071
Other intangible assets, net	56,262	63,243
Deferred tax assets	21,131	9,332
Other assets	50,648	37,234
Total Assets	$1,425,227	$1,344,945
LIABILITIES AND SHAREHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable	$246,694	$234,324
Accrued and other liabilities	240,580	216,418
Advance billings, net	149,540	131,908
Current portion of long-term debt	467	1,858
Deferred acquisition consideration	53,041	104,325
Total Current Liabilities	690,322	688,833
Long-term debt	664,661	429,845
Long-term portion of deferred acquisition consideration	100,872	92,121
Other liabilities	34,430	47,985
Deferred tax liabilities	63,020	53,018
Total Liabilities	1,553,305	1,311,802
Redeemable Noncontrolling Interests	148,534	117,953
Commitments, Contingencies and Guarantees (Note 17)		
Shareholders Deficit:		
Preferred shares, unlimited authorized, none issued		
Class A Shares, no par value, unlimited authorized, 49,092,427 and 46,611,252 shares issued and outstanding in 2013 and 2012, respectively	262,655	253,869
Class B Shares, no par value, unlimited authorized, 3,755 issued and outstanding in 2013 and 2012, respectively, convertible into one Class A share	1	1
Shares to be issued, 42,000 shares, issued and outstanding in 2013 and 2012	424	424

Additional paid-in capital		
Charges in excess of capital	(126,352)	(72,913)
Accumulated deficit	(465,576)	(316,713)
Stock subscription receivable	(55)	(55)
Accumulated other comprehensive loss	(797)	(7,445)
MDC Partners Inc. Shareholders Deficit	(329,700)	(142,832)
Noncontrolling Interests	53,088	58,022
Total Shareholders Deficit	(276,612)	(84,810)
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders Deficit	$1,425,227	$1,344,945

The accompanying notes to the consolidated financial statements are an integral part of these statements.

47

MDC PARTNERS INC. CONSOLIDATED BALANCE SHEETS (Thousands of United States Dollars) 91

TABLE OF CONTENTS

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of United States Dollars)

	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net Loss	$(142,402)	$(78,576)	$(76,245)
Loss from discontinued operations	(11,384)	(6,681)	(2,082)
Loss from continuing operations	(131,018)	(71,895)	(74,163)
Adjustments to reconcile loss from continuing operations to cash provided by operating activities:			
Non-cash stock-based compensation	22,438	32,197	23,657
Depreciation	19,645	18,758	17,603
Amortization of intangibles	19,955	27,034	22,058
Amortization of deferred finance charges and debt discount	7,762	2,249	2,175
Adjustment to deferred acquisition consideration	36,143	53,305	13,550
Loss on redemption of Notes	50,385		
Deferred income taxes	(5,427)	8,422	40,284
(Gain) loss on disposition of assets			75
Earnings of non consolidated affiliates	(281)	(633)	(213)
Distributions in excess of carrying value	(3,058)		
Other and non-current assets and liabilities	(9,835)	(7,897)	(1,962)
Foreign exchange	3,091	895	687
Increase/decrease in operating assets and liabilities			
Accounts receivable	17,644	(29,901)	(10,938)
Expenditures billable to clients	(4,404)	(17,151)	15,315
Prepaid expenses and other current assets	(7,807)	(2,213)	(699)
Accounts payable, accruals and other current liabilities	29,227	66,092	(9,648)
Advance billings	17,632	1,667	(32,491)
Cash flows provided by continuing operating activities	62,092	80,929	5,290
Discontinued operations	(2,793)	(4,626)	(742)
Net cash provided by operating activities	59,299	76,303	4,548
Cash flows from investing activities:			
Capital expenditures	(19,549)	(20,296)	(23,295)
Proceeds from sale of assets	239	51	22
Acquisitions, net of cash acquired	(11,872)	30,993	(6,790)
Profit distributions from affiliates	3,761	1,288	4,584
Other investments	(2,692)	(2,198)	(4,232)
Cash flows provided by (used in) continuing investing activities	(30,113)	9,838	(29,711)
Discontinued operations	(11)	(2,027)	(725)
Net cash provided by (used in) investing activities	(30,124)	7,811	(30,436)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

48

MDC PARTNERS INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (Thousands of United States Dollars)

TABLE OF CONTENTS

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Thousands of United States Dollars) (continued)

	Years Ended December 31,		
	2013	2012	2011
Cash flows from financing activities:			
Proceeds from issuance of 6.75% Notes	664,125		
Repayment of 11% Notes	(425,000)		
Proceeds from issuance of 11% Notes		84,800	61,050
Proceeds (repayments) of revolving credit facility		(38,032)	38,032
Acquisition related payments	(119,572)	(68,725)	(34,287)
Bank overdraft	4,976	25,986	(5,676)
Distributions to noncontrolling interests	(5,525)	(7,673)	(12,264)
Proceeds from exercise of options		28	1,086
Payments of dividends	(22,047)	(22,030)	(16,436)
Repayment of long-term debt	(2,009)	(653)	(1,112)
Premium paid on redemption of Notes	(50,385)		
Deferred financing costs	(20,815)	(2,232)	(3,053)
Proceeds from stock subscription receivable			80
Purchase of shares	(13,817)	(3,327)	(4,121)
Other	561		
Cash flows provided by (used in) continuing financing activities	10,492	(31,858)	23,299
Discontinued operations			
Net cash provided by (used in) financing activities	10,492	(31,858)	23,299
Effect of exchange rate changes on cash and cash equivalents	2,010	(22)	(264)
Increase (decrease) in cash and cash equivalents	41,677	52,234	(2,853)
Cash and cash equivalents at beginning of year	60,330	8,096	10,949
Cash and cash equivalents at end of year	$ 102,007	$ 60,330	$ 8,096
Supplemental disclosures:			
Cash income taxes paid	$ 919	$ 1,236	$ 240
Cash interest paid	$ 38,727	$ 41,094	$ 37,497
Non-cash transactions:			
Capital leases	$ 595	$ 431	$ 682
Note receivable exchanged for shares of subsidiary	$	$ 888	$ 1,098
Dividends payable	$ 1,793	$ 1,041	$ 5,456

The accompanying notes to the consolidated financial statements are an integral part of these statements.

TABLE OF CONTENTS

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT)
(Thousands of United States Dollars)

ommon Stock lass A		Class B		Share Capital to Be Issued		Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders Deficit	Non Inte
hares	Amount	Shares	Amount	Shares	Amount							
43,138,101	**$226,752**	**3,755**	**$1**	**0**	**$**	**$**	**$(16,809)**	**$(146,600)**	**$(135)**	**$(4,148)**	**$59,061**	**$32**
								(84,674)			(84,674)	
										(510)	(510)	6
196,398	211					(211)						
(345,394)	(4,121)										(4,121)	
757,379	4,257					(4,257)						
169,628	1,109					(23)					1,086	
									80		80	
				42,000	424						424	
						22,709					22,709	
						(24,532)					(24,532)	

(6,328)	(6,328)
(1,147)	(1,147)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

MDC PARTNERS INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) (Thousands

Common Stock Class A		Class B		Share Capital to Be Issued		Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders Deficit	Nonco Intere
Shares	Amount	Shares	Amount	Shares	Amount							
						7,007					7,007	
												(2
												6,70
						(21,511)					(21,511)	
						28,293	(28,293)					
43,916,112	**$228,208**	**3,755**	**$1**	**42,000**	**$424**	**$**	**$(45,102)**	**$(231,274)**	**$(55)**	**$(4,658)**	**$(52,456)**	**$39,5**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

MDC PARTNERS INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) (Thousands 97

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT)
(Thousands of United States Dollars) (continued)

mmon Stock ass A		Class B		Share Capital to Be Issued		Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders Deficit	Nonc Inter
ares	Amount	Shares	Amount	Shares	Amount							
3,916,112	**$228,208**	**3,755**	**$1**	**42,000**	**$424**	**$**	**$(45,102)**	**$(231,274)**	**$(55)**	**$(4,658)**	**$(52,456)**	**$39,**
								(85,439)			(85,439)	
										(2,787)	(2,787)	6
9,639	100					(100)						
66,380)	(3,327)										(3,327)	
017,151	28,860					(28,860)						
730	28										28	
						28,060					28,060	
						(22,912)					(22,912)	
						743					743	
						12,410					12,410	(16

767	767	120

The accompanying notes to the consolidated financial statements are an integral part of these statements.

TABLE OF CONTENTS

ommon Stock lass A hares	Amount	Class B Shares	Amount	Share Capital to Be Issued Shares	Amount	Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders Deficit	Nonc Intere
												34,4
						(17,919)					(17,919)	
						27,811	(27,811)					
46,611,252	**$253,869**	**3,755**	**$1**	**42,000**	**$424**	**$**	**$(72,913)**	**$(316,713)**	**$(55)**	**$(7,445)**	**$(142,832)**	**$58,**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

MDC PARTNERS INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) (Thousands 100

TABLE OF CONTENTS

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT)
(Thousands of United States Dollars) (continued)

mon Stock s A		Class B		Share Capital to Be Issued		Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders Deficit	Non Inte
es	Amount	Shares	Amount	Shares	Amount							
511,252	**$253,869**	**3,755**	**$1**	**42,000**	**$424**	**$**	**$(72,913)**	**$(316,713)**	**$(55)**	**$(7,445)**	**$(142,832)**	**$58**
								(148,863)			(148,863)	
										6,648	6,648	(1
,384	387					(387)						
,271	6,006					(6,006)						
01,676	16,210					(16,210)						
3,156)	(13,817)										(13,817)	
						16,083					16,083	
						(35,689)					(35,689)	
						11,074					11,074	(16

11

						(22,865)					(22,865)	
						561					561	
						53,439	(53,439)					
92,427	**$262,655**	**3,755**	**$1**	**42,000**	**$424**	**$**	**$(126,352)**	**$(465,576)**	**$(55)**	**$(797)**	**$(329,700)**	**$53**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

MDC PARTNERS INC. CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIT) (Thousands 102

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

1. Basis of Presentation

MDC Partners Inc. (the Company) has prepared the consolidated financial statements included herein pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC) and in accordance with generally accepted accounting principles (GAAP) of the United States of America (US GAAP).

Effective December 2013, two of the Company s subsidiaries and an operating division have been deemed discontinued operations. All periods have been restated to reflect the discontinued operation. For further information see Note 10 Discontinued Operations.

Effective November 29, 2013, the Company effected a 3 for 2 stock split, accordingly all share amounts and per share amounts have been adjusted accordingly.

Nature of Operations

MDC Partners Inc., formerly MDC Corporation Inc., is incorporated under the laws of Canada. The Company commenced using the name MDC Partners Inc. on November 1, 2003 and legally changed its name through amalgamation with a wholly-owned subsidiary on January 1, 2004. The Company s operations are in primarily one business group Marketing Communications. The business group operates primarily in the United States (US), Canada, Europe, and in the United Kingdom. See Note 15, Segment Information , for further description of the one business group and MDC s reportable segments.

2. Significant Accounting Policies

The Company s significant accounting policies are summarized as follows:

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of MDC Partners Inc. its domestic and international controlled subsidiaries that are not considered variable interest entities, and variable interest entities for which the Company is the primary beneficiary. Intercompany balances and transactions have been eliminated on consolidation.

Use of Estimates. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities including goodwill, intangible assets, valuation allowances for receivables and deferred tax assets and the reported amounts of revenue and expenses during the reporting period. The estimates are evaluated on an ongoing basis and are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Fair Value. The Company applies the fair value measurement guidance of Codification Topic 820, Fair Value Measurements and Disclosure for financial assets and liabilities that are required to be measured at fair value and for nonfinancial assets and liabilities that are not required to be measured at fair value on a recurring basis, including goodwill and other identifiable intangible assets. The measurement of fair value requires the use of techniques based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations where inputs are observable or where significant value drivers are observable.

Level 3 Instruments where significant value drivers are unobservable to third parties.

55

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

2. Significant Accounting Policies (continued)

When available, quoted market prices are used to determine the fair value of our financial instruments and classify such items in Level 1. In some cases, quoted market prices are used for similar instruments in active markets and classify such items in Level 2.

Concentration of Credit Risk. The Company provides marketing communications services to clients who operate in most industry sectors. Credit is granted to qualified clients in the ordinary course of business. Due to the diversified nature of the Company s client base, the Company does not believe that it is exposed to a concentration of credit risk. No client accounted for more than 10% of the Company s consolidated accounts receivable as of December 31, 2013 and 2012. No clients accounted for 10% of revenue in each of the years ended December 31, 2013, 2012 and 2011.

Cash and Cash Equivalents. The Company s cash equivalents are primarily comprised of investments in overnight interest-bearing deposits, commercial paper and money market instruments and other short-term investments with original maturity dates of three months or less at the time of purchase. The Company has a concentration of credit risk in that there are cash deposits in excess of federally insured amounts. Included in cash and cash equivalents at December 31, 2013 and 2012 was $44 and $47, respectively, of cash restricted as to withdrawal pursuant to a collateral agreement and a customer s contractual requirement.

Allowance for Doubtful Accounts. Trade receivables are stated at invoiced amounts less allowances for doubtful accounts. The allowances represent estimated uncollectible receivables associated with potential customer defaults usually due to customers potential insolvency. The allowances include amounts for certain customers where a risk of default has been specifically identified. The assessment of the likelihood of customer defaults is based on various factors, including the length of time the receivables are past due, historical experience and existing economic conditions.

Expenditures Billable to Clients. Expenditures billable to clients consist principally of outside vendors costs incurred on behalf of clients when providing advertising, marketing and corporate communications services to clients that have not been invoiced. Such amounts are invoiced to clients at various times over the course of the production process.

Fixed Assets. Fixed assets are stated at cost, net of accumulated depreciation. Computers, furniture and fixtures are depreciated on a straight-line basis over periods of 3 to 7 years. Leasehold improvements are depreciated on a straight-line basis over the lesser of the term of the related lease or the estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred.

Impairment of Long-lived Assets. In accordance with the FASB Accounting Standards Codification topic, Accounting for the Impairment or Disposal of Long-lived Assets, a long-lived asset or asset group is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of the long-lived asset or asset group. If this comparison indicates that there is an impairment, the amount of the impairment is typically calculated using discounted expected future cash flows where observable fair values are not readily determinable. The discount rate applied to these cash flows is based on the Company s weighted average cost of capital, risk adjusted where appropriate.

Equity Method Investments. The equity method is used to account for investments in entities in which the Company has an ownership interest of less than 50% and has significant influence, or joint control by contractual arrangement with all parties having an equity interest, over the operating and financial policies of the affiliate or has an ownership interest of greater than 50% however the substantive participating rights of the noncontrolling interest shareholders preclude the Company from exercising unilateral control over the operating and financial policies of the affiliate. The Company s investments accounted for using the equity method includes a 50% undivided interest in a real estate joint venture. In 2013, the Company recorded a distribution of $3,096 from this real estate joint venture, of which $3,058 was in excess of the Company s

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

2. Significant Accounting Policies (continued)

carrying amount and has been recorded as a gain in equity in earnings of non-consolidated affiliates. The Company s management periodically evaluates these investments to determine if there has been a decline in value that is other than temporary.

Cost Method Investments. The Company s cost-based investments are primarily comprised of various interests in limited partnerships and companies where the Company does not exercise significant influence over the operating and financial policies of the investee. The total net cost basis of these investments, which is included in Other Assets on the balance sheet, as of December 31, 2013 and 2012 was $12,452 and $10,733, respectively. These investments are periodically evaluated to determine if there have been any other than temporary declines below book value. A variety of factors are considered when determining if a decline in fair value below book value is other than temporary, including, among others, the financial condition and prospects of the investee, as well as the Company s investment intent.

Goodwill and Indefinite Lived Intangible. In accordance with the FASB Accounting Standards Codification topic, Goodwill and Other Intangible Assets, goodwill and indefinite life intangible assets (trademarks) acquired as a result of a business combination which are not subject to amortization are tested for impairment annually, and more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value. For goodwill, this determination is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of a reporting unit and compares it to its carrying amount. Fair value is determined based on earnings multiples of each subsidiary. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with the FASB Accounting Standards Codification topic, Business Combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The fair value of a reporting unit was estimated using a combination of the income approach, which incorporates the use of the discounted cash flow method.

Impairment losses, where applicable, will be charged to operating profit. The Company identifies certain intangible assets (trademarks) as indefinite life if there are no legal, regulatory, contractual or economic factors that limit the useful life. If the carrying amount of an indefinite life intangible exceeds its fair value, an impairment loss is recognized for the excess. As of December 31, 2013 and 2012, there was no impairment of goodwill and no reporting units were at risk of failing step one of the Company s annual impairment test.

Definite Lived Intangible Assets. In accordance with the FASB Accounting Standards Codification, acquired intangibles, are subject to amortization over their useful lives. The method of amortization selected reflects the pattern in which the economic benefits of the specific intangible asset is consumed or otherwise used up. If that pattern cannot be reliably determined, a straight-line amortization method is used over the estimated useful life. Intangible assets that are subject to amortization are reviewed for potential impairment at least annually or whenever events or circumstances indicate that carrying amounts may not be recoverable. See also Note 8.

Deferred Taxes. The Company uses the asset and liability method of accounting for income taxes. Deferred income taxes are provided for the temporary difference between the financial reporting basis and tax basis of the Company s assets and liabilities. Deferred tax benefits result principally from certain tax carryover benefits and from recording certain expenses in the financial statements that are not currently deductible for tax purposes and from differences between the tax and book basis of assets and liabilities recorded in connection with acquisitions. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities result principally from deductions recorded for tax purposes in excess of that recorded

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

2. Significant Accounting Policies (continued)

in the financial statements or income for financial statement purposes in excess of the amount for tax purposes. The effect of changes in tax rates is recognized in the period the rate change is enacted.

Business Combinations. Valuation of acquired companies are based on a number of factors, including specialized know-how, reputation, competitive position and service offerings. The Company s acquisition strategy has been focused on acquiring the expertise of an assembled workforce in order to continue to build upon the core capabilities of its various strategic business platforms to better serve the Company s clients. Consistent with the acquisition strategy and past practice of acquiring a majority ownership position, most acquisitions completed after 2010 included an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent payments for these transactions, as well as certain acquisitions completed in prior years, are derived using the performance of the acquired entity and are based on pre-determined formulas. Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period and changes in estimated value are recorded in results of operations. For the years ended December 31, 2013, 2012 and 2011, $35,914, $53,027 and $12,849, respectively, related to changes in estimated value was recorded as operating expenses. In addition, certain acquisitions also include put/call obligations for additional equity ownership interests. The estimated value of these interests are recorded as Redeemable Noncontrolling Interests. As of January 1, 2009, the Company expenses acquisition related costs in accordance with the Accounting Standard s Codification s guidance on acquisition accounting. For the year ended December 31, 2013, 2012 and 2011 $2,074, $3,364 and $3,819, respectively, of acquisition related costs were charged to operations.

For each of the Company s acquisitions, we undertake a detailed review to identify other intangible assets and a valuation is performed for all such identified assets. We use several market participant measurements to determine estimated value. This approach includes consideration of similar and recent transactions, as well as utilizing discounted expected cash flow methodologies. Like most service businesses, a substantial portion of the intangible asset value that we acquire is the specialized know-how of the workforce, which is treated as part of goodwill and is not required to be valued separately. The majority of the value of the identifiable intangible assets acquired is derived from customer relationships, including the related customer contracts, as well as trade names. In executing the Company s acquisition strategy, one of the primary drivers in identifying and executing a specific transaction is the existence of, or the ability to, expand existing client relationships. The expected benefits of the Company s acquisitions are typically shared across multiple agencies and regions.

Redeemable Noncontrolling Interest. The minority interest shareholders of certain subsidiaries have the right to require the Company to acquire their ownership interest under certain circumstances pursuant to a contractual arrangement and the Company has similar call options under the same contractual terms. The amount of consideration under the put and call rights is not a fixed amount, but rather is dependent upon various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise, the growth rate of the earnings of the relevant subsidiary through the date of exercise, etc. as described in Note 17.

The Company has recorded its put options as mezzanine equity at their current estimated redemption amounts. The Company accrues changes in the redemption amounts over the period from the date of issuance to the earliest redemption date of the put options. The Company accounts for the put options with a charge to noncontrolling interests to reflect the excess, if any, of the estimated exercise price over the estimated fair value of the noncontrolling interest shares at the date of the option being exercised. For the three years ended December 31, 2013, there has been no charges to noncontrolling interests. Changes in the estimated redemption amounts of the put options are adjusted at each reporting period with a corresponding adjustment to equity. These adjustments will not impact the calculation of earnings (loss) per share.

The following table presents changes in Redeemable Noncontrolling Interests.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

2. Significant Accounting Policies (continued)

	Years Ended December 31,		
	2013	2012	2011
Beginning Balance as of January 1,	$ 117,953	$ 107,432	$ 77,560
Redemptions	(4,270)	(16,712)	(9,068)
Granted		4,189	15,318
Changes in redemption value	35,689	22,912	24,532
Currency translation adjustments	(838)	132	(910)
Ending Balance as of December 31,	$ 148,534	$ 117,953	$ 107,432

Variable Interest Entity. Effective March 28, 2012, MDC invested in Doner Partners LLC (Doner) (see Note 4), and has determined that this entity is a variable interest entity (VIE) and is consolidated for the year ended December 31, 2012. The Company acquired a 30% voting interest and convertible preferred interests that allow the Company to increase ordinary voting ownership to 70% at MDC s option. Doner is a full service integrated creative agency that is included as part of our portfolio in the Strategic Marketing Services Segment. The Company s WF Credit Agreement (see Note 11) is guaranteed and secured by all of Doner s assets.

The Company has determined that it is the primary beneficiary because MDC receives a disproportionate share of profits and losses as compared to the Company s ownership percentage. Total assets and total liabilities of Doner included in the Company s consolidated balance sheet at December 31, 2013 were $224,964 and $179,501 respectively.

Guarantees. Guarantees issued or modified by the Company to third parties after January 1, 2003 are generally recognized, at the inception or modification of a guarantee, as a liability for the obligations it has undertaken in issuing the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. The initial measurement of that liability is the fair value of the guarantee. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee. The Company s liability associated with guarantees is not significant. (See Note 17.)

Revenue Recognition. The Company s revenue recognition policies are as required by the Revenue Recognition topics of the FASB Accounting Standards Codification, and accordingly, revenue is generally recognized as services are provided or upon delivery of the products when ownership and risk of loss has transferred to the customer, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured. The Company follows the Revenue Arrangements with Multiple Deliverables topic of the FASB Accounting Standards Codification issued. This topic addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities and how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. The Company also follows the topic of the FASB Accounting Standards Codification. Reporting Revenue Gross as a Principal versus Net as an Agent. This Issue summarized the EITF s views on when revenue should be recorded at the gross amount billed because it has earned revenue from the sale of goods or services, or the net amount retained because it has earned a fee or commission. The Company also follows Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred, for reimbursements received for out-of-pocket expenses. This issue summarized the EITF s views that reimbursements received for out-of-pocket expenses incurred should be characterized in the income statement as revenue. Accordingly, the Company has included in revenue such reimbursed expenses.

The Company earns revenue from agency arrangements in the form of retainer fees or commissions; from short-term project arrangements in the form of fixed fees or per diem fees for services; and from incentives or bonuses.

59

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

2. Significant Accounting Policies (continued)

Non refundable retainer fees are generally recognized on a straight line basis over the term of the specific customer arrangement. Commission revenue is earned and recognized upon the placement of advertisements in various media when the Company has no further performance obligations. Fixed fees for services are recognized upon completion of the earnings process and acceptance by the client. Per diem fees are recognized upon the performance of the Company s services. In addition, for a limited number of certain service transactions, which require delivery of a number of service acts, the Company uses the Proportional Performance model, which generally results in revenue being recognized based on the straight-line method.

Fees billed to clients in excess of fees recognized as revenue are classified as Advanced Billings.

A small portion of the Company s contractual arrangements with customers includes performance incentive provisions, which allows the Company to earn additional revenues as a result of its performance relative to both quantitative and qualitative goals. The Company recognizes the incentive portion of revenue under these arrangements when specific quantitative goals are assured, or when the company s clients determine performance against qualitative goals has been achieved. In all circumstances, revenue is only recognized when collection is reasonably assured. The Company records revenue net of sales and other taxes due to be collected and remitted to governmental authorities.

Cost of Services Sold. Costs of services sold do not include depreciation charges for fixed assets.

Interest Expense. Interest expense primarily consists of the cost of borrowing on the Credit Agreement and the 6.75% Notes. The Company uses the effective interest method to amortize the original issue premium on the 6.75% Notes and straightline over the life of the Credit Agreement.

Stock-Based Compensation. Under the fair value method, compensation cost is measured at fair value at the date of grant and is expensed over the service period, that is the award s vesting period. When awards are exercised, share capital is credited by the sum of the consideration paid together with the related portion previously credited to additional paid-in capital when compensation costs were charged against income or acquisition consideration.

The Company uses its historical volatility derived over the expected term of the award, to determine the volatility factor used in determining the fair value of the award. The Company uses the simplified method to determine the term of the award due to the fact that historical share option exercise experience does not provide a reasonable basis upon which to estimate the expected term.

Stock-based awards that are settled in cash or may be settled in cash at the option of employees are recorded as liabilities. The measurement of the liability and compensation cost for these awards is based on the fair value of the award, and is recorded into operating income (expense) over the service period, that is the vesting period of the award. Changes in the Company s payment obligation prior to the settlement date are recorded as compensation cost in operating income in the period of the change. The final payment amount for such awards is established on the date of the exercise of the award by the employee.

Stock-based awards that are settled in cash or equity at the option of the Company are recorded at fair value on the date of grant and recorded as additional paid-in capital. The fair value measurement of the compensation cost for these awards is based on using the Black-Scholes option pricing-model and is recorded in operating income over the service period, that is the vesting period of the award.

For the years ended December 31, 2013, 2012 and 2011, the Company did not issue any stock options or similar awards.

During the year ended December 31, 2011, the Company issued Equity Value Appreciation Awards to its employees. During 2013, these awards resulted in the issuance of up to 1,917,000 restricted stock units and restricted stock shares. The Company measured the fair value of these awards using a lattice based model (Monte Carlo) on the date of grant. The Company used the following assumptions in calculating the fair value

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

2. Significant Accounting Policies (continued)

under the lattice model; risk free rate 1.2%, volatility 31.7%, time to maturity 2.93 years, the weighted average fair value of the awards granted was $9.37.

It is the Company s policy for issuing shares upon the exercise of an equity incentive award to verify the amount of shares to be issued, as well as the amount of proceeds to be collected (if any) and delivery of new shares to the exercising party.

The Company has adopted the straight-line attribution method for determining the compensation cost to be recorded during each accounting period. However, awards based on performance conditions are recorded as compensation expense when the performance conditions are expected to be met. The fair value at the grant date for performance based awards granted in 2013, 2012 and 2011 was $2,699, $9,838 and $20,188, respectively.

The Company treats benefits paid by shareholders to employees as a stock based compensation charge with a corresponding credit to additional paid-in capital.

For the year ended December 31, 2013, included in stock based compensation is a charge of $77,967 relating to the cash settlement of the outstanding Stock Appreciation Rights (SAR s).

Pension Costs. Several of the Company s US and Canadian subsidiaries offer employees access to certain defined contribution pension programs. Under the defined contribution plans, these subsidiaries, in some cases, make annual contributions to participants accounts which are subject to vesting. The Company s contribution expense pursuant to these plans was $6,450, $4,090 and $2,356 for the years ended December 31, 2013, 2012 and 2011, respectively. The Company also has a defined benefit plan. See Note 19.

Loss per Common Share. Basic loss per share is based upon the weighted average number of common shares outstanding during each period, including the Share capital to be issued as reflected in the Shareholders Equity on the balance sheet. Diluted loss per share is based on the above, plus, if dilutive, common share equivalents, which include outstanding options, warrants, stock appreciation rights, restricted stock units and convertible notes.

Subsidiary and Affiliate Stock Transactions. In accordance with Accounting Standards Codification Topic on Business combinations, effective January 1, 2009, transactions involving purchases, sales or issuances of stock of a subsidiary where control is maintained are recorded as an increase or decrease in additional paid-in capital. In transactions involving subsidiary stock where control is lost, gains and losses are recorded in results of operations. Gains and losses from transactions involving stock of an affiliate are recorded in results of operations until control is achieved.

Foreign Currency Translation. The Company s financial statements were prepared in accordance with the requirements of the Foreign Currency Translation topic of the FASB Accounting Standards Codification. The functional currency of the Company is the Canadian dollar and it has decided to use US dollars as its reporting currency for consolidated reporting purposes. All of the Company s subsidiaries use their local currency as their functional currency. Accordingly, the currency impacts of the translation of the balance sheets of the Company s non-US dollar based subsidiaries to US dollar statements are included as cumulative translation adjustments in accumulated other comprehensive income. Translation of intercompany debt, which is not intended to be repaid, is included in cumulative translation adjustments. Cumulative translation adjustments are not included in net earnings unless they are actually realized through a sale or upon complete or substantially complete liquidation of the Company s net investment in the foreign operation. Translation of current intercompany balances are included in net earnings. The balance sheets of non-US dollar based subsidiaries are translated at the period end rate. The income statements of non-US dollar based subsidiaries are translated at average exchange rates for the period.

Gains and losses arising from the Company s foreign currency transactions are reflected in net earnings. Unrealized gains or losses arising on the translation of certain intercompany foreign currency transactions that

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

2. Significant Accounting Policies (continued)

are of a long-term nature (that is settlement is not planned or anticipated in the future) are included as cumulative translation adjustments in accumulated other comprehensive income.

Derivative Financial Instruments. The Company follows Accounting for Derivative Instruments and Hedging Activities. Topic of the FASB Accounting Standards Codification establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts and debt instruments) be recorded in the balance sheet as either an asset or liability measured at its fair value. The accounting for the change in fair value of the derivative depends on whether the instrument qualifies for and has been designated as a hedging relationship and on the type of hedging relationship. There are three types of hedging relationships: a cash flow hedge, a fair value hedge and a hedge of foreign currency exposure of a net investment in a foreign operation. The designation is based upon the exposure being hedged. Derivatives that are not hedges, or become ineffective hedges, must be adjusted to fair value through earnings.

3. Loss per Common Share

The following table sets forth the computation of basic and diluted loss per common share from continuing operations for the years ended December 31:

	2013	2012	2011
Numerator			
Numerator for diluted loss per common share loss from continuing operations	$(131,018)	$(71,895)	$(74,163)
Net income attributable to the noncontrolling interests	(6,461)	(6,863)	(8,429)
Loss attributable to MDC Partners Inc. common shareholders from continuing operations	(137,479)	(78,758)	(82,592)
Effect of dilutive securities			
Numerator for diluted income per common share loss attributable to MDC Partners Inc. common shareholders from continuing operations	$(137,479)	$(78,758)	$(82,592)
Denominator			
Denominator for basic loss per common share weighted average common shares	47,108,406	46,090,159	43,680,560

Effect of dilutive securities:			
Dilutive potential common shares			
Denominator for diluted loss per common share adjusted weighted shares and assumed conversions	47,108,406	46,090,159	43,680,560
Basic and diluted loss per common share from continuing operations	$(2.92)	$(1.71)	$(1.89)

62

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

3. Loss per Common Share (continued)

At December 31, 2013, 2012 and 2011, warrants, options and other rights to purchase, 1,488,958, 6,115,863 and 7,817,502 shares of common stock, respectively, were not included in the computation of diluted loss per common share because doing so would have had an antidilutive effect.

4. Acquisitions

Pro forma financial information has not been presented for 2013 acquisitions noted below since they did not have a material effect on the Company s operating results. Included in the Company s consolidated statement of operations for the year ended December 31, 2013 was revenue of $3,669, and net income of $286, related to 2013 acquisitions. The Company assumed cash of $637, accounts receivable of $3,364, and accounts payable and accrued liabilities of $1,517 as of the acquisition dates.

2013 Acquisitions

During the fourth quarter, the Company acquired a 70% interest in Local Biz Now LLC (LBN). The acquisition of LBN allows MDC to participate in the online local search market. LBN is in the Company s Performance Marketing Services segment. During the year, the Company also entered into various immaterial transactions with certain majority owned entities.

The aggregate purchase price has an estimated present value at acquisition date of $38,202 and consisted of total closing cash payments of $12,000, and additional contingent deferred acquisition consideration that are based on the financial results of the underlying businesses from 2013 to 2017 with final payments due in 2018 that have an estimated present value at acquisition date of $26,202. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $10,835 consisting primarily of customer lists, a technology asset, and covenants not to compete, and goodwill of $35,956 representing the value of the assembled workforce. The identified assets will be amortized over a five to six year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition, the Company has recorded $11,090 as the present value of noncontrolling interest. The intangibles and goodwill of $46,791 are tax deductible.

The actual adjustments that the Company will ultimately make in finalizing the allocation of purchase price to fair value of the net assets acquired will depend on a number of factors.

2012 Acquisitions

During 2012, the Company completed a number of transactions. Effective March 28, 2012, MDC invested in Doner Partners LLC (Doner). The Company acquired a 30% voting interest and a convertible preferred interest that allows the Company to increase its ordinary voting ownership to 70% at MDC s option, at no additional cost to the Company. Doner is a full service integrated creative agency. In addition, the Company acquired a 70% interest in TargetCast LLC (TargetCast). TargetCast is a full service media agency that expands our media strategy and activation offerings. The Company acquired a 51% interest in Dotbox LLC (Dotbox), and subsequently acquired the remaining 49% of the equity interests in Dotbox. The Dotbox acquisition forms the foundation for a potential e-commerce solution within the network. Doner and Dotbox were included in the Company s Strategic Marketing Services segment, while TargetCast was included in the Company s Performance Marketing Group segment. During the year, the Company also entered into various immaterial transactions with certain majority owned entities.

The aggregate purchase price for these transactions had an estimated present value at acquisition date of $99,299 and consisted of total closing cash payments of $23,471, and additional contingent deferred acquisition consideration that are based on the financial results of the underlying businesses from 2012 to 2018 with final payments due in 2018 that have an estimated present value at acquisition date of $67,812. During 2012, the Company paid $8,016 relating to a working capital payment. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $31,968 consisting primarily of customer lists and covenants not to compete, and

MDC PARTNERS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

4. Acquisitions (continued)

goodwill of $113,404 representing the value of the assembled workforce. The identified assets will be amortized over a five to ten year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition, the Company has recorded $18,501 as the present value of noncontrolling interest. The intangibles and goodwill of $145,372 are tax deductible. In connection with the step transactions, the Company also recorded an entry of $197 to reduce short term noncontrolling interest included in accrued and other liabilities, decrease redeemable noncontrolling interest by $12,523 and offset additional paid-in-capital by $13,920.

2011 Acquisitions

During 2011, the Company completed a number of acquisitions. The Company, through a wholly-owned subsidiary, acquired substantially all of the assets of RJ Palmer LLC and a 75% interest in Trade X Partners LLC (Trade X). These acquisitions expand the Company s portfolio with another full service media buying agency as well as provide corporate bartering services to clients and are included in the Performance Marketing Services segment. The Company also entered into a transaction through its subsidiary Kwittken PR LLC (Kwittken) which acquired 100% of Epoch PR Limited. Epoch is a communications and PR agency and expands Kwittken s capabilities to London and is included in the Strategic Marketing Services segment. The Company also acquired a 51% interest in AIC Publishing Services LP (AIC). The Company, through a wholly-owned subsidiary, purchased a 70% interest in Concentric Partners, LLC (Concentric) and a 65% interest in Laird + Partners, New York LLC (Laird). The Concentric acquisition serves as the foundation of the Company s healthcare platform. The Laird acquisition increases the Company s positioning in the luxury goods and retail marketplace. Concentric and Laird are now included in the Company s Strategic Marketing Services segment. The Company, through a wholly-owned subsidiary, purchased 60% of the total outstanding membership interests in Anomaly Partners, LLC (Anomaly). This acquisition expands the Company s portfolio with another creatively driven agency brand with an international presence. Anomaly is now included in the Company s Strategic Marketing Services segment. The Company also completed a number of immaterial transactions with certain majority owned entities.

The aggregate purchase price for these transactions has an estimated present value at acquisition date of $107,575 and consisted of total closing cash payments of $44,953, and additional contingent deferred acquisition consideration, that are based on actual financial results of the underlying businesses from 2011 to 2016 with final payments due in 2017 with an estimated present value at acquisition date of $62,622. During 2011, the Company paid $2,426 of working capital payments. An allocation of the excess purchase consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $13,639 consisting primarily of customer lists and covenants not to compete, and goodwill of $85,463 representing the value of assembled workforce. The identified intangible assets will be amortized from a five to eight year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The intangibles and goodwill of $96,829 are tax deductible. In addition, the Company has recorded $14,172, the present value of redeemable noncontrolling interest in relation to Anomaly, Laird, and Trade X. Also, the Company has recorded $6,706, the present value of noncontrolling interest in relation to AIC and Concentric. The founder of Trade X and remaining principals at Anomaly and Laird have the put option rights only upon termination without cause, disability, or death. In relation to the step up transactions, the Company also recorded an entry to reduce redeemable noncontrolling interest by $7,922 and additional paid-in-capital of $7,475.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

4. Acquisitions (continued)

Noncontrolling Interests

Changes in the Company s ownership interests in our less than 100% owned subsidiaries during the three years ended December 31, 2013 were as follows:

Net Loss Attributable to MDC Partners Inc. and Transfers (to) from the Noncontrolling Interest

	Year Ended December 31,		
	2013	2012	2011
Net Loss attributable to MDC Partners Inc.	$(148,863)	$(85,439)	$(84,674)
Transfers (to) from the noncontrolling interest			
Increase (Decrease) in MDC Partners Inc. paid-in capital for purchase of equity interests in excess of Redeemable Noncontrolling Interests		743	(6,328)
Increase in MDC Partners Inc. paid-in capital for purchase of equity interests in excess of noncontrolling interests	11,074	12,410	
Increase (Decrease) in MDC Partners Inc. paid in capital from issuance of equity interests		767	(1,147)
Net transfers from (to) noncontrolling interest	$11,074	$13,920	$(7,475)
Change from net loss attributable to MDC Partners Inc. and transfers from (to) noncontrolling interest	$(137,789)	$(71,519)	$(92,149)

5. Fixed Assets

The following is a summary of the Company s fixed assets as of December 31:

	2013			2012		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value

Computers, furniture and fixtures	$109,252	$(83,383)	$25,869	$111,356	$(83,537)	$27,819
Leasehold improvements	60,938	(34,736)	26,202	57,350	(32,255)	25,095
	$170,190	$(118,119)	$52,071	$168,706	$(115,792)	$52,914

Included in fixed assets are assets under capital lease obligations with a cost of $2,462, (2012 $3,941) and accumulated depreciation of $1,417 (2012 $2,721). Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was $19,645, $18,758 and $17,603, respectively.

6. Accrued and Other Liabilities

At December 31, 2013 and 2012, accrued and other liabilities included accrued media of $144,161 and $132,483, respectively; and included amounts due to noncontrolling interest holders, for their share of profits, which will be distributed within the next twelve months of $5,210 and $3,624, respectively.

65

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

6. Accrued and Other Liabilities (continued)

Changes in noncontrolling interest amounts included in accrued and other liabilities for the three years ended December 31, 2013 were as follows:

	Noncontrolling Interests
Balance, December 31, 2010	$ 8,577
Income attributable to noncontrolling interests	8,387
Distributions made	(12,264)
Other[(1)]	(651)
Balance, December 31, 2011	$ 4,049
Income attributable to noncontrolling interests	6,012
Distributions made	(7,673)
Other[(1)]	1,236
Balance, December 31, 2012	$ 3,624
Income attributable to noncontrolling interests	6,461
Distributions made	(5,525)
Other[(1)]	650
Balance, December 31, 2013	$ 5,210

(1) Other consists primarily of step up transactions, discontinued operations and cumulative translation adjustments.

7. Financial Instruments

Financial assets, which include cash and cash equivalents and accounts receivable, have carrying values which approximate fair value due to the short-term nature of these assets. Financial liabilities with carrying values approximating fair value due to short-term maturities include accounts payable. Deferred acquisition consideration is recorded at fair value. Bank debt is a variable rate debt, the carrying value of which approximates fair value. The Company s note payable is a fixed rate debt instrument, the carrying values of which approximates fair value. The fair value of financial commitments, guarantees and letters of credit, are based on the stated value of the underlying instruments. Guarantees have been issued in conjunction with the disposition of businesses in 2001 and 2003 and letters of credit have been issued in the normal course of business.

8. Goodwill and Intangible Assets

As of December 31, the gross and net amounts of acquired intangible assets were as follows:

Goodwill	Strategic Marketing Services	Performance Marketing Services	Total
Balance as of December 31, 2011	$ 389,525	$ 215,719	$ 605,244
Acquired goodwill	93,531	19,873	113,404
Acquisition purchase price adjustments	(78)	(223)	(301)
Foreign currency translation	782	942	1,724
Balance as of December 31, 2012	$ 483,760	$ 236,311	$ 720,071
Acquired goodwill		35,956	35,956
Discontinued operations	(3,981)	(2,493)	(6,474)
Foreign currency translation	(2,374)	(2,846)	(5,220)
Balance as of December 31, 2013	$ 477,405	$ 266,928	$ 744,333

66

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

8. Goodwill and Intangible Assets (continued)

	For the Year Ended December 31, 2013	2012
Intangibles:		
Trademarks (indefinite life)	$ 17,780	$ 17,780
Customer relationships gross	$ 92,640	$ 104,070
Less accumulated amortization	(62,906)	(66,108)
Customer relationships net	$ 29,734	$ 37,962
Other intangibles gross	$ 17,064	$ 20,908
Less accumulated amortization	(8,316)	(13,407)
Other intangibles net	$ 8,748	$ 7,501
Total intangible assets	$ 127,484	$ 142,758
Less accumulated amortization	(71,222)	(79,515)
Total intangible assets net	$ 56,262	$ 63,243

See Note 4 for Accounting for Business Combinations.

The total accumulated impairment charges are $31,319 through December 31, 2013.

The weighted average amortization periods for customer relationships are 5 years and other intangible assets are 8 years. In total, the weighted average amortization period is 6 years. The amortization expense of amortizable intangible assets for the year ended December 31, 2013, was $18,908 (2012 $26,575; 2011 $21,997) the estimated amortization expense for the five succeeding years is:

Year	Amortization
2014	$ 13,833
2015	$ 9,199
2016	$ 6,277
2017	$ 2,912
2018	$ 1,352

9. Income Taxes

The components of the Company s loss from continuing operations before income taxes, equity in affiliates and noncontrolling interests by taxing jurisdiction for the years ended December 31, were:

	2013	2012	2011
Loss:			
US	$ 21,242	$ (36,660)	$ (17,460)
Non-US	(156,832)	(26,315)	(15,181)
	$ (135,590)	$ (62,975)	$ (32,641)

67

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

9. Income Taxes (continued)

The provision (benefit) for income taxes by taxing jurisdiction for the years ended December 31, were:

	2013	2012	2011
Current tax provision			
US federal	$	$	$
US state and local	213	802	894
Non-US	923	329	557
	1,136	1,131	1,451
Deferred tax provision (recovery):			
US federal	7,505	2,150	45,110
US state and local	1,027	299	7,750
Non-US	(13,959)	5,973	(12,576)
	(5,427)	8,422	40,284
Income tax provision (recovery)	$ (4,291)	$ 9,553	$ 41,735

A reconciliation of income tax expense (recovery) using the statutory Canadian federal and provincial income tax rate compared with actual income tax expense for the years ended December 31, is as follows:

	2013	2012	2011
Loss from continuing operations before income taxes, equity in affiliates and noncontrolling interest	$(135,590)	$(62,975)	$(32,641)
Statutory income tax rate	26.5 %	26.5 %	31.0 %
Tax benefit using statutory income tax rate	(35,931)	(16,688)	(10,119)
State and foreign taxes	1,136	1,131	1,451
Non-deductible stock-based compensation	24,357	7,699	7,143
Other non-deductible expense	942	1,176	1,482
Change to valuation allowance on items affecting taxable income	6,952	15,682	44,554
Effect of the change in tax rate		2,168	
Noncontrolling interests	(1,712)	(1,593)	(2,368)
Other, net	(35)	(22)	(408)
Income tax expense (recovery)	$(4,291)	$9,553	$41,735
Effective income tax rate	(3.2)%	15.2 %	127.9 %

See Note 10 for income taxes for discontinued operations.

The 2013 effective income tax rate was significantly lower than the statutory rate due primarily to non-deductible stock based compensation of $24,357, and an increase in the valuation allowance of $6,952.

The 2012 effective income tax rate was significantly higher than the statutory rate due primarily to an increase in the valuation allowance of $16,240 and non-deductible stock based compensation of $7,699.

The 2011 effective income tax rate was significantly higher than the statutory rate due primarily to an increase in the valuation allowance of $44,230 and non-deductible stock based compensation of $7,143.

Income taxes receivable were $533 and $195 at December 31, 2013 and 2012, respectively, and were included in accounts receivable on the balance sheet. Income taxes payable were $4,907 and $4,725 at December 31, 2013 and 2012, respectively, and were included in accrued and other liabilities on the balance sheet. It is the Company s policy to classify interest and penalties arising in connection with the under

68

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

9. Income Taxes (continued)

payment of income taxes as a component of income tax expense. For the years ended 2013, 2012 and 2011, income tax expense does not include any amounts for interest and penalties.

The tax effects of significant temporary differences representing deferred tax assets and liabilities at December 31, were as follows:

	2013	2012
Deferred tax assets:		
Capital assets and other	$ 36,449	$ 34,563
Net operating loss carry forwards	41,947	43,280
Interest deductions	21,753	19,285
Refinancing charge	10,153	
Deferred acquisition consideration	26,779	21,418
Stock compensation	1,433	2,317
Pension plan		2,168
Unrealized foreign exchange	2,372	843
Capital loss carry forwards	16,180	17,408
Accounting reserves	4,769	4,721
Gross deferred tax asset	161,835	146,003
Less: valuation allowance	(137,961)	(134,761)
Net deferred tax assets	23,874	11,242
Deferred tax liabilities:		
Pension plan	(1,112)	
Deferred finance charges	(420)	(449)
Capital assets	(178)	(348)
Goodwill amortization	(61,859)	(53,875)
Total deferred tax liabilities	(63,569)	(54,672)
Net deferred tax asset (liability)	$ (39,695)	$ (43,430)
Disclosed as:		
Deferred tax assets	$ 23,380	$ 9,637
Deferred tax liabilities	(63,075)	(53,067)
	$ (39,695)	$ (43,430)

Included in accrued and other liabilities at December 31, 2013 and 2012 is a deferred tax liability of $55 and $49, respectively. Included in other current assets at December 31, 2013 and 2012 is a deferred tax asset of $2,249 and

$305, respectively.

The Company has US federal net operating loss carry forwards of $60,525 and non-US net operating loss carry forwards of $44,383, these carry forwards expire in years 2015 through 2031. The Company also has total indefinite loss carry forwards of $162,396. These indefinite loss carry forwards consist of $58,006 relating to the US and $104,390 which are related to capital losses from the Canadian operations. In addition, the Company has net operating loss carry forwards for various state taxing jurisdictions of approximately $158,867.

The Company records a valuation allowance against deferred income tax assets when management believes it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers factors such as the reversal of deferred income tax liabilities, projected future

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

9. Income Taxes (continued)

taxable income, the character of the income tax asset; tax planning strategies, changes in tax laws and other factors. A change to these factors could impact the estimated valuation allowance and income tax expense.

The valuation allowance has been recorded to reduce our deferred tax asset to an amount that is more likely than not to be realized, and is based upon the uncertainty of the realization of certain US, non-US and state deferred tax assets. The increase in the Company s valuation allowance charged to the statement of operations for each of the years ended December 31, 2013, 2012 and 2011 was $6,952, $16,240 and $44,230, respectively. In addition, expense of $1,112 and a benefit of $2,168 has been recorded in accumulated other comprehensive loss relating to the defined pension plan, for the year ended December 31, 2013 and 2012, respectively.

Deferred taxes are not provided for temporary differences representing earnings of subsidiaries that are intended to be permanently reinvested. The potential deferred tax liability associated with these undistributed earnings is not material.

As of December 31, 2013 and 2012, the Company recorded a liability for unrecognized tax benefits as well as applicable penalties and interest in the amount of $4,166. The Company identified an uncertainty relating to the future tax deductibility of certain intercompany interest and fees, to the extent that such future benefit will be established, the resolution of this position will have no effect with respect to the financial statements.

Changes in the Company s reserve is as follows:	
Balance December 31, 2010	$ 3,624
Charges to income tax expense	
Balance December 31, 2011	3,624
Charges to income tax expense	
Settlement of uncertainty	(551)
Balance December 31, 2012	3,073
Charges to income tax expense	
Balance December 31, 2013	$ 3,073

We do not expect our unrecognized tax benefits to change significantly over the next 12 months.

The Company has completed US federal tax audits through 2006 and has completed a non-US tax audit through 2004.

10. Discontinued Operations

In 2013, the Company discontinued two subsidiaries and an operating division.

In 2012, the Company discontinued a subsidiary and certain operating divisions.

In 2011, the Company discontinued an operating division.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

10. Discontinued Operations (continued)

Included in discontinued operations in the Company s consolidated statements of operations for the years ended December 31 were the following:

	Years Ended December 31,		
	2013	2012	2011
Revenue	$ 2,329	$ 18,107	$ 19,109
Operating loss	(2,922)	(7,697)	(2,495)
Other expense	(110)	(288)	(244)
Noncontrolling interest expense recovery	(53)	1,304	657
Loss on disposal	(8,299)		
Net loss from discontinued operations	$ (11,384)	$ (6,681)	$ (2,082)

At December 31, 2013, other assets and other current liabilities did not include any assets held for sale and related liabilities. At December 31, 2012, $2,920 and $1,638 was included in other assets and other current liabilities, respectively, which represent assets held for sale and related liabilities. At December 31, 2011, $4,060 and $1,332 was included in other assets and other current liabilities, respectively, which represent assets held for sale and related liabilities.

11. Bank Debt, Long-Term Debt and Convertible Notes

At December 31, the Company s indebtedness was comprised as follows:

	2013	2012
Revolving credit facility	$	$
6.75% Notes due 2020	660,000	
11% Notes due 2016		425,000
Original issue premium	4,056	4,193
Note payable and other bank loans	120	1,385
	664,176	430,578
Obligations under capital leases	952	1,125
	665,128	431,703
Less:		
Current portion	467	1,858
	$ 664,661	$ 429,845

Interest expense related to long-term debt for the years ended December 31, 2013, 2012 and 2011 was $92,828, $44,045 and $39,044, respectively. For the year ended December 31, 2013, interest expense included a $55,588 loss on redemption of the 11% Notes. For the year ended December 31, 2013, interest expense included income of $4,262 related to the amortization of the original issue premium. For the year ended December 31, 2012, interest expense included income of $46 related to the amortization of the original issue premium of $1,366. For the year ended December 31, 2011, interest expense included $232, amortization of the original issue discount, net of amortized premium of $943. For the years ended December 31, 2013, 2012 and 2011, interest expense also included $232, $277 and $702, of present value adjustments for fixed deferred acquisition payments, respectively.

The amortization and write off of deferred finance costs included in interest expense were $12,024, $2,295 and $1,944 for the years ended December 31, 2013, 2012, and 2011, respectively.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

11. Bank Debt, Long-Term Debt and Convertible Notes (continued)

Issuance of 6.75% Senior Notes

On March 20, 2013, MDC Partners Inc. (MDC) entered into an indenture (the Indenture) among MDC, its existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, MDC s senior secured revolving credit agreement (the Credit Agreement), as guarantors (the Guarantors) and The Bank of New York Mellon, as trustee, relating to the issuance by MDC of its 6.75% Senior Notes due 2020 (the 6.75% Notes). The 6.75% Notes bear interest at a rate of 6.75% per annum, accruing from March 20, 2013. Interest is payable semiannually in arrears in cash on April 1 and October 1 of each year, beginning on October 1, 2013. The 6.75% Notes will mature on April 1, 2020, unless earlier redeemed or repurchased. The Company received net proceeds from the offering of the 6.75% Notes equal to approximately $537,600. The Company used the net proceeds to redeem all of the existing 11% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for loss on redemption of notes of $55,588, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes.

On November 15, 2013, the Company issued an additional $110,000 aggregate principal amount of its 6.75% Notes. The additional notes were issued under the Indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $111,925, which included an original issue premium of $4,125, and underwriter fees of $2,200. The Company used the net proceeds of the offering for general corporate purposes.

The 6.75% Notes are guaranteed on a senior unsecured basis by all of MDC s existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, the Credit Agreement. The 6.75% Notes are unsecured and unsubordinated obligations of MDC and rank (i) equally in right of payment with all of MDC s or any Guarantor s existing and future senior indebtedness, (ii) senior in right of payment to MDC s or any Guarantor s existing and future subordinated indebtedness, (iii) effectively subordinated to all of MDC s or any Guarantor s existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including the Credit Agreement, and (iv) structurally subordinated to all existing and future liabilities of MDC s subsidiaries that are not Guarantors.

MDC may, at its option, redeem the 6.75% Notes in whole at any time or in part from time to time, on and after April 1, 2016 at a redemption price of 103.375% of the principal amount thereof if redeemed during the twelve-month period beginning on April 1, 2016, at a redemption price of 101.688% of the principal amount thereof if redeemed during the twelve-month period beginning on April 1, 2017 and at a redemption price of 100% of the principal amount thereof if redeemed on April 1, 2018 and thereafter.

Prior to April 1, 2016, MDC may, at its option, redeem some or all of the 6.75% Notes at a price equal to 100% of the principal amount of the 6.75% Notes plus a make whole premium and accrued and unpaid interest. MDC may also redeem, at its option, prior to April 1, 2016, up to 35% of the 6.75% Notes with the proceeds from one or more equity offerings at a redemption price of 106.750% of the principal amount thereof.

If MDC experiences certain kinds of changes of control (as defined in the Indenture), holders of the 6.75% Notes may require MDC to repurchase any 6.75% Notes held by them at a price equal to 101% of the principal amount of the 6.75% Notes plus accrued and unpaid interest. In addition, if MDC sells assets under certain circumstances, it must offer to repurchase the 6.75% Notes at a price equal to 100% of the principal amount of the 6.75% Notes plus accrued and unpaid interest.

The Indenture includes covenants that, among other things, restrict MDC s ability and the ability of its restricted subsidiaries (as defined in the Indenture) to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; create restrictions on the payment of dividends or other amounts from MDC s restricted subsidiaries; sell assets;

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

11. Bank Debt, Long-Term Debt and Convertible Notes (continued)

enter into transactions with affiliates; create liens; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC s assets to, another person. These covenants are subject to a number of important limitations and exceptions. The 6.75% Notes are also subject to customary events of default, including cross-payment default and cross-acceleration provision.

Credit Agreement

On March 20, 2013, MDC, Maxxcom Inc. (a subsidiary of MDC) and each of their subsidiaries party thereto entered into an amended and restated, $225 million senior secured revolving credit agreement due 2018 (the Credit Agreement) with Wells Fargo Capital Finance, LLC, as agent, and the lenders from time to time party thereto. Advances under the Credit Agreement will be used for working capital and general corporate purposes, in each case pursuant to the terms of the Credit Agreement. Capitalized terms used in this section and not otherwise defined have the meanings set forth in the Credit Agreement.

Advances under the Credit Agreement bear interest as follows: (a)(i) LIBOR Rate Loans bear interest at the LIBOR Rate and (ii) Base Rate Loans bear interest at the Base Rate, plus (b) an applicable margin. The initial applicable margin for borrowing is 1.25% in the case of

Base Rate Loans and 2.00% in the case of LIBOR Rate Loans. In addition to paying interest on outstanding principal under the Credit Agreement, MDC is required to pay an unused revolver fee to lenders under the Credit Agreement in respect of unused commitments thereunder.

The Credit Agreement is guaranteed by substantially all of MDC s present and future subsidiaries, other than immaterial subsidiaries and subject to customary exceptions. The Credit Agreement includes covenants that, among other things, restrict MDC s ability and the ability of its subsidiaries to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; impose limitations on dividends or other amounts from MDC s subsidiaries; incur certain liens, sell or otherwise dispose of certain assets; enter into transactions with affiliates; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC s assets to, another person. These covenants are subject to a number of important limitations and exceptions. The Credit Agreement also contains financial covenants, including a total leverage ratio, a senior leverage ratio, a fixed charge coverage ratio and a minimum earnings level. The Credit Agreement is also subject to customary events of default.

The Company is currently in compliance with all of the terms and conditions of its Credit Agreement, and management believes, based on its current financial projections, that the Company will be in compliance with the covenants over the next twelve months. At December 31, 2013, there were no borrowings under the Credit Agreement.

At December 30, 2013, the Company had issued $4,884 of undrawn outstanding Letters of Credit.

At December 31, 2013 and 2012, accounts payable included $34,312 and $29,336 of outstanding checks, respectively.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

11. Bank Debt, Long-Term Debt and Convertible Notes (continued)

Future Principal Repayments

Future principal repayments, including capital lease obligations, for the years ended December 31, and in aggregate are as follows:

Period	Amount
2014	$ 467
2015	430
2016	175
2017	
2018	
2019 and beyond	660,000
	$ 661,072

Capital Leases

Future minimum capital lease payments for the years ended December 31 and in aggregate are as follows:

Period	Amount
2014	$ 467
2015	369
2016	180
2017	
2018	
2019 and thereafter	
	1,016
Less: imputed interest	(64)
	952
Less: current portion	(427)
	$ 525

12. Share Capital

The authorized share capital of the Company is as follows:

(a) Authorized Share Capital

Class A Shares

An unlimited number, subordinate voting shares, carrying one vote each, entitled to dividends equal to or greater than Class B shares, convertible at the option of the holder into one Class B share for each Class A share after the occurrence of certain events related to an offer to purchase all Class B shares.

Class B Shares

An unlimited number, carrying 20 votes each, convertible at any time at the option of the holder into one Class A share for each Class B share.

Preferred A Shares

An unlimited number, non-voting, issuable in series.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

12. Share Capital (continued)

(b) Employee Stock Incentive Plan

On May 26, 2005, the Company s shareholders approved the Company s 2005 Stock Incentive Plan (the 2005 Incentive Plan). The 2005 Incentive Plan authorizes the issuance of awards to employees, officers, directors and consultants of the Company with respect to 3,000,000 shares of MDC Partners Class A Subordinate Voting Shares or any other security in to which such shares shall be exchanged. On June 1, 2007 and on June 2, 2009, the Company s shareholders approved a total additional authorized Class A Shares of 3,750,000 to be added to the 2005 Incentive Plan for a total of 6,750,000 authorized Class A Shares. On May 30, 2008, the Company s shareholders approved the 2008 Key Partner Incentive Plan, which provides for the issuance of 900,000 Class A Shares. On June 1, 2011, the Company s shareholders approved the 2011 Stock Incentive Plan, which provides for the issuance of up to 3,000,000 Class A Shares. As of December 31, 2013, the Company has granted 300,000 Director options (of which 150,000 were forfeited), which option grants were for a ten-year term and vests over five (5) years from the grant date under the 2005 Incentive Plan.

The following table summarizes information about time based and financial performance-based restricted stock and restricted stock unit awards granted under the 2005 Incentive Plan, 2008 Key Partner Incentive Plan and 2011 Stock Incentive Plan:

	Performance Based Awards		Time Based Awards	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2010	752,885	$ 5.89	924,101	$ 4.93
Granted	1,646,631	12.26	446,280	11.29
Vested	(326,546)	8.49	(430,851)	3.45
Forfeited	(2,135)	9.73	(62,181)	5.86
Balance at December 31, 2011	2,070,835	$ 10.54	877,349	$ 8.57
Granted	1,130,844	8.70	375,356	7.78
Vested	(2,621,981)	9.63	(395,187)	8.17
Forfeited	(44,919)	10.44	(22,080)	9.88
Balance at December 31, 2012	534,779	$ 10.73	835,438	$ 8.48
Granted	300,756	8.97	2,612,520	16.83

Vested	(353,858)	10.63	(2,499,083)	15.79
Forfeited	(19,011)	7.90	(35,087)	10.91
Balance at December 31, 2013	462,666	$ 9.79	913,788	$ 12.54

The total fair value of restricted stock and restricted stock unit awards, which vested during the year ended December 31, 2013, 2012 and 2011 was $43,227, $22,557 and $8,269, respectively. In connection with the vesting of these awards, the Company included in the taxable loss the amounts of $17,219, $5,242 and $7,280 in 2013, 2012 and 2011, respectively. At December 31, 2013, the weighted average remaining contractual life for performance based awards is 2.6 years and for time based awards is 1.9 years. At December 31, 2013, the fair value of all restricted stock and restricted stock unit awards is $35,113. The term of these awards is three years with vesting up to three years. At December 31, 2013, the unrecognized compensation expense for these awards was $8,597 and will be recognized through 2016. At December 31, 2013, there are 428,772 awards available to grant.

The Company s Board of Directors adopted the 2005 Incentive Plan as a replacement for MDC Partners Amended and Restated Stock Option Incentive Plan (the Prior 2003 Plan). Following approval of the 2005 Incentive Plan, the Company ceased making awards under the Prior 2003 Plan.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

12. Share Capital (continued)

Prior to adoption of the 2005 Incentive Plan, the Company s Prior 2003 Plan provided for grants of up to 2,836,179 options to employees, officers, directors and consultants of the Company. All the options granted were for a term of five years from the date of the grant and vest 20% on the date of grant and a further 20% on each anniversary date. In addition, the Company granted 802,440 options, on the privatization of Maxxcom, with a term of no more than 10 years from initial date of grant by Maxxcom and vest 20% in each of the first two years with the balance vesting on the third anniversary of the initial grant.

Information related to share option transactions grant under all plans over the past three years is summarized as follows:

	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted Average Price per Share	Number Outstanding	Weighted Average Price per Share	Non Vested Options
Balance at December 31, 2010	324,300	$ 6.27	286,800	$ 6.27	37,500
Vested					(30,000)
Granted					
Exercised	(169,628)	5.96			
Expired and cancelled	(22,552)	8.38			
Balance at December 31, 2011	132,120	$ 6.08	124,620	$ 6.09	7,500
Vested					(7,500)
Granted					
Exercised	(4,728)	5.79			
Expired and cancelled	(14,892)	5.19			
Balance at December 31, 2012	112,500	$ 6.35	112,500	$ 6.35	
Vested					
Granted					
Exercised					
Expired and cancelled					
Balance at December 31, 2013	112,500	$ 6.03	112,500	$ 6.03	

At December 31, 2013, the intrinsic value of vested options and the intrinsic value of all options was $2,191. For options exercised during 2013, 2012 and 2011, the Company received cash proceeds of nil, $27 and $1,011, respectively. The Company did not receive any windfall tax benefits. The intrinsic value of options exercised during

2013, 2012 and 2011 was nil, $5 and $900, respectively. At December 31, 2013, the weighted average remaining contractual life of all outstanding options was 2.8 years and for all vested options was 2.8 years. At December 31, 2013, the unrecognized compensation expense of all options was nil.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

12. Share Capital (continued)

Share options outstanding as of December 31, 2013 are summarized as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Outstanding Number	Weighted Average Contractual Life	Weighted Average Price per Share	Exercisable Number	Weighted Average Price per Share	Weighted Average Contractual Life
$5.83 $6.14	112,500	2.8	$ 6.03	112,500	$ 6.03	2.8

(c) Stock Appreciation Rights

During 2003, the Compensation Committee of the Board of Directors approved a SAR s compensation program for senior officers and directors of the Company. SAR s granted prior to 2006 have a term of four years, for SAR s granted in 2006 and after they have a term of up to 10 years and all awards vest one-third on each anniversary date.

SAR s granted and outstanding are as follows:

	SAR s Outstanding		SAR s Exercisable		Non Vested SAR s
	Weighted Average Number Outstanding	Weighted Average Price per Share	Number Outstanding	Price per Share	
Balance at December 31, 2010	4,996,655	$ 2.52	2,665,551	$ 2.51	2,331,104
Vested					(435,134)
Granted					
Exercised	(259,461)	2.82			(259,461)
Expired and cancelled					
Balance at December 31, 2011	4,737,194	$ 2.50	3,100,685	$ 2.50	1,636,509
Vested					(1,570,539)
Granted					
Exercised	(104,048)	2.94			(65,970)
Expired and cancelled					
Balance at December 31, 2012	4,633,146	$ 2.49	4,633,146	$ 2.49	
Vested					

Granted				
Exercised	(4,633,146)	2.49		
Expired and cancelled				
Balance at December 31, 2013		$		$

At December 31, 2013, the aggregate amount of shares to be issued on vested SAR s was nil. During 2013, 2012 and 2011, the aggregate value of SAR s exercised was $80,323, $301 and $2,289, respectively. The Company received tax deductions of $12,682, $296 and $387 in 2013, 2012 and 2011, respectively. In November 2013, the Company determined that all outstanding SAR s would be settled in cash and marked the SAR s to market. At December 31, 2013, the unrecognized compensation expense of all SAR s was nil.

(d) Equity Value Appreciation Awards

In January 2011, the Company awarded 2,119,500 extraordinary Equity Value Appreciation Awards (EVARs) to its employees. During 2013, these EVARs resulted in the issuance of 1,917,000 restricted stock units and restricted stock shares (RSUs). The RSUs underlying the EVAR grant vested on December 31, 2013.

77

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

12. Share Capital (continued)

The Company measured the fair value of EVARs using a lattice based model (Monte Carlo) on the grant date.

Information related to EVAR transactions over the past three years is summarized as follows:

	EVARs Outstanding		EVARs Exercisable		
	Number Outstanding	Weighted Average Issuance Price per Share	Number Outstanding	Weighted Average Issuance Price per Share	Non Vested EVARs
Balance at December 31, 2010		$		$	
Vested					
Granted	2,119,500	15.33			2,119,500
Expired and cancelled	(67,500)	15.33			(67,500)
Balance at December 31, 2011	2,052,000	$ 15.33		$	2,052,000
Vested					
Granted					
Expired and cancelled	(135,000)	15.33			(135,000)
Balance at December 31, 2012	1,917,000	$ 15.33		$	1,917,000
Vested	(1,917,000)	15.33			(1,917,000)
Granted					
Expired and cancelled					
Balance at December 31, 2013		$		$	

The grant date fair value of these EVARs was $13,240. At December 31, 2013, there are no outstanding EVARs.

The Company has reserved a total of 2,923,509 Class A shares in order to meet its obligations under various conversion rights, warrants and employee share related plans. At December 31, 2013 there were 1,434,554 shares available for future option and similar grants.

13. Fair Value Measurements

The Company adopted guidance regarding accounting for Fair Value Measurements. This guidance defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The statement indicates, among other things, that a fair value measurement assumes a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

In order to increase consistency and comparability in fair value measurements, the guidance establishes a hierarchy for observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

13. Fair Value Measurements (continued)

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

On a nonrecurring basis, the Company uses fair value measures when analyzing asset impairment. Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Measurements based on undiscounted cash flows are considered to be level 3 inputs. During the fourth quarter of each year, the Company evaluates goodwill and indefinite-lived intangibles for impairment at the reporting unit level. For each acquisition, the Company performed a detailed review to identify intangible assets and a valuation is performed for all such identified assets. The Company used several market participant measurements to determine estimated value. This approach includes consideration of similar and recent transactions, as well as utilizing discounted expected cash flow methodologies. The amounts allocated to assets acquired and liabilities assumed in the acquisitions were determined using level three inputs. Fair value for property and equipment was based on other observable transactions for similar property and equipment. Accounts receivable represents the best estimate of balances that will ultimately be collected, which is based in part on allowance for doubtful accounts reserve criteria and an evaluation of the specific receivable balances.

The following tables present certain information for our financial assets that is measured at fair value on a recurring basis at December 31, 2013 and 2012:

	Level 1 2013		Level 1 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Long term debt	$ 664,056	$ 690,525	$ 429,193	$ 467,500

Our long term debt includes fixed rate debt. The fair value of this instrument is based on quoted market prices.

The following table presents changes in Deferred Acquisition Consideration.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2013	2012
Beginning Balance of contingent payments	$ 194,795	$ 129,759
Payments	(106,460)	(55,071)
Grants	31,608	63,972
Redemption value adjustments	38,712	55,737
Transfers (to) from fixed payments	(6,318)	159
Foreign translation adjustment	(489)	239
Ending Balance of contingent payments	$ 151,848	$ 194,795

In addition to the above amounts, there are fixed payments of $2,065 and $1,651 for total deferred acquisition consideration of $153,913 and $196,446, which reconciles to the consolidating financial statements at December 31, 2013 and 2012, respectively.

Level 3 payments relate to payments made for deferred acquisition consideration. Level 3 grants relate to contingent purchase price obligations related to acquisitions. The Company records the initial liability of the

79

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

13. Fair Value Measurements (continued)

estimated present value. The estimated liability is determined in accordance with various contractual valuation formulas that may be dependent on future events, such as the growth rate of the earning of the relevant subsidiary during the contractual period, and, in some cases, the currency exchange rate of the date of payment. Level 3 redemption value adjustments relate to the remeasurement and change in these various contractual valuation formulas as well as adjustments of present value.

14. Gain on Sale of Assets and Other Income (Expense)

The gain on sale of assets and other income (expense) for the years ended December 31 were as follows:

	2013	2012	2011
Other income (expense)	$ 2,531	$ 117	$ 191
Loss on disposition of assets			(75)
	$ 2,531	$ 117	$ 116

15. Segment Information

The Company s segment reporting is consistent with the current manner of how the Chief Operating Decision Maker (CODM) and the Board of Directors view the business. The Company is focused on expanding its capabilities in database marketing and data analytics in order to position the Company for future business development efforts and revenue growth.

In order to position this strategic focus along the lines of how the CODM and management will base their business decisions, the Company reports two segments. Decisions regarding allocation of resources are made and will be made based not only on the individual operating results of the subsidiaries but also on the overall performance of the reportable segments. These reportable segments are the aggregation of various reporting segments.

The Company reports in two segments plus corporate. The segments are as follows:

The *Strategic Marketing Services* segment consists of integrated marketing consulting services firms that offer a full complement of marketing, activation and consulting services including advertising and media, marketing communications including direct marketing, public relations, corporate communications, market research, corporate identity and branding, interactive marketing and sales promotion. Each of the entities within the Strategic Marketing Services Group share similar economic characteristics, specifically related to the nature of their respective services, the manner in which the services are provided and the similarity of their respective customers. Due to the similarities in these businesses, they exhibit similar long term financial performance and have been aggregated together.

The *Performance Marketing Services* segment includes our firms that provide consumer insights and analytics to satisfy the growing need for targetable, measurable solutions or cost effective means of driving return on marketing investment. These services interface directly with the consumer of a client s product or service. Such services include the design, development, research and implementation of consumer service, media planning and buying and direct marketing initiatives. Each of the entities within the Performance Marketing Services Group share similar economic characteristics specifically related to the nature of their respective services, the manner in which the services are provided, and the similarity of their respective customers. Due to the similarities in these businesses, and services provided to the customer, they exhibit similar long term financial performance and have been aggregated together.

The significant accounting policies of these segments are the same as those described in the summary of significant accounting policies included in the notes to the consolidated financial statements. The Company continues to evaluate its Corporate Group and the services provided by the Corporate Group to the operating

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

15. Segment Information (continued)

segments. The Company will continue to evaluate the services and amount of time spent directly on the operating segments business operations, and adjust accordingly.

	For the Year Ended December 31, 2013			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$805,439	$343,442	$	$1,148,881
Cost of services sold	510,014	244,480		754,494
Office and general expenses	186,369	73,696	126,714	386,779
Depreciation and amortization	23,720	14,486	1,394	39,600
Operating profit (Loss)	85,336	10,780	(128,108)	(31,992)
Other income (Expense):				
Other income, net				2,531
Foreign exchange loss				(5,537)
Interest expense, finance charges, and loss on redemption of notes, net				(100,592)
Loss from continuing operations before income taxes, equity in affiliates				(135,590)
Income tax recovery				(4,291)
Loss from continuing operations before equity in affiliates				(131,299)
Equity in earnings of affiliates				281
Loss from continuing operations				(131,018)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(11,384)
Net loss				(142,402)
Net income attributable to noncontrolling interests	(4,889)	(1,572)		(6,461)
Net loss attributable to MDC Partners Inc.				$(148,863)
Stock-based compensation	$7,249	$3,425	$89,731	$100,405
Capital expenditures from continuing operations	$12,220	$5,197	$2,132	$19,549
Goodwill and intangibles	$516,304	$284,291	$	$800,595
Total assets	$820,577	$400,176	$204,474	$1,425,227

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

15. Segment Information (continued)

	For the Year Ended December 31, 2012			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$719,364	$343,901	$	$1,063,265
Cost of services sold	479,060	254,740		733,800
Office and general expenses	188,954	71,798	38,847	299,599
Depreciation and amortization	27,260	17,190	1,342	45,792
Operating profit (Loss)	24,090	173	(40,189)	(15,926)
Other income (Expense):				
Other income, net				117
Foreign exchange loss				(976)
Interest expense and finance charges, net				(46,190)
Loss from continuing operations before income taxes, equity in affiliates				(62,975)
Income tax expense				9,553
Loss from continuing operations before equity in affiliates				(72,528)
Equity in earnings of affiliates				633
Loss from continuing operations				(71,895)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(6,681)
Net loss				(78,576)
Net income attributable to noncontrolling interests	(5,167)	(1,696)		(6,863)
Net loss attributable to MDC Partners Inc.				$(85,439)
Stock-based compensation	$9,186	$8,227	$14,784	$32,197
Capital expenditures from continuing operations	$11,455	$8,459	$382	$20,296
Goodwill and intangibles	$532,643	$250,671	$	$783,314
Total assets	$827,248	$397,450	$120,247	$1,344,945

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

15. Segment Information (continued)

	For the Year Ended December 31, 2011			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$608,022	$326,266	$	$934,288
Cost of services sold	425,316	241,402		666,718
Office and general expenses	137,824	44,172	35,432	217,428
Depreciation and amortization	22,378	16,457	826	39,661
Operating profit (Loss)	22,504	24,235	(36,258)	10,481
Other income (Expense):				
Other income, net				116
Foreign exchange loss				(1,677)
Interest expense and finance charges, net				(41,561)
Loss from continuing operations before income taxes, equity in affiliates				(32,641)
Income tax expense				41,735
Loss from continuing operations before equity in affiliates				(74,376)
Equity in earnings of affiliates				213
Loss from continuing operations				(74,163)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(2,082)
Net loss				(76,245)
Net income attributable to noncontrolling interests	(6,414)	(2,015)		(8,429)
Net loss attributable to MDC Partners Inc.				$(84,674)
Stock-based compensation	$5,149	$3,695	$14,813	$23,657
Capital expenditures from continuing operations	$11,647	$4,719	$6,929	$23,295
Goodwill and intangibles	$426,034	$237,190	$	$663,224
Total assets	$627,268	$380,825	$47,652	$1,055,745

A summary of the Company s long-lived assets, comprised of fixed assets, goodwill and intangibles, net, as at December 31, is set forth in the following table.

	United States	Canada	Other	Total
Long-lived Assets				
2013	$ 44,360	$ 5,424	$ 2,287	$ 52,071
2012	$ 45,068	$ 6,145	$ 1,701	$ 52,914
Goodwill and Intangible Assets				
2013	$ 720,373	$ 80,222	$	$ 800,595
2012	$ 698,083	$ 85,231	$	$ 783,314

83

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

15. Segment Information (continued)

A summary of the Company s revenue as at December 31 is set forth in the following table.

	United States	Canada	Other	Total
Revenue:				
2013	$ 944,954	$ 135,630	$ 68,297	$ 1,148,881
2012	$ 862,611	$ 148,063	$ 52,591	$ 1,063,265
2011	$ 751,875	$ 149,670	$ 32,743	$ 934,288

16. Related Party Transactions

(a) The Company incurred fees and paid cash incentive awards totaling $15,992, $2,739 and $3,375 in 2013, 2012 and 2011, respectively, relating to companies controlled by the Chairman and Chief Executive Officer (CEO) of the Company in respect of services rendered pursuant to a management services agreement and incentive plans.

On April 25, 2007, the Company entered into a new Management Services Agreement (as amended and restated on May 6, 2013, the Services Agreement) with Miles Nadal and with Nadal Management, Inc. to set forth the terms and conditions on which Miles Nadal will continue to provide services to the Company as its Chief Executive Officer. The Services Agreement is subject to automatic one-year extensions unless either party gives to the other a 60-day advance written notice of its intention not to renew. Effective January 1, 2013, the annual retainer amount (base salary) under the Services Agreement was increased to $1,750 and effective January 1, 2014, the annual retainer amount was increased to $1,850.

During 2011, 2012 and 2013 and in accordance with this Services Agreement, Mr. Nadal repaid an amount equal to $102, $475 and $5,445 of loans due to the Company. As of April 26, 2013, Mr. Nadal has repaid and satisfied in full the remaining principal balance of all previously outstanding loans made by the Company to Mr. Nadal and his affiliates. After giving effect to this final repayment by Mr. Nadal to the Company, there is currently $0 remaining due and owing to the Company in respect of all prior loans.

(b) Pursuant to the amended Services Agreement, the Company agreed to provide to its CEO, Miles S. Nadal a special bonus of C$10,000 upon the first to occur of (i) the average market price of the Company s Class A subordinate voting shares is C$30 per share or more for more than 20 consecutive trading days (measured as of the close of trading on each applicable date) or (ii) a change of control of the Company. This bonus is payable until the date that is three years after the date on which Mr. Nadal is no longer employed by the Company for any reason. During November 2013, this bonus was earned and paid to Mr. Nadal in the amount of C$10,000 (US $9,649).

(c)

In 2000, the Company purchased 1,600,000 shares in Trapeze Media Limited (Trapeze) for $215. At the same time, the Company s CEO purchased 4,280,000 shares of Trapeze for $576, the Company s former Chief Financial Officer and a Managing Director of the Company each purchased 50,000 Trapeze shares for $7 and a Board Member of the Company purchased 75,000 shares of Trapeze for $10. In 2001, the Company purchased an additional 1,250,000 shares for $161, and the Company s CEO purchased 500,000 shares for $64. In 2002, the Company s CEO purchased 3,691,930 shares of Trapeze for $470. All of these purchases were made at identical prices (C$.20/share). In 2003, the Company and the CEO exchanged their units in Trapeze for non-voting shares and entered into a voting trust agreement.

During 2013 and 2011, an MDC partner firm provided services to Trapeze in exchange for fees equal to $187 and $390, respectively. Trapeze did not provide any services to MDC nor its partner firms in the three years ended December 31, 2013.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

17. Commitments, Contingencies and Guarantees

Deferred Acquisition Consideration. In addition to the consideration paid by the Company in respect of certain of its acquisitions at closing, additional consideration may be payable, or may be potentially payable based on the achievement of certain threshold levels of earnings. See Note 2 and Note 4.

Put Options. Owners of interests in certain subsidiaries have the right in certain circumstances to require the Company to acquire either a portion of or all of the remaining ownership interests held by them. The owners ability to exercise any such put option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during the period 2014 to 2018. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

The amount payable by the Company in the event such rights are exercised is dependent on various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise, the growth rate of the earnings of the relevant subsidiary during that period, and, in some cases, the currency exchange rate at the date of payment.

Management estimates, assuming that the subsidiaries owned by the Company at December 31, 2013, perform over the relevant future periods at their 2013 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately $17,807 to the owners of such rights to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately $1,319 by the issuance of share capital. In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $130,727 only upon termination of such owner s employment with the applicable subsidiary or death. The ultimate amount payable relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when and if these rights are exercised. The aggregate amount of these options is $148,534, which has been recorded on the balance sheet at December 31, 2013 and is included in Redeemable Noncontrolling Interests.

Natural Disasters. Certain of the Company s operations are located in regions of the United States and the Caribbean which typically are subject to hurricanes. During the year ended December 31, 2013, 2012 and 2011, these operations did not incur any material costs related to damages resulting from hurricanes, although certain agency operations experienced temporary closures as a result of Hurricane Sandy.

Guarantees. Generally, the Company has indemnified the purchasers of certain assets in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for a number of years. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

Legal Proceedings. The Company s operating entities are involved in legal proceedings of various types. While any litigation contains an element of uncertainty, the Company has no reason to believe that the outcome of such proceedings or claims will have a material adverse effect on the financial condition or results of operations of the Company.

Commitments. At December 31, 2013, the Company has $4,884 of undrawn outstanding letters of credit. In addition, the Company has commitments to fund investments in an aggregate amount of $2,546.

Leases. The Company and its subsidiaries lease certain facilities and equipment. Gross premises rental expense amounted to $40,111 for 2013, $35,909 for 2012 and $26,521 for 2011, which was reduced by

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

17. Commitments, Contingencies and Guarantees (continued)

sublease income of $897 in 2013, $820 in 2012 and $555 in 2011. Where leases contain escalation clauses or other concessions, the impact of such adjustments is recognized on a straight-line basis over the minimum lease period.

Minimum rental commitments for the rental of office and production premises and equipment under non-cancellable leases net of sublease income, some of which provide for rental adjustments due to increased property taxes and operating costs for 2012 and thereafter, are as follows:

Period	Amount
2014	$ 41,166
2015	40,447
2016	35,893
2017	30,350
2018	31,026
2019 and thereafter	86,696
	$ 265,578

At December 31, 2013, the total future cash to be received on sublease income is $6,201.

18. New Accounting Pronouncements

On January 1, 2013, we adopted FASB Accounting Standards Update No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment. This standard provides an option for companies to use a qualitative approach to test indefinite-lived intangibles for impairment if certain conditions are met. If an entity concludes, based on qualitative factors, that it is more likely than not that a reporting unit's fair value is less than its carrying amount, then the entity is required to perform the existing two step quantitative impairment test. If based on this qualitative approach, impairment is not indicated, no further testing is required. An entity may choose to perform the qualitative assessment on none, some or all of its reporting units or an entity may bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the two step quantitative impairment test. We perform our annual impairment test at the beginning of the fourth quarter of each year. However, for 2013, the Company did not use the qualitative approach.

Effective January 1, 2013, we adopted FASB Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This update, which was issued in February 2013, amended disclosure requirements for the presentation of comprehensive income. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The standard requires presentation (either in a single note or parenthetically on the face of the financial statements) of the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, a cross reference to the related footnote for additional information will be required. The year ended December 31, 2013 had no significant amounts reclassified out of accumulated other comprehensive income, (see Note 20).

In March 2013, the FASB issued Accounting Standards Update No 2013-05, Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or an Investment in a Foreign Entity. This update addresses the accounting for the cumulative translation adjustment when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The amendments are effective prospectively for the company beginning on January 1, 2014. The implementation of the amended accounting guidance is not expected to have a material impact on our consolidated financial position or results of operations.

TABLE OF CONTENTS

MDC PARTNERS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

18. New Accounting Pronouncements (continued)

In July 2013, the FASB issued Accounting Standards Update No 2013-11, Income Taxes. This update will require an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or tax credit carryforward. The implementation of the amended accounting guidance will not have an impact on the presentation of our financial statements.

19. Employee Benefit Plans

A subsidiary acquired in 2012 sponsors a defined benefit plan. The benefits under the defined benefit plans are based on each employee s years of service and compensation. Effective March 1, 2006, the plan was frozen to all new employees. The Company s policy is to contribute the minimum amounts required by the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The assets of the plans are invested in an investment trust fund and consist of investments in money market funds, bonds and common stock, mutual funds, preferred stock, and partnership interests.

Net periodic pension cost consists of the following components for the year ended December 31:

	Pension Benefits 2013	Pension Benefits 2012
Service cost	$	$
Interest cost on benefit obligation	1,752	1,375
Expected return on plan assets	(1,829)	(1,391)
Curtailment and settlements	105	385
Amortization of prior service cost		
Amortization of actuarial (gains) losses	15	
Net periodic benefit cost	$ 43	$ 369

ASC 715-30-25 requires an employer to recognize the funded status of its defined pension benefit plan as a net asset or liability in its statement of financial position with an offsetting amount in accumulated other comprehensive income, and to recognize changes in that funded status in the year in which changes occur through comprehensive income.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

19. Employee Benefit Plans (continued)

Other changes in plan assets and benefit obligation recognized in Other Comprehensive Loss consist of the following for the year ended December 31:

	Pension Benefits 2013	Pension Benefits 2012
Curtailment/settlement	$ (105)	$ (385)
Current year actuarial (gain) loss	(7,928)	5,714
Amortization of actuarial gain (loss)	(15)	
Current year prior service (credit) cost		
Amortization of prior service credit (cost)		
Amortization of transition asset (obligation)		
Total recognized in other comprehensive (income) loss	$ (8,048)	$ 5,329
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$ (8,005)	$ 5,698

The following table summarizes the change in benefit obligations and fair values of plan assets for the years ended December 31, 2013 and 2012:

	Pension Benefits 2013	Pension Benefits 2012
Change in benefit obligation:		
Benefit obligation, Beginning balance	$ 40,041	$ 35,624
Service Cost		
Interest Cost	1,752	1,375
Plan amendments		
Curtailment/settlement	(1,567)	(1,655)
Actuarial (gains) losses	(4,954)	7,069
Benefits paid	(2,415)	(2,372)
Benefit obligation, Ending balance	32,857	40,041
Change in plan assets:		
Fair value of plan assets, Beginning balance	24,769	25,045
Actual return on plan assets	3,236	1,091

Employer contributions	1,278	1,005
Benefits paid	(2,415)	(2,372)
Fair value of plan assets, Ending balance	26,868	24,769
Unfunded status	$ 5,989	$ 15,272

	Pension Benefits 2013	Pension Benefits 2012
Amounts recognized in the balance sheet consist of:		
Noncurrent liability	$ 5,989	$ 15,272
Net amount recognized	$ 5,989	$ 15,272

88

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

19. Employee Benefit Plans (continued)

Amounts recognized in Accumulated Other Comprehensive Loss:

	Pension Benefits 2013	Pension Benefits 2012
Accumulated net actuarial losses	$ (1,607)	$ (5,329)
Accumulated prior service cost		
Accumulated transition obligation		
Net amount recognized, net of tax	$ (1,607)	$ (5,329)

The preceding table presents two measures of benefit obligations for the pension plan. Accumulated benefit obligation (ABO) generally measures the value of benefits earned to date. Projected benefit obligation (PBO) also includes the effect of assumed future compensation increases for plans in which benefits for prior service are affected by compensation changes. This pension plan has asset values less than these measures. Plan funding amounts are calculated pursuant to ERISA and Internal Revenue Code rules.

Weighted average assumptions used to determine benefit obligations as of December 31,:

	Pension Benefits 2013	Pension Benefits 2012
Discount rate	5.26 %	5.23 %
Rate of compensation increase	N/A	N/A

The discount rate assumptions at December 31, 2013 and 2012 were determined independently. A yield curve was produced for a universe containing the majority of U.S.-issued Aa-graded corporate bonds, all of which were non-callable (or callable with make-whole provisions). The discount rate was developed as the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

Weighted average assumptions used to determine net periodic costs at December 31,:

	Pension Benefits 2013	Pension Benefits 2012
Discount rate	4.53 %	4.53 %
Expected return on plan assets	7.40 %	7.40 %
Rate of compensation increase	N/A	N/A

The expected return on plan assets is a long-term assumption established by considering historical and anticipated returns of the asset classes invested in by the pension plan and the allocation strategy currently in place among those classes.

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

19. Employee Benefit Plans (continued)

Fair Value of Plan Assets

The Defined Benefit plan assets fall into any of three fair value classifications as defined in the Guidance for Fair Value Measurements. There are no Level 3 assets held by the plan. The fair value of the plan assets as of December 31 is as follows:

		December 31, 2013	Level 1	Level 2	Level 3
Asset Category:					
Money Market Fund	Short Term Investments	$ 2,020	$ 106	$ 1,914	$
Common Stock		9,826	9,826		
Corporate Bonds		6,215		6,215	
Mutual Funds		8,172	8,172		
Foreign Stock		635	635		
Total		$ 26,868	$ 18,739	$ 8,129	$

		December 31, 2012	Level 1	Level 2	Level 3
Asset Category:					
Money Market Fund	Short Term Investments	$ 644	$ 82	$ 562	$
Common Stock		9,981	9,981		
Corporate Bonds		6,426		6,426	
Mutual Funds		7,173	7,173		
Foreign Stock		545	545		
Total		$ 24,769	$ 17,781	$ 6,988	$

The pension plans weighted-average target allocation for the years ended December 31, 2013 and 2012 and strategic asset allocation matrix as of December 31, 2013 and 2012 are as follows:

	Target Allocation 2013	Plan Assets 2013
Asset Category:		

Equity Securities	60 %	55.6 %
Debt Securities	40 %	36.9 %
Cash/Cash Equivalents	0 %	7.5 %
	100 %	100 %

The investment policy for the plans is formulated by the Company s Pension Plan Committee (the Committee). The Committee is responsible for adopting and maintaining the investment policy, managing the investment of plan assets and ensuring that the plans investment program is in compliance with all provisions of ERISA, as well as the appointment of any investment manager who is responsible for implementing the plans investment process.

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Company, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

19. Employee Benefit Plans (continued)

The Company s overall investment strategy is to achieve a mix of approximately 50 percent of investments for long-term growth and 50 percent for near-term benefit payments with a wide diversification of asset types and fund strategies.

Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States, as well as a smaller percentage invested in large-cap and mid-cap companies located outside of the United States. Fixed income securities are diversified across different asset types with bonds issued in the United States as well as outside the United States.

The target allocation of plan assets is 50 percent equity securities and 50 percent corporate bonds and U.S. Treasury securities.

The Plan invests in various investment securities. The investments are primarily invested in corporate equity and bond securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the preceding tables.

The above tables present information about the pension plan assets measured at fair value at December 31, 2013 and the valuation techniques used by the Company to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

The net of investment manager fee asset return objective is to achieve a return earned by passively managed market index funds, weighted in the proportions identified in the strategic asset allocation matrix. Each investment manager is expected to perform in the top one-third of funds having similar objectives over a full market cycle.

The investment policy is reviewed by the Committee at least annually and confirmed or amended as needed. Under ASC 715-30-25, the transition obligation, prior service costs, and actuarial (gains)/losses are recognized in Accumulated Other Comprehensive Income each December 31 or any interim measurement date, while amortization of these amounts through net periodic benefit cost will occur in accordance with ASC 715-30 and ASC 715-60. The estimated amounts that will be amortized in 2014 are as follow:

Estimated 2014 Amortization	Pension Benefits
Prior service cost (credit) amortization	$
Net loss amortization	
Total	$

91

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

19. Employee Benefit Plans (continued)

The following estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits
Estimated Future Benefit Payments for FYE 12/31	
2014	$ 1,061
2015	$ 1,118
2016	$ 1,187
2017	$ 1,333
2018	$ 1,446
2019 2023	$ 8,911

The pension plan contributions are deposited into a trust, and the pension plan benefit payments are made from trust assets.

20. Changes in Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) for the year ended December 31, 2013 were:

	Defined Benefit Pension	Foreign Currency Translation	Total
Balance January 1	$(5,329)	$ (2,116)	$(7,445)
Other comprehensive income (loss) before reclassifications		(288)	
Amounts reclassified from accumulated other comprehensive income (loss) (net of taxes of $1,112)	6,936		6,648
Other comprehensive income (loss)	6,936	(288)	6,648
Balance December 31	$1,607	$ (2,404)	$(797)

Reclassifications from accumulated other comprehensive income (loss) for the year ended December 31, 2013 were:

Amortization of defined pension plan:	
Prior service cost	$
Actuarial (gains) losses	15
Net periodic benefit cost (see Note 19)	15
Income tax expense	6
Net of tax	$ 7

21. Subsequent Events

Effective January 1, 2014, MDC acquired 60% of the equity interests of Luntz Global Partners LLC. Effective February 14, 2014 MDC acquired 65% of the equity interests of Kingsdale Partners LP. The aggregate purchase price for these transactions consisted of $41,315 paid at closing and additional contingent amounts based on 2014 through 2019 earnings.

92

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

22. Quarterly Results of Operations (Unaudited)

The following table sets forth a summary of the Company s consolidated unaudited quarterly results of operations for the years ended December 31, 2013 and 2012, in thousands of dollars, except per share amounts.

	Quarters			
	First	Second	Third	Fourth
Revenue:				
2013	$265,636	$287,499	$288,670	$307,076
2012	$233,790	$271,425	$265,410	$292,640
Cost of services sold:				
2013	$177,858	$189,677	$189,204	$197,755
2012	$174,628	$186,007	$178,828	$194,337
Income (loss) from continuing operations:				
2013	$(39,994)	$12,651	$(11,901)	$(91,774)
2012	$(22,909)	$(15,229)	$(11,897)	$(21,860)
Net income (loss) attributable to MDC Partners Inc.:				
2013	$(43,158)	$9,816	$(21,200)	$(94,321)
2012	$(26,281)	$(20,113)	$(14,497)	$(24,548)
Income (loss) per common share:				
Basic				
Continuing operations:				
2013	$(0.87)	$0.24	$(0.29)	$(1.98)
2012	$(0.55)	$(0.38)	$(0.28)	$(0.50)
Net income (loss):				
2013	$(0.92)	$0.21	$(0.45)	$(2.00)
2012	$(0.59)	$(0.43)	$(0.31)	$(0.53)
Diluted				
Continuing operations:				
2013	$(0.87)	$0.22	$(0.29)	$(1.98)
2012	$(0.55)	$(0.38)	$(0.28)	$(0.50)
Net income (loss):				
2013	$(0.92)	$0.19	$(0.45)	$(2.00)
2012	$(0.59)	$(0.43)	$(0.31)	$(0.53)

The above revenue, cost of services sold, and income (loss) from continuing operations have primarily been affected by acquisitions, divestitures and discontinued operations.

Historically, with some exceptions, the Company s fourth quarter generates the highest quarterly revenues in a year. The fourth quarter has historically been the period in the year in which the highest volumes of media placements and retail related consumer marketing occur.

93

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except Share and per Share Amounts)

22. Quarterly Results of Operations (Unaudited) (continued)

Income (loss) from continuing operations and net loss have been affected as follows:

The fourth quarter of 2013 includes stock based compensation charges of $63,715.
The fourth quarter of 2012 includes stock based compensation charges of $5,827.
The fourth quarter of 2013 includes deferred acquisition adjustments of $30,514.
The fourth quarter of 2012 includes deferred acquisition adjustments of $32,901.

TABLE OF CONTENTS

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

Not Applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be included in our SEC reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), who is our principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

We conducted an evaluation, under the supervision and with the participation of our management, including our CEO, our CFO and our management Disclosure Committee, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, the CEO and CFO have concluded that the Company s disclosure controls and procedures were effective.

(b) Management s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We evaluated the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, we used the criteria set forth in Internal Control *Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, we believe that, as of December 31, 2013, we maintained effective internal control over financial reporting based on these criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2013, has been independently audited by BDO USA LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

TABLE OF CONTENTS

(d) Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
MDC Partners Inc.
New York, New York
Toronto, Canada

We have audited MDC Partners Inc. internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). MDC Partners Inc. management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management s Report on Internal Control Over Financial Reporting . Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, MDC Partners Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of MDC Partners Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, shareholders equity (deficit), and cash flows for each of the three years in the period ended December 31, 2013 and our report dated March 10, 2014 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
March 10, 2014

96

TABLE OF CONTENTS

Item 9B. Other Information

Approval of Long Term Cash Incentive Compensation Plan. On March 6, 2014, the Board of Directors of the Company approved and adopted the MDC Partners Inc. Long-Term Cash Incentive Compensation Plan (the LTIP Plan). The purpose of the LTIP is to provide key executives of the Company with an incentive to achieve and exceed the long term financial objectives established by the Company; facilitate the achievement of forward-looking long term performance goals by key executives; align the motivations and performance goals of the key executives with the Company s commercial goals and the interests of the Company s shareholders through the use of both internal performance and relative Total Shareholder Return (TSR); and enable the Company to attract and retain executives who will pursue the long term financial goals established by the Company.

Administration. The LTIP shall be administered by the Human Resources & Compensation Committee of the Board of Directors (the Committee). The Committee shall have full discretionary authority to determine awards to be granted under the LTIP, establish performance measures, adopt rules and regulations relating to the LTIP, and make decisions and interpretations regarding the provisions of the LTIP, including the level of achievement of performance measures and payment of cash awards.

Awards. The LTIP provides for the grant of long-term cash awards to select employees of the Company and its subsidiaries. Awards made under the LTIP may be granted subject to satisfaction of time or performance based vesting conditions.

Performance Measures. Unless otherwise determined by the Committee, the performance measures applicable to performance awards granted under the LTIP shall be objectively measurable and established for a period coinciding with or ending within the applicable performance period. The initial performance period for awards made under the LTIP shall commence on January 1, 2014 and end on December 31, 2016. The initial performance measures shall consist of: (1) TSR relative to a group of comparator companies; and (2) cumulative EBITDA.

Payment of Awards. All cash awards granted under the LTIP shall be evidenced by a separate written agreement entered into by the Company and the recipient of such cash award (the Award Agreement). The Award Agreement shall set forth the amount and terms of a participant s cash award, including the performance measures and the level of attainment required in respect of performance awards. Grants may be made annually under the LTIP, with the Board of Directors having approved initial grants to the CEO and other executives on March 6, 2014.

Repayment Obligations. In accordance with applicable law, the Committee in its discretion may require participants to repay any net income derived from a cash award in the event of a restatement of the Company s financial results within three years after payment of such cash award to correct a material error that is determined by the Committee to be the result of fraud or intentional misconduct.

This summary of the LTIP is qualified by reference to the full text of the LTIP, which is incorporated herein by reference as Exhibit 10.13 to this Annual Report on Form 10-K.

TABLE OF CONTENTS

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the sections captioned Nomination of Directors, Information Concerning Nominees for Election as Directors, Information Concerning Executive Officers , Audit Committee , Ethical Conduct and Compliance wi Section 16(a) of the Exchange Act in our Proxy Statement for the 2013 Annual General Meeting of Stockholders, which will be filed with the Commission within 120 days of the close of our fiscal year ended December 31, 2013, which sections are incorporated herein by reference.

Executive Officers of MDC Partners

The executive officers of MDC Partners as of March 1, 2014 are:

Name	Age	Office
Miles S. Nadal(1)	56	Chairman of the Board, Chief Executive Officer and President
Stephen Pustil(1)	70	Vice Chairman
David B. Doft	42	Chief Financial Officer
Mitchell S. Gendel	48	General Counsel & Corporate Secretary
Michael C. Sabatino	49	Senior Vice President, Chief Accounting Officer
Andre Coste	50	Executive Vice President, Chief Financial Officer, The MDC Partners Network
David C. Ross	33	Senior Vice President, Corporate Development

(1) Also a director

There is no family relationship among any of the executive officers.

Mr. Nadal is the founder of MDC and has held the positions of Chairman of the Board and Chief Executive Officer of MDC since 1986, and the position of President since 2007. Mr. Nadal is also the founder and a partner of Peerage Capital, a Canadian private equity firm, Peerage Realty Partners, and Artemis Investment Management. Mr. Nadal is active in supporting various business and community organizations including Mount Sinai Hospital, Junior Achievement of Canada, The Young Presidents Association and the Schulich School of Business.

Mr. Pustil has been a director of MDC since 1992, and its Vice Chairman since 1992. Mr. Pustil is also a Managing Partner at Peerage Capital, President of Peerage Realty Partners, and Chairman of Artemis Investment Management. Mr. Pustil is a chartered accountant and serves on the Board of Mount Sinai Hospital.

Mr. Doft joined MDC Partners in August 2007 as Chief Financial Officer. Prior to joining MDC Partners, he oversaw media and Internet investments at Cobalt Capital Management Inc. from July 2005 to July 2007. Prior thereto, he worked at Level Global Investors from October 2003 to March 2005 investing in media and Internet companies. Before that, Mr. Doft was a sell side analyst for ten years predominately researching the advertising and marketing services sector for CIBC World Markets where he served as Executive Director and ABN AMRO/ING Barings Furman Selz where he was Managing Director.

Mr. Gendel joined MDC Partners in November 2004, as General Counsel and Corporate Secretary. Prior to joining MDC Partners, he served as Vice President and Assistant General Counsel at The Interpublic Group of Companies, Inc. from December 1999 until September 2004.

Mr. Sabatino joined MDC Partners in April 2005 as Senior Vice President and Chief Accounting Officer. Prior to joining MDC Partners, he was an audit partner with the accounting firm of Eisner LLP from April 2004. Prior to that, from December 2001 to March 2004, he was the Co-CFO/Senior Vice President Finance of JAKKs Pacific, Inc., a publicly-held toy company. Before that, Mr. Sabatino was an audit partner at BDO USA, LLP, a public accounting firm.

Mr. Coste joined MDC Partners in April 2013 as Executive Vice President and Chief Financial Officer of The MDC Partners Network. Prior to joining MDC Partners, he was with Publicis Worldwide for 9 years, first as Chief Financial Officer of the Asia-Pacific Region from 2004 to 2008 and then as Global Chief Financial Officer from 2008 to 2013.

Mr. Ross joined MDC Partners in March 2010 and became Senior Vice President, Corporate Development, in March 2012. Prior to joining MDC Partners, he was an Associate at Skadden Arps LLP where he represented corporate clients in a variety of capital markets and M&A transactions.

Additional information about our directors and executive officers appears under the captions Election of Directors and Executive Compensation in our Proxy Statement.

Code of Conduct

The Company has adopted a Code of Conduct, which applies to all directors, officers (including the Company s Chief Executive Officer and Chief Financial Officer) and employees of the Company and its subsidiaries. The Company s policy is to not permit any waiver of the Code of Conduct for any director or executive officer, except in extremely limited circumstances. Any waiver of this Code of Conduct for directors or officers of the Company must be approved by the Company s Board of Directors. Amendments to and waivers of the Code of Conduct will be publicly disclosed as required by applicable laws, rules and regulations. The Code of Conduct is available free of charge on the Company s website at *http://www.mdc-partners.com*, or by writing to MDC Partners Inc., 745 Fifth Avenue, New York, NY, 10151, Attention: Investor Relations.

Item 11. Executive Compensation

Reference is made to the sections captioned Compensation of Directors and Executive Compensation in our next Proxy Statement, which are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Reference is made to Part II Item 5 of this Form 10-K and to the sections captioned Section 16 (a) Beneficial Ownership Reporting Compliance in the Company s next Proxy Statement, which are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

Reference is made to the section captioned Certain Relationships and Related Transactions in our next Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Reference is made to the section captioned Appointment of Auditors in our next Proxy Statement, which is incorporated herein by reference.

TABLE OF CONTENTS

PART IV

Item 15. Exhibits and Financial Statement Schedules.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
MDC Partners Inc. New York, New York
Toronto, Canada

The audits referred to in our report dated March 10, 2014 relating to the consolidated financial statements of MDC Partners Inc., which is contained in Item 8 of this Form 10-K also included the audit of the financial statement Schedule II for years ended 2013, 2012 and 2011. This financial statement schedule is the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion such financial statement Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ BDO USA, LLP
New York, New York
March 10, 2014

(a) Financial Statements and Schedules

The Financial Statements and schedules listed in the accompanying index to Consolidated Financial Statements in Item 8 are filed as part of this report. Schedules not included in the index have been omitted because they are not applicable.

Schedule II 1 of 2

MDC PARTNERS INC. & SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended December 31, 2013
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Removal of Uncollectable Receivables	Translation Adjustments Increase (Decrease)	Balance at the End of Period
Valuation accounts deducted from assets to which they apply allowance for doubtful accounts:					
December 31, 2013	1,581	1,484	(1,042)	$ 12	$ 2,011
December 31, 2012	$ 851	$ 1,587	$ (864)	$ 7	$ 1,581
December 31, 2011	$ 1,990	$ 158	$ (1,299)	$ 2	$ 851

Schedule II 2 of 2

MDC PARTNERS INC. & SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended December 31, 2013
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Other[(1)]	Translation Adjustments Increase (Decrease)	Balance at the End of Period
Valuation accounts deducted from assets to which they apply valuation allowance for deferred income taxes:					
December 31, 2013	$ 134,761	$ 6,640	$ (2,212)	$ (1,228)	$ 137,961
December 31, 2012	$ 113,585	$ 16,240	$ 4,449	$ 487	$ 134,761
December 31, 2011	$ 66,459	$ 47,422	$ (4)	$ (292)	$ 113,585

(1) Adjustment to reconcile actual net operating loss carry forwards to prior year tax accrued, utilization of net operating loss carry forwards, which were fully reserved, adjustment for net operating loss relating to sale of business and pension plan adjustment.

(b) Exhibits

The exhibits listed on the accompanying Exhibits Index are filed as a part of this report.

101

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MDC PARTNERS INC.

	By:
Date: March 10, 2014	/s/ Miles S. Nadal
	Name: Miles S. Nadal Title: Chairman, Chief Executive Officer and President

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

Signature	Title	Date
/s/ Miles S. Nadal Miles S. Nadal	Chairman, Chief Executive Officer and President	March 10, 2014
/s/ Scott Kauffman Scott Kauffman	Presiding Director	March 10, 2014
/s/ Robert Kamerschen Robert Kamerschen	Director	March 10, 2014
/s/ Clare Copeland Clare Copeland	Director	March 10, 2014
/s/ Thomas N. Davidson Thomas N. Davidson	Director	March 10, 2014
/s/ Michael J. Kirby Michael J. Kirby	Director	March 10, 2014
/s/ Irwin D. Simon Irwin D. Simon	Director	March 10, 2014
/s/ Stephen M. Pustil Stephen M. Pustil	Director, Vice Chairman	March 10, 2014
/s/ David Doft David Doft	Chief Financial Officer	March 10, 2014
	Senior Vice President and Chief Accounting Officer	March 10, 2014

/s/ Michael Sabatino

Michael Sabatino

TABLE OF CONTENTS

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amalgamation, dated January 1, 2004 (incorporated by reference to Exhibit 3.1 to the Company s Form 10-Q filed on May 10, 2004);
3.1.1	Articles of Continuance, dated June 28, 2004 (incorporated by reference to Exhibit 3.3 to the Company s Form 10-Q filed on August 4, 2004);
3.1.2	Articles of Amalgamation, dated July 1, 2010 (incorporated by reference to Exhibit 3.1 to the Company s Form 10-Q filed on July 30, 2010);
3.2	General By-law No. 1, as amended on April 29, 2005 (incorporated by reference to Exhibit 3.2 to the Company s Form 10-K filed on March 16, 2007);
3.1.3	Articles of Amalgamation, dated May 1, 2011 (incorporated by reference to Exhibit 3.1 to the Company s Form 10-Q filed on May 2, 2011);
3.1.4	Articles of Amalgamation, dated January 1, 2013*
3.1.5	Articles of Amalgamation, dated April 1, 2013*
3.1.6	Articles of Amalgamation, dated July 1, 2013*
4.1	Indenture, dated as of March 20, 2013, among the company, the Guarantors and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company s Form 8-K filed on March 20, 2013;
4.1.1	6.75% Senior Notes due 2020 (incorporated by reference to Exhibit 4.2 to the Company s Form 8-K filed on March 20, 2013);
4.1.2	First Supplemental Indenture, dated as of June 21, 2013 (adding Anomaly Inc. as an Additional Note Guarantor), to the Indenture dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee.*
4.1.3	Second Supplemental Indenture, dated as of November 6, 2013 (adding LBN Partners LLC as an Additional Note Guarantor), to the Indenture dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee.*
4.1.4	Third Supplemental Indenture, dated as of November 15, 2013, to the Indenture, dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee, including the form of 6.75% Senior Notes due 2020.*
10.1	Amended and Restated Credit Agreement, dated as of March 20, 2013, among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Capital Finance, LLC, as agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed on March 20, 2013);
10.1.1	Consent and First Amendment, dated November 8, 2013, to Credit Agreement, dated as of March 20, 2013 by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC (now Wells Fargo Capital Finance, LLC), as agent, and the lenders party thereto*;
10.1.2	Second Amendment, dated February 14, 2014, to Credit Agreement, dated as of March 20, 2013, by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC (now Wells Fargo Capital Finance, LLC), as agent, and the lenders party thereto*;
10.2	Amended and Restated Management Services Agreement dated as of May 6, 2013, by and among MDC Partners Inc.; Nadal Management Limited; Nadal Financial Corporation and Miles Nadal (incorporated by reference to Exhibit 10.1 to the Company s Form 10-Q filed on

	May 8, 2013);
10.3	Employment Agreement between the Company and Stephen M. Pustil, dated as of August 20, 2007 (incorporated by reference to Exhibit 10.1 to the Company s 10-Q filed on November 8, 2007);
10.3.1	Amendment No. 1 dated August 5, 2010, to the Employment Agreement made as of August 20, 2007, by and between MDC Partners Inc. and Stephen Pustil (incorporated by reference to Exhibit 10.1 to the Company s Form 10-Q filed on October 29, 2010);

103

TABLE OF CONTENTS

Exhibit No.	Description
10.4	Employment Agreement between the Company and David Doft, dated as of July 19, 2007 (effective August 10, 2007) (incorporated by reference to Exhibit 10.7 to the Company s Form 10-Q filed on August 7, 2007);
10.4.1	Amendment No. 1 dated March 7, 2011, to the Amended and Restated Employment Agreement made as of July 19, 2007, by and between the Company and David Doft (incorporated by reference to Exhibit 10.2 to the Company s Form 10-Q filed on May 2, 2011);
10.5	Employment Agreement between the Company and Gavin Swartzman, dated as of September 5, 2007 (incorporated by reference to Exhibit 10.2 to the Company s 10-Q filed on November 8, 2007);
10.6	Amended and Restated Employment Agreement between the Company and Mitchell Gendel, dated as of July 6, 2007 (incorporated by reference to Exhibit 10.5 to the Company s Form 10-Q filed on August 7, 2007);
10.6.1	Amendment No. 1 dated March 7, 2011, to the Amended and Restated Employment Agreement made as of July 6, 2007, by and between the Company and Mitchell Gendel (incorporated by reference to Exhibit 10.3 to the Company s Form 10-Q filed on May 2, 2011);
10.7	Amended and Restated Employment Agreement between the Company and Michael Sabatino, dated as of July 6, 2007 (incorporated by reference to Exhibit 10.6 to the Company s Form 10-Q filed on August 7, 2007);
10.7.1	Amendment No. 1 dated March 7, 2011, to the Amended and Restated Employment Agreement made as of July 6, 2007, by and between the Company and Michael Sabatino (incorporated by reference to Exhibit 10.4 to the Company s Form 10-Q filed on May 2, 2011);
10.8	Amended and Restated Stock Appreciation Rights Plan, as adopted by the shareholders of the Company at the 2009 Annual and Special Meeting of Shareholders on June 2, 2009 (incorporated by reference to Exhibit 10.2 to the Company s Form 8-K filed on June 5, 2009);
10.8.1	Form of Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company s 10-Q filed on May 5, 2006);
10.9	Amended 2005 Stock Incentive Plan of the Company, as approved and adopted by the shareholders of the Company at the 2009 Annual and Special Meeting of Shareholders on June 2, 2009 (incorporated by reference to Exhibit 10.1 to the Company s 8-K filed on June 5, 2009);
10.9.1	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company s Form 10-Q filed on November 9, 2005);
10.9.2	Form of Financial Performance-Based Restricted Stock Grant Agreement (incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed on March 2, 2006);
10.9.3	Form of Financial Performance-Based Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.2 to the Company s Form 8-K filed on March 2, 2006);
10.9.4	Form of Service-Based and Financial Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 of the Company s Form 10-Q filed on November 8, 2007);
10.9.5	Form of Restricted Stock Grant Agreement (2010) (incorporated by reference to Exhibit 10.12.5 to the Company s Form 10-K filed on March 10, 2010);
10.9.6	Form of Restricted Stock Unit (RSU) Grant Agreement (2010) (incorporated by reference to Exhibit 10.12.6 to the Company s Form 10-K filed on March 10, 2010);
10.9.7	Form of Restricted Stock Grant Agreement (2011) (incorporated by reference to Exhibit 10.12.9 to the Company s Form 10-K filed on March 14, 2011);
10.9.8	

	Form of Restricted Stock Unit (RSU) Grant Agreement (2011) (incorporated by reference to Exhibit 10.12.10 to the Company s Form 10-K filed on March 14, 2011);
10.9.9	2008 Key Partner Incentive Plan, as approved and adopted by the shareholders of the Company at the 2008 Annual and Special Meeting of Shareholders on May 30, 2008 (incorporated by reference to Exhibit 10.1 to the Company s Form 10-Q filed on July 31, 2008);
10.10	2011 Stock Incentive Plan of the Company, as approved and adopted by the shareholders of the Company on June 1, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on June 1, 2011);

104

Exhibit No.	Description
10.10.1	Form of Restricted Stock Grant Agreement (2011 Plan) (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on June 1, 2011);
10.10.2	Form of Restricted Stock Unit (RSU) Grant Agreement (2011 Plan) (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on June 1, 2011);
10.10.3	Form of Restricted Stock Grant Agreement (2012) (incorporated by reference to Exhibit 10.13.3 of the Company s Form 10-K filed on March 15, 2012);
10.10.4	Form of Restricted Stock Unit (RSU) Grant Agreement (2012) (incorporated by reference to Exhibit 10.13.4 of the Company s Form 10-K filed on March 15, 2012);
10.10.5	Form of 2014 Financial-Performance Based Restricted Stock Grant Agreement;*
10.11	Form of Incentive/Retention Payment letter agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 1, 2011);
10.12	MDC Partners Inc. Long Term Cash Incentive Compensation; Forms of Award Agreement*
12	Statement of computation of ratio of earnings to fixed charges*;
14	Code of Conduct of MDC Partners Inc. (incorporated by reference to Exhibit 14 to the Company s Form 10-K filed on March 10, 2008);
14.1	MDC Partners Corporate Governance Guidelines, amended in May 2009 (incorporated by reference to Exhibit 14.1 to the Company s Form 10-K filed on March 10, 2010);
21	Subsidiaries of Registrant*;
23	Consent of Independent Registered Public Accounting Firm BDO USA LLP*;
31.1	Certification by Chief Executive Officer pursuant to Rules 13a 14(a) and 15d 14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002*;
31.2	Certification by Chief Financial Officer pursuant to Rules 13a 14(a) and 15d 14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002*;
32.1	Certification by Chief Executive Officer pursuant to 18 USC. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*;
32.2	Certification by Chief Financial Officer pursuant to 18 USC. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*.

* Filed electronically herewith.