MDC PARTNERS INC
Form 10-K
March 02, 2015

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, 2014
Commission File Number 001-13718

MDC PARTNERS INC.
(Exact Name of Registrant as Specified in Its Charter)

Canada (State or Other Jurisdiction of Incorporation or Organization)	98-0364441 (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 ý
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 ý
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 ý 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 ý 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 x Accelerated Filer o 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 ý

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, 2014 was approximately $916 million, computed upon the basis of the closing sales price ($21.11/share) of the Class A subordinate voting shares on that date.

As of February 22, 2015, there were 50,494,080 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.

TABLE OF CONTENTS

MDC PARTNERS INC.

TABLE OF CONTENTS

		Page
PART I		
Item 1.	Business	1
Item 1A.	Risk Factors	5
Item 1B.	Unresolved Staff Comments	10
Item 2.	Properties	10
Item 3.	Legal Proceedings	10
Item 4.	Mine Safety Disclosures	10
PART II		
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	11
Item 6.	Selected Financial Data	12
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	35
Item 8.	Financial Statements and Supplementary Data	36
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	88
Item 9A.	Controls and Procedures	88
Item 9B.	Other Information	90
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	91
Item 11.	Executive Compensation	92
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	92
Item 13.	Certain Relationships and Related Transactions, and Director Independence	92
Item 14.	Principal Accountant Fees and Services	92
PART IV		
Item 15.	Exhibits and Financial Statements Schedules	94
Signatures		95

TABLE OF CONTENTS

References in this Annual Report on Form 10-K to "MDC Partners", "MDC", the "Company," "we," "us" and "our" refer to M Partners Inc. and, unless the context otherwise requires or otherwise is expressly stated, its subsidiaries. References in the Annual Report on Form 10-K to "Partners" refer to the subsidiaries of the Company.
All dollar amounts are stated in U.S. 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 4, 2015, 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 (the "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 the 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 ("U.S. GAAP"). However, the Company has included certain non-U.S. 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 U.S. 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 U.S. 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 consulting 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, data, 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, 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 drive transformative growth and business performance for clients and stakeholders.
MDC has a "Corporate Group" which provides certain accounting, administrative, strategic, financial, human resource and legal functions for the Company and the Partners. The Corporate Group ensures that MDC is the most Partner-responsive marketing services network through its strategic mandate to help Partner firms accelerate their growth by contributing clients, talent and tuck under acquisitions, as well as working with partner firms to cross-sell services, expand their offerings, expand their geographic footprints by leveraging 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 model 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.
MDC operates through "Partner" companies within the following reportable segment and other segment:
Strategic Marketing Services

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

1

TABLE OF CONTENTS

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.

Performance Marketing Services

The Performance Marketing Services segment is an "other" segment and includes our firms that provide specialized 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 services, media planning and buying, and direct marketing initiatives. In addition, the firms included in this segment also provide consumer activation services, investor relations services, and general public insights.

Ownership Information

The following table includes certain information about MDC’s operating subsidiaries as of December 31, 2014.

TABLE OF CONTENTS

MDC PARTNERS INC.
SCHEDULE OF CURRENT AND POTENTIAL MARKETING
COMMUNICATIONS COMPANY OWNERSHIP

Company	Year of Initial Investment	Locations
Consolidated:		
Strategic Marketing Services		
6degrees Communications	1993	Canada
72andSunny	2010	Los Angeles, New York, Netherlands, UK
Allison & Partners	2010	San Francisco, Los Angeles, New York and other U.S. Locations, China, France, Singapore, UK
Anomaly	2011	New York, Netherlands, Canada, UK, China
Bruce Mau Design	2004	Canada
Colle + McVoy	1999	Minneapolis
Concentric Partners	2011	New York
Crispin Porter + Bogusky	2001	Miami, Boulder, Los Angeles, UK, Sweden, Denmark, Brazil, China
Doner	2012	Detroit, Atlanta, Cleveland, Los Angeles, UK
Hello Design	2004	Los Angeles
HL Group Partners	2007	New York, Los Angeles, China
Hunter PR	2014	New York
kirshenbaum bond senecal + partners	2004	New York, Canada, China, UK
Albion	2014	UK
Attention	2009	New York
The Media Kitchen	2010	New York
Varick Media Management	2010	New York
Kwittken	2010	New York, UK
Laird + Partners	2011	New York
Mono Advertising	2004	Minneapolis
Northstar Research Partners	1998	Canada, New York, UK
Redscout	2007	New York, San Francisco, UK
Sloane & Company	2010	New York
TargetCom	2000	Chicago
Union	2013	Canada
Veritas	1993	Canada
Vitro	2004	San Diego
Yamamoto	2000	Minneapolis
Performance Marketing Services		
Assembly	2014	New York, Detroit, Atlanta, Los Angeles
Integrated Media Solutions	2010	New York
RJ Palmer	2011	New York
TargetCast	2012	New York
Trade X	2011	New York
Boom Marketing	2005	Canada
Bryan Mills Iradesso	1989	Canada
Gale43	2014	Canada, New York

Kenna Communications	2010	Canada
Kingsdale	2014	Canada, New York
LBN Partners	2013	Detroit, Los Angeles
Luntz Global	2014	Washington, D.C.
Relevent	2010	New York
Source Marketing	1998	Connecticut, Pennsylvania
TEAM	2010	Ft. Lauderdale

3

TABLE OF CONTENTS

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 14 (Segment Information) of the Notes to the Consolidated Financial Statements included in this Annual Report and to Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion.

Competition

In the competitive, highly fragmented marketing and communications industry, MDC's operating companies compete for business and talent 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 all of 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 its entrepreneurial operating companies through referrals and the sharing of both services and expertise, which enables MDC to service clients’ varied marketing needs around the world by crafting custom integrated solutions.

A partner’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.

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 our clients' 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 increase in media fragmentation and new consumer offerings are 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, as well as the emergence of new platforms, has led to increased demand for digital offerings, which we expect could have a positive impact on our results of operation.

Over the last several years, client procurement departments have focused increasingly 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 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 partners. 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.

TABLE OF CONTENTS

As is customary in the industry, these contracts provide for termination by either party on relatively short notice. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Overview" for a further discussion of MDC's arrangements with its clients.

During 2014, 2013 and 2012, the Company did not have a client that accounted for 5% or more of revenues. In addition, MDC's ten largest clients (measured by revenue generated) accounted for 24%, 27% and 25% of 2014, 2013 and 2012 revenues, respectively.

Employees

As of December 31, 2014, MDC and its subsidiaries had the following number of employees within its segments:

Segment	Total
Strategic Marketing Services	4,302
Performance Marketing Services	894
Corporate	54
Total	5,250

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" 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.

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 2014, 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 2015.

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 MDC's senior secured revolving credit agreement (the "Credit Agreement") or the $735 million aggregate principal amount 6.75% notes due 2020 (the "6.75% Notes"), or reduced liquidity. Our 10 largest clients (measured by revenue generated) accounted for 24% of revenue in 2014.

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.

TABLE OF CONTENTS

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.

The loss of lines of credit under the 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 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 Credit Agreement. If, however, events were to occur, which result in MDC losing all or a substantial portion of its available credit under the 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, 2014, these aggregate liabilities were $205.4 million, of which $90.8 million, $70.5 million, $23.8 million and $20.3 million would be payable in 2015, 2016, 2017 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 of such entity 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 noncontrolling interests."

Minority shareholders often have 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 minority shareholders' interests 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 $195.0 million on its December 31, 2014 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, $19.7 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 estimated 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, 2014. Similarly, the payments made by the Company under call rights would increase with growth in earnings of the

TABLE OF CONTENTS

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.

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

TABLE OF CONTENTS

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 U.S. 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 of the Notes to the Consolidated Financial Statements included herein. 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 and intangible assets 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.

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.

We rely extensively on information technology systems.

We rely on information technologies and infrastructure to manage our business, including digital storage of client marketing and advertising information, developing new business opportunities and processing business transactions.

Our information technology systems are potentially vulnerable to system failures and network disruptions, malicious intrusion and random attack. While we have taken what we believe are prudent measures to protect our data and information technology systems, there can be no assurance that our efforts will prevent system failures or network disruptions or breaches in our systems. Any such breakdowns or breaches in our systems or data-protection policies could adversely affect our reputation or business.

The indenture governing the 6.75% Notes and the 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 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;

TABLE OF CONTENTS

- 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, mergers and acquisitions and other corporate opportunities. The 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, 2014, MDC had $743.1 million, inclusive of original issue premium, of indebtedness. In addition, we expect to make additional drawings under the 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 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.

TABLE OF CONTENTS

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.

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, Asia, and South America. 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-U.S. businesses are denominated in currencies other than U.S. 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 February 28, 2015, the approximate number of holders of our Class A subordinate voting shares, including those whose shares are held in nominee name, was 788. 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, 2014 and 2013, are as follows:

Nasdaq

Quarter Ended	High	Low
	($ per Share)	
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
March 31, 2014	26.62	20.55
June 30, 2014	25.48	19.31
September 30, 2014	22.71	18.54
December 31, 2014	23.45	17.99

The Toronto Stock Exchange

Quarter Ended	High	Low
	(C$ per Share)	
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
March 31, 2014	29.06	22.67
June 30, 2014	28.00	20.51
September 30, 2014	24.80	20.48
December 31, 2014	27.00	19.89

As of February 20, 2015, the last reported sale price of the Class A subordinate voting shares was $25.51 on NASDAQ and C$32.10 on the Toronto Stock Exchange.

Dividend Practice

In 2014, MDC's board of directors declared the following dividends: a $0.18 per share quarterly dividend to all shareholders of record as of the close of business on March 4, 2014; a $0.18 per share quarterly dividend to all shareholders of record as of the close of business on May 5, 2014; a $0.19 per share quarterly dividend to all shareholders of record as of the close of business on August 5, 2014; and a $0.19 per share quarterly dividend to all shareholders of record as of the close of business on November 10, 2014. 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.

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

TABLE OF CONTENTS

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.

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, 2014.

	Number of Securities to Be Issued Upon Exercise of Outstanding Options and Rights	Weighted Average Exercise Price of Outstanding Options and Rights	Number of Securities Remaining Available for Future Issuance (Excluding Column (a))
	(a)	(b)	(c)
Equity Compensation Plans:			
Approved by stockholders:			
Share options	112,500	$5.70	1,002,172
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 April 2, 2014, the Company issued an additional $75 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 $77.5 million, and we used the proceeds for general corporate purposes, including the funding of deferred acquisition consideration, working capital, acquisitions and the repayment of the amount outstanding under our senior secured revolving credit facility.

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, 2014, 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 2014, the Company's employees surrendered 216,004 Class A shares valued at approximately $5.4 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, 2014.

Transfer Agent and Registrar for Common Stock

The transfer agent and registrar for the Company's common stock is Canadian Stock Transfer Trust Company (f/k/a CIBC Mellon Trust Company). Canadian Stock Transfer Trust 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 Trust Company
P.O. Box 4202, Postal Station A
Toronto, Ontario M5W 0E4
Item 6. Selected Financial Data

12

TABLE OF CONTENTS

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 related notes that are included in this annual report on Form 10-K.

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in Thousands, Except per Share Data)				
Operating Data					
Revenues	$1,223,512	$1,062,478	$972,973	$853,240	$616,157
Operating profit (loss)	$87,749	$(34,594)	$(17,969)	$10,287	$33,573
Income (loss) from continuing operations	$4,093	$(133,202)	$(73,448)	$(73,886)	$2,134
Stock-based compensation included in income (loss) from continuing operations	$17,696	$100,405	$32,197	$23,657	$16,507
Income (Loss) per Share					
Basic					
Continuing operations attributable to MDC Partners Inc. common shareholders	$(0.06)	$(2.96)	$(1.74)	$(1.69)	$(0.20)
Diluted					
Continuing operations attributable to MDC Partners Inc. common shareholders	$(0.06)	$(2.96)	$(1.74)	$(1.69)	$(0.20)
Cash dividends declared per share	$0.74	$0.46	$0.38	$0.45	$0.23
Financial Position Data					
Total assets	$1,648,890	$1,425,227	$1,344,945	$1,055,745	$914,348
Total debt	$743,127	$665,128	$431,703	$385,174	$286,216
Redeemable noncontrolling interests	$194,951	$148,534	$117,953	$107,432	$77,560
Deferred acquisition consideration	$205,368	$153,913	$196,446	$137,223	$107,991
Fixed charge coverage ratio	1.23	N/A	N/A	N/A	1.04
Fixed charge deficiency	N/A	$134,754	$63,240	$27,780	N/A

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

Year Ended December 31, 2014

During 2014, the Company completed a number of acquisitions and a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On April 2, 2014, the Company issued an additional $75 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. We received net proceeds from the offering of approximately $77.5 million, and we used the proceeds for general corporate purposes, including the funding of deferred acquisition consideration, working capital, acquisitions, and the repayment of the amount outstanding under our senior secured revolving credit facility.

During the quarter ended December 31, 2014, the Company made the decision to strategically sell the net assets of Accent Marketing Services, L.L.C. All periods reflect these discontinued operations. See Note 10 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2013

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

On March 20, 2013, the Company issued and sold $550 million aggregate principal amount 6.75% Notes due 2020. 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 bear interest at a rate of

TABLE OF CONTENTS

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 6.75% 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.

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.

Year Ended December 31, 2010

During 2010, the Company completed a significant number of 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.

TABLE OF CONTENTS

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

Unless otherwise indicated, 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 2014 means the period beginning January 1, 2014, and ending December 31, 2014). References in the Annual Report on Form 10-K to "partners" refer to the subsidiaries of the Company.

The Company reports its financial results in accordance with generally accepted accounting principles ("GAAP") of the United States of America ("U.S. GAAP"). However, the Company has included certain non-U.S. 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 U.S. 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 U.S. GAAP.

Executive Summary

The Company's objective is to create shareholder value by building market-leading partner firms 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 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 is one reportable operating segment, the Strategic Marketing Services, and an other segment, the 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 partners, MDC provides value-added marketing and communications and strategic consulting 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 included herein.

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 office and general expenses are the changes of the estimated value of our contingent purchase price obligations, including the accretion of present value and acquisition related costs. Depreciation and amortization are also included in operating expenses. 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 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

TABLE OF CONTENTS

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.

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 2014 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 included herein.

Foreign Exchange Fluctuation. Our financial results and competitive position are affected by fluctuations in the exchange rate between the U.S. Dollar and non-U.S. Dollars, primarily the Canadian Dollar. See also Item 7A, "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 2014 increased to $339.9 million, compared to 2013 fourth quarter revenues of $289.2 million. The increase consisted of organic growth of $36.2 million, acquisition revenue of $18.2 million and a decrease of $3.7 million due to foreign currency fluctuations. The Strategic Marketing Services segment had revenue growth of $42.9 million in 2014, of which $33.0 million was organic, acquisition revenue of $12.7 million, offset by a decrease of $2.8 million due to foreign currency fluctuations. The Performance Marketing Services segment had increased revenue of $7.8 million in 2014, which consisted of organic growth of $3.2 million, acquisition revenue of $5.5 million, offset by a decrease of $0.9 million related to foreign currency fluctuations. Operating results for the fourth quarter of 2014 resulted in a profit of $25.7 million, compared to a loss of $70.1 million in 2013. The increase in operating profits was primarily related to two compensation related items from 2013: 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 contractual bonus to the Company's CEO of $9.6 million for the Company's stock price achieving specified targets and to a reduction of $28.8 million relating to the estimated deferred acquisition consideration expense. Loss from continuing operations for the fourth quarter of 2014 was $6.4 million, compared to $90.1 million in 2013. Other expense net increased to $9.1 million in 2014, compared to $4.6 million in 2013 due to unrealized losses due to foreign currency fluctuations. Interest expense was higher in 2014 by $2.9 million, income tax expense was also higher by $5.8 million and equity in earnings of non-consolidated affiliates was $1.2 million in 2014, compared to $0.1 million in 2013. Interest expense increased due to the Company's additional issuance of $75 million aggregate principal 6.75% Notes in April 2014.

Summary of Key Transactions

Year Ended December 31, 2014

The Company completed several key acquisitions in 2014. MDC acquired a 60% equity interest in Luntz Global Partners LLC, a 65% equity interest in Kingsdale Partners LP, a 100% equity interest in The House Worldwide Ltd, an additional 82% equity interest in Trapeze Media Limited, a 65% equity interest in Hunter PR LLC, a 75% equity interest in Albion Brand Communications Limited and two additional non-material acquisitions.

The total aggregate purchase price for these 2014 transactions was $151.2 million, which included closing cash payments equal to $67.2 million, plus additional estimated contingent purchase payments in future years of

approximately $84.0 million. See Note 4 of the Notes to the Consolidated Financial Statements included herein for additional information on these and other acquisitions.

On April 2, 2014, the Company issued an additional $75 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 $77.5 million, which included an original issue premium of $3.9 million, payment of underwriter fees of $1.5 million. The Company used the net proceeds of the

TABLE OF CONTENTS

offering for general corporate purposes including the funding of deferred acquisition consideration, working capital, acquisitions, and the repayment of the amount outstanding under our senior secured revolving credit facility.

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 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.

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. 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, 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.

TABLE OF CONTENTS

Results of Operations for the Years Ended December 31, 2014, 2013 and 2012:

	For the Year Ended December 31, 2014			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$954,211	$269,301	$—	$1,223,512
Cost of services sold	617,914	180,604	—	798,518
Office and general expenses	200,716	45,224	44,133	290,073
Depreciation and amortization	24,158	21,229	1,785	47,172
Operating profit (loss)	111,423	22,244	(45,918)	87,749
Other income (expense):				
Other income, net				689
Foreign exchange loss				(18,482)
Interest expense and finance charges, net				(54,847)
Income from continuing operations before income taxes, equity in non-consolidated affiliates				15,109
Income tax expense				12,422
Income from continuing operations before equity in non-consolidated affiliates				2,687
Equity in earnings of non-consolidated affiliates				1,406
Income from continuing operations				4,093
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(21,260)
Net loss				(17,167)
Net (income) loss attributable to noncontrolling interests	(6,943)	53	—	(6,890)
Net loss attributable to MDC Partners Inc.				$(24,057)
Stock based compensation	$9,616	$3,553	$4,527	$17,696

TABLE OF CONTENTS

	For the Year Ended December 31, 2013			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$836,936	$225,542	$—	$1,062,478
Cost of services sold	535,085	169,884	—	704,969
Office and general expenses	190,699	38,551	126,714	355,964
Depreciation and amortization	24,210	10,535	1,394	36,139
Operating profit (loss)	86,942	6,572	(128,108)	(34,594)
Other income (expense):				
Other income, net				2,531
Foreign exchange loss				(5,516)
Interest expense, finance charges and loss on redemption of notes, net				(100,271)
Loss from continuing operations before income taxes, equity in non-consolidated affiliates				(137,850)
Income tax benefit				(4,367)
Loss from continuing operations before equity in non-consolidated affiliates				(133,483)
Equity in earnings of non-consolidated affiliates				281
Loss from continuing operations				(133,202)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(9,200)
Net loss				(142,402)
Net income attributable to noncontrolling interests	(6,150)	(311)	—	(6,461)
Net loss attributable to MDC Partners Inc.				$(148,863)
Stock based compensation	$7,657	$3,017	$89,731	$100,405

TABLE OF CONTENTS

	For the Year Ended December 31, 2012			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$751,464	$221,509	$—	$972,973
Cost of services sold	504,407	162,922	—	667,329
Office and general expenses	193,758	48,561	38,847	281,166
Depreciation and amortization	27,807	13,298	1,342	42,447
Operating profit (loss)	25,492	(3,272)	(40,189)	(17,969)
Other income (expense):				
Other income, net				450
Foreign exchange loss				(1,138)
Interest expense and finance charges, net				(45,871)
Loss from continuing operations before income taxes, equity in non-consolidated affiliates				(64,528)
Income tax expense				9,553
Loss from continuing operations before equity in non-consolidated affiliates				(74,081)
Equity in earnings of non-consolidated affiliates				633
Loss from continuing operations				(73,448)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(5,128)
Net loss				(78,576)
Net income attributable to noncontrolling interests	(6,326)	(537)	—	(6,863)
Net loss attributable to MDC Partners Inc.				$(85,439)
Stock based compensation	$9,186	$8,227	$14,784	$32,197

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue was $1.2 billion for the year ended 2014, representing an increase of $161.0 million, or 15.2%, compared to revenue of $1.1 billion for the year ended 2013. This increase relates primarily to an increase in organic revenue of $115.0 million and acquisition growth of $54.6 million. A strengthening of the U.S. Dollar, primarily versus the Canadian Dollar during the year ended December 31, 2014, resulted in a decrease of $8.6 million.

Operating income for the year ended 2014 was $87.7 million, compared to a loss of $34.6 million in 2013. Operating profit increased by $24.5 million in the Strategic Marketing Services segment and by $15.7 million in the Performance Marketing Services segment. Corporate operating expenses decreased by $82.2 million in 2014.

Income from continuing operations was $4.1 million in 2014, compared to a loss of $133.2 million in 2013. This increase of $137.3 million was primarily attributable to an increase in operating profits of $122.3 million, primarily due to increased revenue and a decrease in stock based compensation of $82.7 million, and a decrease in net interest expense equal to $45.4 million, offset by an increase in tax expense of $16.8 million. The decrease 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 offset by higher overall debt outstanding. These amounts were also impacted by an increase in foreign exchange losses of $12.9 million in 2014 and a decrease in other income, net of $1.9 million.

Marketing Communications Group

Revenues attributable to the Marketing Communications Group, which consists of two segments — Strategic Marketing Services and Performance Marketing Services, were $1.2 billion in the aggregate in 2014, compared to $1.1 billion in 2013, representing a year-over-year increase of 15.2%.

20

TABLE OF CONTENTS

The components of the change in revenue for 2014 are shown in the following table:

	Revenue $000's	%
Year ended December 31, 2013	$1,062,478	
Acquisition	54,626	5.1%
Organic	114,969	10.8%
Foreign exchange impact	(8,561)	(0.7)%
Year ended December 31, 2014	$1,223,512	15.2%

The geographic mix in revenues was relatively consistent between 2014 and 2013 and is demonstrated in the following table:

	2014	2013
US	81%	82%
Canada	12%	13%
Europe and other	7%	5%

The operating profit of the Marketing Communications Group increased by $40.2 million to $133.7 million from $93.5 million. Operating margins increased by 2.1% and were 10.9% for 2014, compared to 8.8% for 2013. The increase in operating profit and operating margin was primarily due to increases in revenue, decreases in total staff costs and decreases in office and general, offset by an increase in direct cost (excluding staff labor). Total staff costs as a percentage of revenue decreased by 1.9% from 57.7% in 2013 to 55.8% in 2014. Direct costs (excluding staff labor) increased as a percentage of revenues from 14.4% in 2013, to 15.8% in 2014. Direct costs increased as there were more pass-through costs incurred on the clients' behalf during 2014 where the company was acting as principal versus agent for certain client contracts. Office and general expenses decreased as a percentage of revenue by 1.5% from 21.6% in 2013, to 20.1% in 2014. This decrease was primarily due to a reduction of $19.4 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 increased from 3.3% in 2013 to 3.7% in 2014, due primarily to the increase in revenue.

Marketing Communications Businesses

Strategic Marketing Services

Revenues attributable to Strategic Marketing Services in 2014 were $954.2 million, compared to $836.9 million in 2013. The year-over-year increase of $117.3 million, or 14.0%, was attributable primarily to organic growth of $102.2 million, or 12.2%, as a result of net new business wins, and acquisition growth of $20.3 million or 2.4%. These increases were offset by a foreign exchange translation decrease of $5.2 million, due to the strengthening of the U.S. Dollar compared to the Canadian Dollar.

The operating profit of Strategic Marketing Services increased by $24.5 million from $86.9 million in 2013 to $111.4 million in 2014. Operating margins increased from 10.4% in 2013 to 11.7% in 2014. The increase in operating profits and operating margins were primarily due to increases in revenues, decrease in total staff costs and decreases in office and general, offset by an increase in direct costs (excluding staff labor). Total staff costs as a percentage of revenue decreased from 59.3% in 2013 to 58.7% in 2014. Direct costs (excluding staff labor) increased as a percentage of revenue from 10.1% in 2013 to 11.6% in 2014. Direct costs increased as there were more pass-through costs incurred on the clients' behalf during 2014 where the company was acting as principal versus agent for certain client contracts. Office and general expenses decreased as a percentage of revenue from 22.8% in 2013 to 21.0% in 2014. The decrease was due to a reduction of $12.5 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 2.9% in 2013 to 2.5% in 2014 due to the increase in revenue.

Performance Marketing Services

Performance Marketing Services generated revenues of $269.3 million for 2014, an increase of $43.8, or 19.4%, compared to revenues of $225.5 million in 2013. The year-over-year increase was attributable primarily to an organic growth of $12.7 million or 5.6% as a result of net new business and an increase in acquisition growth of $34.4 million or 15.2%, offset by a foreign translation decrease of $3.3 million.

The operating profit of Performance Marketing Services increased by $15.7 million, from $6.6 million in 2013 to $22.2 million in 2014. Operating margins increased from 2.9% in 2013 to 8.3% in 2014. The increase in operating profits and

operating margins were primarily due to increased revenue, decreases in total staff costs, offset by an increase in direct costs (excluding staff labor). Total staff costs decreased from 51.8% in 2013 to 45.3% in 2014. Direct costs increased from 30.1% in 2013 to 30.5% in 2014 due to increased pass-through costs incurred on the clients' behalf during 2014 where the agency was acting as principal versus agent for certain client contracts. Office and general costs decreased from 17.1% in 2013 to 16.8% in 2014 due primarily to decreased expenses relating to estimated deferred acquisition consideration. Depreciation and amortization increased from 4.7% in 2013 to 7.9% in 2014 due primarily to the additional amortization expense related to the 2014 acquisitions.

Corporate

Operating costs related to the Company's Corporate operations decreased by $82.2 million to $45.9 million in 2014, compared to $128.1 million in 2013. This decrease was primarily due to the 2013 settlement of 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, offset by a reduction of expense relating to the $5.3 million repayment of a previously fully reserved loan by the Company's CEO. Excluding these items, corporate expenses were consistent year over year.

Other Income (Expense), Net

Other income (expense), net, decreased by $1.9 million from income of $2.5 million in 2013 to income of $0.7 million in 2014. The decrease relates to the 2013 distribution received in excess of the assets carrying value of $3.1 million.

Foreign Exchange

The foreign exchange loss was $18.5 million for 2014, compared to a loss of $5.5 million recorded in 2013. This unrealized loss was due primarily to the fluctuation in the U.S. Dollar during 2014 and 2013 compared to the Canadian Dollar relating to the Company's U.S. Dollar denominated intercompany balances with its Canadian subsidiaries.

Interest Expense and Finance Charges, Net

Interest expense and finance charges, net for 2014 was $54.8 million, a decrease of $45.4 million over the $100.3 million of interest expense and finance charges, net incurred during 2013. This decrease was due to the loss paid on the redemption of the Company's 11% Notes of $55.6 million and by the lower borrowing costs related to the 6.75% Notes issued to replace those notes offset by an overall increase in total debt outstanding in 2014.

Income Tax Expense

Income tax expense in 2014 was $12.4 million compared to a benefit of $4.4 million for 2013. The Company's effective rate was substantially higher than the statutory rate in 2014, primarily due to nondeductible stock-based compensation, an increase in the valuation allowance, and the effect of the difference in the U.S. and foreign federal rates compared to the Canadian statutory rate, offset in part by noncontrolling interest charges. The Company's effective tax rate was substantially higher than the statutory rate in 2013 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 U.S. 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 2014, the Company recorded income of $1.4 million compared to income of $0.3 million in 2013 due to the Company increasing the number of entities accounted for under the equity method.

Noncontrolling Interests

The effects of noncontrolling interest was $6.9 million for 2014, an increase of $0.4 million from the $6.5 million during 2013. This increase relates to the overall increase in profits offset by 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 2014 was $21.3 million and $9.2 million in 2013. The increase in discontinued operations results from the 2014 decision to strategically sell the net assets of the Company's Accent division and the write-off of that company's goodwill of $15.6 million.

TABLE OF CONTENTS

Net Loss Attributable to MDC Partners Inc.

As a result of the foregoing, the net loss attributable to MDC Partners Inc. for 2014 was $24.1 million or a loss of $0.49 per diluted share, compared to a net loss of $148.9 million or $3.16 per diluted share reported for 2013.

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

Revenue was $1.1 billion for the year ended 2013, representing an increase of $89.5 million, or 9.2%, compared to revenue of $973.0 million for the year ended 2014. This increase relates primarily to an increase in organic revenue of $91.3 million and acquisition growth of $2.6 million. A strengthening of the U.S. Dollar, primarily versus the Canadian Dollar during the year ended December 31, 2013, resulted in a decrease of $4.4 million.

Operating loss for the year ended 2013 was $34.6 million, compared to a loss of $18.0 million in 2012. Operating profit increased by $61.5 million in the Strategic Marketing Services segment and by $9.8 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 $133.2 million in 2013, compared to a loss of $73.4 million in 2012. This increase in loss of $60.1 million was primarily attributable to a decrease in operating profits of $16.6 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 $13.9 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 $4.4 million in 2013 and an increase in other income, net of $2.1 million.

Marketing Communications Group

Revenues attributable to the Marketing Communications Group, which consists of two segments — Strategic Marketing Services and Performance Marketing Services, were $1.1 billion in the aggregate in 2013, compared to $1.0 billion in 2012, representing a year-over-year increase of 9.2%.

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

	Revenue $000's	%
Year ended December 31, 2012	$972,973	
Acquisition	2,572	0.3%
Organic	91,346	9.4%
Foreign exchange impact	(4,413)	(0.5)%
Year ended December 31, 2013	$1,062,478	9.2%

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

	2013	2012
US	82%	80%
Canada	13%	15%
Europe and other	5%	5%

The operating profit of the Marketing Communications Group increased by $71.3 million to $93.5 million from $22.2 million. Operating margins increased by 6.5% and were 8.8% 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 58%. Direct costs (excluding staff costs) decreased as a percentage of revenues from 18.2% in 2012, to 14.4% 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 24.9% in 2012, to 21.6% 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 due to the increase in revenue.

TABLE OF CONTENTS

Marketing Communications Businesses

Strategic Marketing Services

Revenues attributable to Strategic Marketing Services in 2013 were $836.9 million, compared to $751.5 million in 2012. The year-over-year increase of $85.5 million, or 11.4%, was attributable primarily to organic growth of $91.4 million or 12.2%; these increases were offset by a foreign exchange translation decrease due to the strengthening of the U.S. 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 $61.4 million from $25.5 million in 2012 to $86.9 million in 2013. Operating margins increased from 3.4% in 2012 to 10.4% 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 59%. Direct costs (excluding staff labor) decreased as a percentage of revenue from 14.5% 2012 to 10.1% 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 25.8% in 2012 to 22.8% in 2013. The decrease was due to a reduction of $12.4 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 3.7% in 2012 to 2.9% in 2013, due to the increase in revenue.

Performance Marketing Services

Performance Marketing Services generated revenues of $225.5 million for 2013, an increase of $4.0 million, or 1.8%, compared to revenues of $221.5 million in 2012. The year-over-year increase was attributable primarily to acquisition growth of $5.8 million and foreign translation decrease of $1.7 million.

The operating profit of Performance Marketing Services increased by $9.8 million, from a loss of $3.3 million in 2012 to income of $6.6 million in 2013. Operating margins increased from a loss of 1.5% in 2012 to income of 2.9% in 2013. The increase in operating profits and operating margins were primarily due to increased revenue and decreases in total staff costs, direct costs (excluding staff labor), office and general expenses, and depreciation and amortization. Total staff costs decreased from 52.6% in 2012 to 51.8% in 2013. Direct costs decreased from 30.7% in 2012 to 30.1% 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 decreased as a percentage of revenue from 21.9% in 2012 to 17.1% in 2013 primarily due to decreased expenses relating to estimated deferred acquisition consideration and increased revenue on relatively fixed costs. Depreciation and amortization decreased from 6.0% in 2012 to 4.7% in 2013, due to the increase in revenue.

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 $2.1 million from income of $0.5 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 $1.1 million recorded in 2012. This unrealized loss was due primarily to the fluctuation in the U.S. Dollar during 2013 and 2012 compared to the Canadian Dollar relating to the Company's U.S. Dollar denominated intercompany balances with its Canadian

subsidiaries.

Interest Expense and Finance Charges, Net

Interest expense and finance charges, net for 2013 was $100.3 million, an increase of $54.4 million over the $45.9 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

TABLE OF CONTENTS

Income tax expense in 2012 was $9.6 million compared to a benefit of $4.4 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 U.S. 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 $9.2 million and $5.1 million in 2012, due to the 2014 decision to strategically sell the Company's Accent division.

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.

Liquidity and Capital Resources

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

Liquidity	2014	2013	2012
	(In Thousands, Except for Long-Term Debt to Shareholders' Equity Ratio)		
Cash and cash equivalents	$119,767	$102,007	$60,330
Working capital (deficit)	$(269,262)	$(189,815)	$(226,682)
Cash from operating activities	$133,942	$59,299	$76,304
Cash from (used in) investing activities	$(99,686)	$(30,124)	$7,811
Cash from (used in) financing activities	$(15,428)	$10,492	$(31,858)
Ratio of long-term debt to shareholders' deficit	(2.13)	(2.40)	(5.09)

As of December 31, 2014, 2013, and 2012, $6.5 million, $0.7 million and $2.5 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 Credit Agreement by using available cash.

Working Capital

At December 31, 2014, the Company had a working capital deficit of $269.3 million compared to a deficit of $189.8 million at December 31, 2013. Working capital deficit increased by $79.5 million primarily related to a $37.8 million increase in short term deferred acquisition consideration. The increase in deficit was primarily due to timing in the amounts collected from clients, and when paid to suppliers, primarily media outlets. At December 31, 2014, 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 other liabilities. During 2014, 2013 and 2012, the Company made distributions to these noncontrolling interest holders of $6.5 million, $5.5 million and $7.7 million, respectively. At December 31, 2014, $6.0 million remains outstanding to be distributed to noncontrolling interest holders over the next twelve months.

TABLE OF CONTENTS

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 2014 was $135.8 million. This was attributable primarily to income from continuing operations of $4.1 million, plus non-cash stock based compensation of $17.7 million, depreciation and amortization of $49.4 million, and adjustments to deferred acquisition consideration of $18.7 million, an increase in accounts payable, accruals and other current liabilities of $57.5 million, a decrease in expenditures billable to clients of $23.4 million, foreign exchange of $14.8 million, and deferred income taxes of $11.0. This was partially offset by an increase in accounts receivable of $35.8 million, an increase in advanced billings of $13.8 million, other non-current assets and liabilities of $8.5 million, an increase in prepaid expenses and other current assets of $1.9 million, and earnings of non-consolidated affiliates of $1.4 million. Discontinued operations used cash of $1.8 million.

Cash flows provided by continuing operations for 2013 was $56.0 million. This was attributable primarily to a loss on the redemption of notes of $50.4 million, plus non-cash stock based compensation of $22.4 million, depreciation and amortization of $43.9 million, and adjustments to deferred acquisition consideration of $36.1 million, an increase in accounts payable, accruals and other current liabilities of $30.0 million, a decrease in accounts receivable of $16.1 million, an increase in advanced billings of $17.6 million and foreign exchange of $3.0 million. This was partially offset by a loss from continuing operations of $133.2 million, other non-current assets and liabilities of $9.4 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 provided cash of $3.3 million.

Cash flows provided by continuing operations for 2012 was $74.9 million. This was attributable primarily to non-cash stock based compensation of $32.2 million, depreciation and amortization of $44.7 million, and adjustments to deferred acquisition consideration of $53.3 million, an increase in accounts payable, accruals and other current liabilities of $65.9 million, deferred income taxes of $8.4 million, an increase in advanced billings of $1.8 million and foreign exchange of $0.9 million. This was partially offset by a loss from continuing operations of $73.5 million, an increase in accounts receivable of $28.9 million, an increase in expenditures billable to clients of $17.2 million, other non-current assets and liabilities of $9.2 million, an increase in prepaid expenses and other current assets of $3.0 million and earnings of non-consolidated affiliates of $0.6 million. Discontinued operations provided cash of $1.4 million.

Investing Activities

Cash flows used in investing activities were $99.7 million for 2014, compared with $30.1 million for 2013, and cash flows provided by investing activities of $7.8 million in 2012.

In the year ended December 31, 2014, capital expenditures totaled $26.4 million, of which $22.5 million was incurred by the Strategic Marketing Services segment, $2.6 million was incurred by the Performance Marketing Services segment, and $1.3 million was incurred by corporate. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements. Discontinued operations used cash of $2.1 million in 2014 related to capital expenditures.

In the year ended December 31, 2014, the Company paid $68.3 million, net of cash acquired for acquisitions and $6.3 million for other investments. These outflows were offset by $3.4 million of profit distributions from non-consolidated affiliates.

In the year ended December 31, 2013, capital expenditures totaled $16.8 million, of which $12.3 million was incurred by the Strategic Marketing Services segment, $2.4 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. Discontinued operations used cash of $2.8 million in 2013 related

to capital expenditures.

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 non-consolidated affiliates, and $0.2 million of proceeds from the sale of assets.

Expenditures for capital assets in 2012 were equal to $16.5 million. Of this amount, $11.6 million was incurred by the Strategic Marketing Services segment, $4.5 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 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.

In 2012, discontinued operations used cash of $5.8 million relating to capital expenditures.

TABLE OF CONTENTS

Financing Activities

During the year ended December 31, 2014, cash flows used in financing activities amounted to $15.4 million, and consisted of $78.3 million of acquisition related payments, payment of dividends of $37.7 million, distributions to noncontrolling partners of $6.5 million, the purchase of treasury shares for income tax withholding requirements of $5.4 million, payment of $3.7 million for deferred financing costs and repayments of long term debt of $0.7 million. This was partially offset by proceeds from the issuance of additional 6.75% Notes of $78.9 million and cash overdrafts of $37.8 million.

During the year ended December 31, 2013, cash flows provided by financing activities amounted to $10.5 million, and consisted of 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 the premium paid on redemption of notes of $50.4 million. Bank overdrafts provided an additional $4.9 million in cash. These proceeds were offset by $119.6 million of acquisition related payments, deferred financing costs of $20.8 million, 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 $0.7 million. Discontinued operations used cash of $1.3 million relating to the repayment of long term debt.

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.

Total Debt

6.75% Senior Notes Due 2020

On March 20, 2013, 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, the Credit Agreement, as guarantors (the “Guarantors”) and The Bank of New York Mellon, as trustee, relating to the issuance by MDC of the $500 million aggregate principal amount 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 $537.6 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.

On April 2, 2014, the Company issued an additional $75 million aggregate principal amount of 6.75% Notes due 2020. 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 private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $77.5 million, which included an original issue premium of $3.9 million, payment of underwriter fees of $1.5 million. The Company used the net proceeds of the offering for general corporate purposes, including the funding of deferred

acquisition consideration, working capital, acquisitions and the repayment of the amount outstanding under our senior secured revolving credit facility.

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% 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 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.

Effective October 23, 2014, MDC and its subsidiaries entered into an amendment of its Credit Agreement. The amendment: (i) expands the commitments under the facility by $100 million, from $225 million to $325 million; (ii) extends the maturity date by an additional eighteen months to September 30, 2019; (iii) reduces the base borrowing interest rate by 25 basis points (the applicable margin for borrowing is 1.00% in the case of Base Rate Loans and 1.75% in the case of LIBOR Rate Loans) ; and (iv) modifies certain covenants to provide the Company with increased flexibility to fund its continued growth and other general corporate purposes.

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 1.00% in the case of Base Rate Loans and 1.75% 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, 2014 was $736.1 million, an increase of $75.0 million, compared with $661.1 million outstanding at December 31, 2013. 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, 2014, approximately $320.2 million was available under the Credit Agreement.

TABLE OF CONTENTS

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, 2014, the Company's calculation of each of these covenants, and the specific requirements under the Credit Agreement, respectively, were as follows:

	December 31, 2014
Total Senior Leverage Ratio	(0.52)
Maximum per covenant	2.00
Total Leverage Ratio	3.45
Maximum per covenant	5.50
Fixed Charges Ratio	2.48
Minimum per covenant	1.00
Earnings before interest, taxes, depreciation and amortization	$185.6 million
Minimum per covenant	$105.0 million

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, 2014 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	$735,000	$—	$—	$—	$735,000
Capital lease obligations	1,110	534	576	—	—
Operating leases	234,901	41,871	72,746	57,640	62,644
Interest on debt	260,551	49,677	99,246	99,225	12,403
Deferred acquisition consideration	205,368	90,804	94,253	16,633	3,678
Other Long-term Liabilities	23,582	8,674	9,129	5,027	752
Total contractual obligations [1]	$1,460,512	$191,560	$275,950	$178,525	$814,477

[1] Pension obligations of $15,439 are not included since the timing of payments are not known.

TABLE OF CONTENTS

The following table provides a summary of other commercial commitments (in thousands) at December 31, 2014:

	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	$4,822	4,822	—	—	—
Total Other Commercial Commitments	$4,822	$4,822	$—	$—	$—

For further detail on MDC's long-term debt principal and interest payments, see Note 11 Debt and Note 16 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, 2014, the Company had only utilized the Credit Agreement in the form of undrawn letters of credit of $4.8 million. Cash and undrawn available bank credit facilities to support the Company's future cash requirements at December 31, 2014 was approximately $320.2 million.

The Company expects to incur approximately $23 million of capital expenditures in 2015. 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.

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, 2014, there was $205.4 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 2015 to 2023. 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

TABLE OF CONTENTS

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, 2014, perform over the relevant future periods at their 2014 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately $19.7 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 $0.1 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 $175.2 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 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 $2.5 million of the estimated $19.7 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 $5.8 million that would be attributable to MDC Partners Inc.

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]	2015	2016	2017	2018	2019 & Thereafter	Total	
	($ Millions)						
Cash	$2.5	$3.6	$3.9	$4.8	$4.8	$19.6	
Shares	—	—	0.1	—	—	0.1	
	$2.5	$3.6	$4.0	$4.8	$4.8	$19.7	(1)
Operating income before depreciation and amortization to be received[2]	$3.1	$—	$1.4	$—	$1.3	$5.8	
Cumulative operating income before depreciation and amortization[3]	$3.1	$3.1	$4.5	$4.5	$5.8		

(1) This amount is in addition to put options only exercisable upon termination or death of $175.2 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 2014 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; effective January 1, 2014, the annual retainer amount was increased to $1,850,000; effective January 1, 2015, the annual retainer amount was increased to $2,000,000.

During 2012 and 2013 and in accordance with this Services Agreement, Mr. Nadal repaid an amount equal to $0.5 million and $5.4 million of loans due to the Company, respectively. 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 15 of the Notes to the Consolidated Financial Statements included herein.

Use of Private Aircraft

Beginning in 2014, MDC has chartered for business purposes an airplane and helicopter (together, the “Aircraft”) owned by entities controlled by Mr. Nadal and leased to an independent corporate aircraft management company. Entities controlled by Mr. Nadal paid for the purchases of the Aircraft and are legally responsible and have paid for all operating, personnel and maintenance costs associated with the Aircraft’s operations. Payments by third parties to charter the Aircraft from the corporate aircraft management company will offset a portion of the costs. Payments by MDC for the business use of the Aircraft by Mr. Nadal and other Executive employees of MDC are made to the corporate aircraft management company at a fixed hourly rate set forth in the aircraft service agreement between the aircraft management company and entities controlled by Mr. Nadal. In 2014, MDC paid a total of $1.6 million for the business use of the Aircraft.

Trapeze Media

In 2000, the Company purchased 1,600,000 shares in Trapeze Media Limited (“Trapeze”), a Toronto-based digital advertising company, 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, an MDC Partner firm provided services to Trapeze in exchange for fees equal to $0.2 million. Trapeze did not provide any services to MDC nor its partner firms in the three years ended December 31, 2014, prior to the July 31, 2014 acquisition.

On July 31, 2014, Union Advertising Canada LP ("Union"), an MDC Partner firm, acquired 100% of the issued and outstanding stock of Trapeze. Prior to the acquisition, the Company owned 18% of the equity interests in Trapeze, and Miles Nadal (the Company’s President and Chief Executive Officer) owned 54% of the equity interests. The total estimated aggregate consideration for 100% of the equity interests in Trapeze was $5.3 million (or $4.4 million excluding the Company’s current equity interest). MDC recorded other income of $64,000 representing a gain on the previously held 18% interest in Trapeze. Mr. Nadal recused himself from all Board discussions relating to Trapeze.

The Stock Purchase Agreement for the Trapeze transaction contains customary representations and warranties and covenants of each party. Breaches of any representations and warranties will be subject to customary indemnification provisions.

The acquisition of Trapeze by Union is expected to create an integrated agency with strong digital capabilities and more significant scale. In order to maximize the operating efficiency of the combined operations, the employees of Trapeze relocated into Union’s current offices, and certain changes were made to the combined entity’s executive

management team.

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

TABLE OF CONTENTS

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 of the Notes to the Consolidated Financial Statements included herein.

Business Combinations. 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.

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 the 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 earnings of the relevant subsidiary during the contractual period, and, in some cases, the currency exchange rate on the date of payment. These estimates are adjusted quarterly based on changes in current information affecting each subsidiaries current operating results and the impact this information will have on future results included in the calculation of the estimated liability. In addition, change in

various contractual valuation formulas as well as adjustments to present value impact quarterly adjustments. 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.

Acquisitions, Goodwill and Other Intangibles. The Company reviews goodwill and other indefinite live intangible assets for impairment annually at the beginning of the fourth quarter and whenever events or circumstances indicate that the carrying amount may not be recoverable.

The Company has the option of assessing qualitative factors to determine whether it is more likely than not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to the two-step impairment test. If the Company elects to perform a qualitative assessment and concludes it is not more likely than not that the fair value of the reporting unit is less than its carrying value, no further assessment is deemed necessary. Otherwise, goodwill must be tested for impairment using a two-step process. In addition, the two-step process must be applied for any reporting units not included in the qualitative assessment. The first step involves a comparison of the estimated fair value of each of the Company's reporting units to its carrying value, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit using a discounted cash flow ("DCF") analysis. Determining fair value requires the exercise of significant judgment, including judgment about the amount and timing of expected future cash flows and appropriate discount rates.

The expected cash flows used in the DCF analysis are based on the Company's most recent budget and forecasted growth rates. Assumptions used in the DCF analysis, including the discount rate, are assessed annually based on the reporting units' current results and forecast, as well as macroeconomic and industry specific factors.

If the estimated fair value of a reporting unit exceeds its carrying value, then the goodwill of the reporting unit is not impaired. Otherwise, step two must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its carrying value to measure the amount of impairment, if any.

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.

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 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 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.

From time to time, certain acquisitions and step up acquisitions include an element of compensation related payments. The Company accounts for those payments as stock-based compensation.

New Accounting Pronouncements

Information regarding new accounting guidance can be found in Note 17 of the Notes to the Consolidated Financial Statements included herein.

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, 2014, the Company's debt obligations consisted of the 6.75% Notes. This facility bears interest at variable rates based upon the Eurodollar rate, U.S. bank prime rate and, U.S. 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, 2014, the Company had no borrowings on the revolving Credit Agreement. Given that there were no borrowings at December 31, 2014, a 1% increase in the weighted average interest rate, which was 4.25% at December 31, 2014, would have no interest impact.

Foreign Exchange: The Company primarily conducts business in six currencies, the U.S. Dollar, the Canadian Dollar, the Euro, the British Pound, the Swedish Krona, and the Chinese Renminbi. Our results of operations are subject to risk from the translation to the U.S. Dollar of the revenue and expenses of our non-U.S. 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-U.S. 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 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 U.S. and Canada. For every one cent change in the foreign exchange rate between the U.S. and Canada, the impact to the Company's financial statements would be approximately $2.0 million.

Impairment Risk: At December 31, 2014, the Company had goodwill of $851.4 million and other intangible assets of $86.1 million. The Company will assess the net realizable value of the goodwill and other intangible assets on a regular basis, but at least annually on October 1, 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, 2014, 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

	Page
Financial Statements:	
Report of Independent Registered Public Accounting Firm	37
Consolidated Statements of Operations for each of the Three Years in the Period Ended December 31, 2014	38
Consolidated Statements of Comprehensive Loss for each of the Three Years in the Period Ended December 31, 2014	39
Consolidated Balance Sheets as of December 31, 2014 and 2013	40
Consolidated Statements of Cash Flows for each of the Three Years in the Period Ended December 31, 2014	41
Consolidated Statements of Shareholders' Equity (Deficit) for each of the Three Years in the Period Ended December 31, 2014	43
Notes to Consolidated Financial Statements	49
Financial Statement Schedules:	
Schedule II — Valuation and Qualifying Accounts for each of the Three Years in the Period Ended December 31, 2014	94

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm
Board of Directors and Stockholders
MDC Partners Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of MDC Partners Inc. as of December 31, 2014 and 2013 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, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, 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.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
March 2, 2015

TABLE OF CONTENTS

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

	Years Ended December 31,		
	2014	2013	2012
Revenue:			
Services	$1,223,512	$1,062,478	$972,973
Operating Expenses:			
Cost of services sold	798,518	704,969	667,329
Office and general expenses	290,073	355,964	281,166
Depreciation and amortization	47,172	36,139	42,447
	1,135,763	1,097,072	990,942
Operating profit (loss)	87,749	(34,594)	(17,969)
Other Income (Expenses)			
Other income	689	2,531	450
Foreign exchange loss	(18,482)	(5,516)	(1,138)
Interest expense and finance charges	(55,265)	(45,110)	(46,501)
Loss on redemption of Notes	—	(55,588)	—
Interest income	418	427	630
	(72,640)	(103,256)	(46,559)
Income (loss) from continuing operations before income taxes and equity in non-consolidated affiliates	15,109	(137,850)	(64,528)
Income tax expense (benefit)	12,422	(4,367)	9,553
Income (loss) from continuing operations before equity in non-consolidated affiliates	2,687	(133,483)	(74,081)
Equity in earnings of non-consolidated affiliates	1,406	281	633
Income (loss) from continuing operations	4,093	(133,202)	(73,448)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	(21,260)	(9,200)	(5,128)
Net loss	(17,167)	(142,402)	(78,576)
Net income attributable to the non controlling interests	(6,890)	(6,461)	(6,863)
Net loss attributable to MDC Partners Inc.	$(24,057)	$(148,863)	$(85,439)
Loss Per Common Share:			
Basic and Diluted			
Loss from continuing operations attributable to MDC Partners Inc. common shareholders	$(0.06)	$(2.96)	$(1.74)
Discontinued operations attributable to MDC Partners Inc. common shareholders	(0.43)	(0.20)	(0.11)
Net loss attributable to MDC Partners Inc. common shareholders	$(0.49)	$(3.16)	$(1.85)
Weighted Average Number of Common Shares Outstanding:			
Basic and Diluted	49,545,350	47,108,406	46,090,160
Stock based compensation expense is included in the following line items above:			
Cost of services sold	$9,883	$7,222	$4,762

Office and general expenses	7,813	93,183	27,435
Total	$17,696	$100,405	$32,197

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

TABLE OF CONTENTS

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

	Years Ended December 31,		
	2014	2013	2012
Comprehensive Loss			
Net loss	$(17,167)	$(142,402)	$(78,576)
Other comprehensive income (loss), net of tax:			
Foreign currency cumulative translation adjustment	1,736	(299)	2,548
Benefit plan adjustment, net of income tax benefit of $1,112 for 2014 and income tax expense of $1,112 for 2013	(10,403)	6,936	(5,329)
Other comprehensive income (loss)	(8,667)	6,637	(2,781)
Comprehensive loss for the year	(25,834)	(135,765)	(81,357)
Comprehensive loss attributable to the noncontrolling interests	(5,178)	(6,450)	(6,869)
Comprehensive loss attributable to MDC Partners Inc.	$(31,012)	$(142,215)	$(88,226)

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, 2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$119,767	$102,007
Accounts receivable, less allowance for doubtful accounts of $1,409 and $2,011	355,295	309,796
Expenditures billable to clients	40,202	63,246
Other current assets	36,978	25,458
Total Current Assets	552,242	500,507
Fixed assets, net	60,240	52,071
Investment in non-consolidated affiliates	6,110	275
Goodwill	851,373	744,333
Other intangible assets, net	86,121	56,262
Deferred tax assets	18,758	21,131
Other assets	74,046	50,648
Total Assets	$1,648,890	$1,425,227
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$316,285	$246,694
Accrued and other liabilities	271,273	240,580
Advance billings	142,608	149,540
Current portion of long-term debt	534	467
Current portion of deferred acquisition consideration	90,804	53,041
Total Current Liabilities	821,504	690,322
Long-term debt, less current portion	742,593	664,661
Long-term portion of deferred acquisition consideration	114,564	100,872
Other liabilities	45,861	34,430
Deferred tax liabilities	77,997	63,020
Total Liabilities	1,802,519	1,553,305
Redeemable Noncontrolling Interests	194,951	148,534
Commitments, Contingencies and Guarantees (Note 16)		
Shareholders' Deficit:		
Preferred shares, unlimited authorized, none issued	—	—
Class A Shares, no par value, unlimited authorized, 49,680,109 and 49,092,427 shares issued and outstanding in 2014 and 2013, respectively	265,817	262,655
Class B Shares, no par value, unlimited authorized, 3,755 issued and outstanding in 2014 and 2013, respectively, convertible into one Class A share	1	1
Shares to be issued, 42,000 shares, issued and outstanding in 2013	—	424
Additional paid-in capital	—	—
Charges in excess of capital	(209,668)	(126,352)
Accumulated deficit	(489,633)	(465,576)
Stock subscription receivable	—	(55)

Accumulated other comprehensive loss	(7,752)	(797)
MDC Partners Inc. Shareholders' Deficit	(441,235)	(329,700)
Noncontrolling Interests	92,655	53,088
Total Shareholders' Deficit	(348,580)	(276,612)
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Deficit	$1,648,890	$1,425,227

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

TABLE OF CONTENTS

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

	Years Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net Loss	$(17,167)	$(142,402)	$(78,576)
Loss from discontinued operations	(21,260)	(9,200)	(5,128)
Income (loss) from continuing operations	4,093	(133,202)	(73,448)
Adjustments to reconcile income (loss) from continuing operations to cash provided by operating activities:			
Non-cash stock-based compensation	17,696	22,438	32,197
Depreciation	16,462	16,742	15,999
Amortization of intangibles	30,710	19,397	26,448
Amortization of deferred finance charges and debt discount	2,247	7,762	2,249
Loss on redemption of Notes	—	50,385	—
Adjustment to deferred acquisition consideration	18,652	36,143	53,305
Deferred income taxes	10,963	(5,427)	8,422
Earnings of non-consolidated affiliates	(1,406)	(281)	(633)
Distributions from non-consolidated affiliates	730	—	—
Distributions in excess of carrying value	—	(3,058)	—
Other and non-current assets and liabilities	(8,535)	(9,405)	(9,167)
Foreign exchange	14,821	3,004	861
Increase/decrease in operating assets and liabilities, net of acquisitions			
Accounts receivable	(35,800)	16,086	(28,885)
Expenditures billable to clients	23,351	(4,404)	(17,151)
Prepaid expenses and other current assets	(1,949)	(7,835)	(2,993)
Accounts payable, accruals and other current liabilities	57,539	30,017	65,919
Advance billings	(13,805)	17,632	1,776
Cash flows provided by continuing operating activities	135,769	55,994	74,899
Discontinued operations	(1,827)	3,305	1,405
Net cash provided by operating activities	133,942	59,299	76,304
Cash flows from investing activities:			
Capital expenditures	(26,416)	(16,809)	(16,537)
Proceeds from sale of assets	85	239	51
Acquisitions, net of cash acquired	(68,344)	(11,872)	30,993
Profit distributions from non-consolidated affiliates	3,409	3,761	1,288
Other investments	(6,312)	(2,692)	(2,198)
Cash flows provided by (used in) continuing investing activities	(97,578)	(27,373)	13,597
Discontinued operations	(2,108)	(2,751)	(5,786)
Net cash provided by (used in) investing activities	(99,686)	(30,124)	7,811

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

TABLE OF CONTENTS

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

	Years Ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Proceeds from issuance of 6.75% Notes	78,937	664,125	—
Repayment of 11% Notes	—	(425,000)	—
Proceeds from issuance of 11% Notes	—	—	84,800
Repayments of revolving credit facility	—	—	(38,032)
Acquisition related payments	(78,322)	(119,572)	(68,725)
Cash overdraft	37,835	4,976	25,986
Distributions to noncontrolling interests	(6,523)	(5,525)	(7,673)
Proceeds from exercise of options	—	—	28
Payments of dividends	(37,698)	(22,047)	(22,030)
Repayment of long-term debt	(656)	(743)	(653)
Premium paid on redemption of Notes	—	(50,385)	—
Deferred financing costs	(3,659)	(20,815)	(2,232)
Purchase of shares	(5,414)	(13,817)	(3,327)
Other	112	561	—
Cash flows provided by (used in) continuing financing activities	(15,388)	11,758	(31,858)
Discontinued operations	(40)	(1,266)	—
Net cash provided by (used in) financing activities	(15,428)	10,492	(31,858)
Effect of exchange rate changes on cash and cash equivalents	(1,068)	2,010	(23)
Increase in cash and cash equivalents	17,760	41,677	52,234
Cash and cash equivalents at beginning of year	102,007	60,330	8,096
Cash and cash equivalents at end of year	$119,767	$102,007	$60,330
Supplemental disclosures:			
Cash income taxes paid	$431	$919	$1,236
Cash interest paid	$49,253	$38,727	$41,094
Non-cash transactions:			
Capital leases	$773	$595	$431
Note receivable exchanged for shares of subsidiary	$1,746	$—	$888
Dividends payable	$1,347	$1,793	$1,041

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)

	Common Stock				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
	Class A		Class B										
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at December 31, 2011	43,916,112	$228,208	3,755	$1	42,000	$424	$—	$(45,102)	$(231,274)	$(55)	$(4,658)	$(52,456)	$39,
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	(85,439)	—	—	(85,439)	—
Other Comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	(2,787)	(2,787)	6
Stock Appreciation Rights Exercised	39,639	100	—	—	—	—	(100)	—	—	—	—	—	—
Shares acquired and cancelled	(366,380)	(3,327)	—	—	—	—	—	—	—	—	—	(3,327)	—
Issuance of restricted stock	3,017,151	28,860	—	—	—	—	(28,860)	—	—	—	—	—	—
Options Exercised	4,730	28	—	—	—	—	—	—	—	—	—	28	—
Stock-based compensation	—	—	—	—	—	—	28,060	—	—	—	—	28,060	—
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(22,912)	—	—	—	—	(22,912)	—

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

TABLE OF CONTENTS

	Common Stock				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 Interes
	Class A		Class B										
	Shares	Amount	Shares	Amount	Shares	Amount							
Changes in noncontrolling and redeemable noncontrolling interests from business combinations	—	—	—	—	—	—	13,920	—	—	—	—	13,920	(15,98
Increase in noncontrolling interests from business acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	34,481
Dividends paid and to be paid	—	—	—	—	—	—	(17,919)	—	—	—	—	(17,919)	—
Transfer to charges in excess of capital	—	—	—	—	—	—	27,811	(27,811)	—	—	—	—	—
Balance at December 31, 2012	46,611,252	$253,869	3,755	$1	42,000	$424	$—	$(72,913)	$(316,713)	$(55)	$(7,445)	$(142,832)	$58,02

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) – (continued)

	Common Stock				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
	Class A		Class B										
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at December 31, 2012	46,611,252	$253,869	3,755	$1	42,000	$424	$—	$(72,913)	$(316,713)	$(55)	$(7,445)	$(142,832)	$58
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	(148,863)	—	—	(148,863)	—
Other Comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	6,648	6,648	(11
Equity Value Appreciation Awards	2,201,676	16,210	—	—	—	—	(16,210)	—	—	—	—	—	—
Stock Appreciation Rights Exercised	221,384	387	—	—	—	—	(387)	—	—	—	—	—	—
Shares acquired and cancelled	(593,156)	(13,817)	—	—	—	—	—	—	—	—	—	(13,817)	—
Issuance of restricted stock	651,271	6,006	—	—	—	—	(6,006)	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	16,083	—	—	—	—	16,083	—
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(35,689)	—	—	—	—	(35,689)	—
Decrease in noncontrolling interests from business combinations	—	—	—	—	—	—	11,074	—	—	—	—	11,074	(16

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

TABLE OF CONTENTS

	Common Stock				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	Noncon Interest
	Class A		Class B										
	Shares	Amount	Shares	Amount	Shares	Amount							
Increase in noncontrolling interests from business acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	11,090
Dividends paid and to be paid	—	—	—	—	—	—	(22,865)	—	—	—	—	(22,865)	—
Other	—	—	—	—	—	—	561	—	—	—	—	561	—
Transfer to charges in excess of capital	—	—	—	—	—	—	53,439	(53,439)	—	—	—	—	—
Balance at December 31, 2013	49,092,427	$262,655	3,755	$1	42,000	$424	$—	$(126,352)	$(465,576)	$(55)	$(797)	$(329,700)	$53,08

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 of United States Dollars) – (continued)

	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
	Shares	Amount	Shares	Amount	Shares	Amount						
Balance at December 31, 2013	49,092,427	$262,655	3,755	$1	42,000	$424	$—	$(126,352)	$(465,576)	$(55)	$(797)	$(329,700)
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	(24,057)	—	—	(24,057)
Other Comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	(6,955)	(6,955)
Issuance of restricted stock	761,686	7,661	—	—	—	—	(7,661)		—	—	—	—
Shares acquired and cancelled	(216,004)	(5,414)	—	—	—	—	—	—	—	—	—	(5,414)
Stock Subscription Receivable										55		55
Stock-based compensation	—	—	—	—	—	—	9,868		—	—	—	9,868
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(38,850)		—	—	—	(38,850)
Decrease in noncontrolling interests and redeemable noncontrolling interests from business combinations	—	—	—	—	—	—		—	—	—	—	—
Increase in noncontrolling interests from business acquisitions	—	—	—	—	—	—	(8,992)		—	—	—	(8,992)
	—	—	—	—	—	—	(37,244)		—	—	—	(37,244)

Dividends paid and to be paid												
Other	42,000	915	—	—	(42,000)	(424)	(437)	—	—	—	—	54
Transfer to charges in excess of capital	—	—	—	—	—	—	83,316	(83,316)	—	—	—	—
Balance at December 31, 2014	49,680,109	$265,817	3,755	$1	—	$—	$—	$(209,668)	$(489,633)	$—	$(7,752)	$(441,235)

47

TABLE OF CONTENTS

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

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Except 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 ("U.S. GAAP").

Effective December 2014, Accent Marketing, L.L.C. has been deemed discontinued operations. All periods have been restated to reflect the discontinued operation. For further information see Note 10 "Discontinued Operations."

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, Asia, and Latin America. See Note 14, "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 in consolidation.

Use of Estimates. The preparation of financial statements in conformity with U.S. 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 these 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.

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, 2014 and 2013. No clients accounted for 10% of revenue in each of the years ended December 31, 2014, 2013 and 2012.
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, 2014 and 2013

was $6,461 and $44, 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 30% undivided interest in a real estate joint venture and various interests in investment funds. 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 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. These investments are included in investments in affiliates.

Cost Method Investments. From time to time, the Company makes non-material cost based investments in start-up advertising technology companies and innovative consumer product 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, 2014 and 2013 was $10,196 and $12,452, 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.

In addition, the Company's partner agencies may receive minority equity interests from start-up companies in lieu of fees. During the year ended December 31, 2014, the Company liquidated two such equity interest positions in

exchange for an aggregate purchase price equal to $8,248. The purchasers of these equity investments were current investors in such entities and two executive officers of our subsidiary partner agencies.
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 on October 1, 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. The Company's conclusion was based on a detailed analysis of the aggregation criteria set forth in the FASB ASC Topic 280, Segment Reporting, and the guidance set forth in FASB ASC Topic

350, Intangibles - Goodwill and Other. Consistent with our fundamental business strategy, the agencies within the reporting units serve similar clients in similar industries, and in many cases the same clients. The main economic components of each agency are employee compensation and related costs and direct service costs and office and general costs, which include rent and occupancy costs, technology costs that are generally limited to personal computers, servers and off-the shelf software and other overhead expenses.

The Company's ten reporting units vary in size with respect to revenue and operating profits. These differences drive variations in fair value of the reporting units. In addition, these differences as well as differences in book value, including goodwill, cause variations in the amount by which fair value exceeds the carrying amount the reporting units. The reporting unit goodwill balances vary by reporting unit primarily because it relates specifically to the operating unit's goodwill which was determined at the date of acquisition.

The Company has the option of assessing qualitative factors to determine whether it is more likely it is more likely than not that the carrying amount of its reporting units exceeds their respective fair value or proceeding directly to the two-step impairment test. If the Company elects to perform a qualitative assessment and concludes it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, no further assessment is deemed necessary. Otherwise, goodwill must be tested for impairment using a two-step process. In addition, the two-step process must be applied for any reporting units not included in the qualitative assessment. Under the two step process, the Company first compares the estimated fair value of each of the Company's reporting units to its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit using a discounted cash flow ("DCF") analysis. If the estimated fair value of a reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is not impaired. Otherwise, step two must be performed. 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 Company uses the income approach, which utilizes DCF, as its methodology to determine the fair value of its reporting unit.

In applying the income approach, the Company uses estimates to derive the expected DCF for each reporting unit that serves as the basis of the valuation. These estimates and assumptions include revenue growth and operating margin, EBITDA, tax rates, capital expenditures, weighted average cost of capital ("WACC") and related discount rates and expected long-term cash flow growth rates. All of these estimates and assumptions are affected by conditions in the global economy. The assumptions that have the most significant effect on our valuations derived using a DCF methodology are: (1) the expected long-term growth rate of our reporting unit's cash flows and (2) the WACC.

The range of assumptions for the long-term growth rate and WACC used in our evaluations as of October 1, 2014 and 2013 were:

	October 1,			
	2014		2013	
Long-Term Growth Rate	4.3-10.0%		5.0-10.0%	
WACC	8.95	%	9.50	%

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, 2014 and 2013, there was no impairment of goodwill and no reporting units were at risk of failing 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

51

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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 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, 2014, 2013 and 2012, $16,467, $35,914 and $53,027, 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, 2014, 2013, and 2012 $6,133, $2,066 and $3,203, 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 16.

The Company has recorded the value of put options held by noncontrolling interests 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, 2014, there has been no charges to noncontrolling interests. Changes in the estimated redemption amounts of the put options are adjusted at

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
2. Significant Accounting Policies – (continued)

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.

	Years Ended December 31,		
	2014	2013	2012
Beginning Balance as of January 1,	$ 148,534	$ 117,953	$ 107,432
Redemptions	(4,820)	(4,270)	(16,712)
Granted	13,327	—	4,189
Changes in redemption value	38,850	35,689	22,912
Currency translation adjustments	(940)	(838)	132
Ending Balance as of December 31,	$ 194,951	$ 148,534	$ 117,953

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 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, 2014 and 2013, were $223,305 and $192,340, and 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 16.)

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 that 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 Reporting Revenue Gross as a Principal versus Net as an Agent topic that summarizes 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 the Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred topic, for reimbursements received for out-of-pocket expenses, which summarizes 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.

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 6.75% Notes and the Credit Agreement. The Company uses the effective interest method to amortize the deferred financing costs and original issue premium on the 6.75% Notes. The Company also uses the straightline method to amortize the deferred financing costs on 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.

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, 2014, 2013 and 2012, the Company issued no 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 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 2014, 2013, and 2012 was $3,026, $2,699 and $9,838, 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. From time to time, certain acquisitions and step-up acquisitions

include an element of compensation related payments as stock-based compensation.
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”).

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
2. Significant Accounting Policies – (continued)

Pension Costs. Several of the Company's U.S. 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 $7,503, $6,145 and $3,715 for the years ended December 31, 2014, 2013 and 2012, respectively. The Company also has a defined benefit plan. See Note 18.

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 U.S. 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-U.S. Dollar based subsidiaries to U.S. 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-U.S. Dollar based subsidiaries are translated at the period end rate. The income statements of non-U.S. 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 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.

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

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:

	2014	2013	2012
Numerator			
Numerator for diluted loss per common share – income (loss) from continuing operations	$4,093	$(133,202)	$(73,448)
Net income attributable to the noncontrolling interests	(6,890)	(6,461)	(6,863)
Loss attributable to MDC Partners Inc. common shareholders from continuing operations	(2,797)	(139,663)	(80,311)
Effect of dilutive securities	—	—	—
Numerator for diluted loss per common share – loss attributable to MDC Partners Inc. common shareholders from continuing operations	$(2,797)	$(139,663)	$(80,311)
Denominator			
Denominator for basic loss per common share – weighted average common shares	49,545,350	47,108,406	46,090,160
Effect of dilutive securities:			
Dilutive potential common shares	—	—	—
Denominator for diluted loss per common share – adjusted weighted shares and assumed conversions	49,545,350	47,108,406	46,090,160
Basic and Diluted loss per common share from continuing operations	$(0.06)	$(2.96)	$(1.74)

At December 31, 2014, 2013 and 2012, warrants, options and other rights to purchase, 1,114,681, 1,488,958 and 6,115,863 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 2014 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, 2014 was revenue of $56,733, and net income of $2,940, related to 2014 acquisitions. The Company assumed cash of $8,156, accounts receivable of $19,955, and accounts payable and accrued liabilities of $9,295 as of the acquisition dates.
2014 Acquisitions
During 2014, the Company entered into several acquisitions and various non-material transactions with certain majority owned entities. Effective January 1, 2014, MDC acquired 60% of the equity interests of Luntz Global Partners LLC (“LG”). Effective February 14, 2014, MDC acquired 65% of the equity interests of Kingsdale Partners LP (“Kingsdale”). LG and Kingsdale are both in the Company’s Performance Marketing Services segment. On June 3, 2014, MDC acquired a 100% equity interest in The House Worldwide Ltd ("THW"). On July 31, 2014, Union Advertising Canada LP acquired 100% of the issued and outstanding stock of Trapeze Media Limited ("Trapeze"). Effective August 1, 2014 MDC acquired 65% of the equity interests of Hunter PR LLC ("Hunter PR"). Effective August 18, 2014, MDC acquired a 75% interest in Albion Brand Communication Limited ("Albion"). In addition, in June 2014 and August 2014, MDC (through a subsidiary) entered into other non-material acquisitions. THW, Trapeze, Hunter PR, and Albion are all included within the Company's Strategic Marketing Services segment.
The aggregate purchase price of these acquisitions has an estimated present value at acquisition date of $151,202 and consisted of total closing cash payments of $67,236, and additional deferred acquisition payments that are based on the financial results of the underlying businesses from 2014 to 2018 with final payments due in 2019. These additional deferred payments have an estimated present value at acquisition date of $83,966. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles

of $61,906, consisting primarily of

customer lists, a technology asset and covenants not to compete, and goodwill of $149,234, including 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 $50,552 as the present value of noncontrolling interests and $13,327 as the present value of redeemable noncontrolling interests. Intangibles and goodwill of $149,232 are tax deductible. In addition the Company recorded other income of $908 representing a gain on the previously held 18% interest in Trapeze (see Note 15).

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.

2013 Acquisitions

During the fourth quarter of 2013, 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 $35,591 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 $23,591. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $10,961 consisting primarily of customer lists, a technology asset, and covenants not to compete, and goodwill of $32,786 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 $10,657 as the present value of noncontrolling interest. The intangibles and goodwill of $43,747 are tax deductible.

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 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.

TABLE OF CONTENTS
MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except 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, were as follows:
Net Loss Attributable to MDC Partners Inc. and
Transfers (to) from the Noncontrolling Interest

	Year Ended December 31,		
	2014	2013	2012
Net Loss attributable to MDC Partners Inc.	$(24,057)	$(148,863)	$(85,439)
Transfers (to) from the noncontrolling interest			
Increase (Decrease) in MDC Partners Inc. paid-in capital for purchase of equity interests in excess of noncontrolling interests and redeemable noncontrolling interests	(8,992)	11,074	13,920
Net transfers from (to) noncontrolling interest	$(8,992)	$11,074	$13,920
Change from net loss attributable to MDC Partners Inc. and transfers from (to) noncontrolling interest	$(33,049)	$(137,789)	$(71,519)

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

5. Fixed Assets

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

	2014			2013		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computers, furniture and fixtures	$91,272	$(65,451)	$25,821	$109,252	$(83,383)	$25,869
Leasehold improvements	64,051	(29,632)	34,419	60,938	(34,736)	26,202
	$155,323	$(95,083)	$60,240	$170,190	$(118,119)	$52,071

Included in fixed assets are assets under capital lease obligations with a cost of $2,072, (2013 – $2,462) and accumulated depreciation of $1,091 (2013 – $1,417). Depreciation expense for the years ended December 31, 2014, 2013, and 2012 was $16,462, $16,742 and $15,999, respectively.

6. Accrued and Other Liabilities

At December 31, 2014 and 2013, accrued and other liabilities included accrued media of $168,508 and $144,161, respectively; trust liabilities of $6,419 and nil, respectively; and included amounts due to noncontrolling interest holders, for their share of profits, which will be distributed within the next twelve months of $6,014 and $5,210, respectively.

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

	Noncontrolling Interests
Balance at December 31, 2011	$4,049
Income attributable to noncontrolling interests	6,863
Distributions made	(7,673)
Other[(1)]	385
Balance at December 31, 2012	$3,624
Income attributable to noncontrolling interests	6,461
Distributions made	(5,525)
Other[(1)]	650
Balance at December 31, 2013	$5,210
Income attributable to noncontrolling interests	6,890
Distributions made	(6,523)
Other[(1)]	437
Balance at December 31, 2014	$6,014

(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. The revolving credit facility 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

59

TABLE OF CONTENTS

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.

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 at December 31, 2012	$483,760	$236,311	$720,071
Acquired goodwill	—	35,956	35,956
Acquisition purchase price adjustments	(3,981)	(2,493)	(6,474)
Foreign currency translation	(2,374)	(2,846)	(5,220)
Balance at December 31, 2013	$477,405	$266,928	$744,333
Acquired goodwill	50,668	98,566	149,234
Discontinued operations	—	(27,706)	(27,706)
Other [1]	(7,263)	4,093	(3,170)
Foreign currency translation	(5,278)	(6,040)	(11,318)
Balance at December 31, 2014	$515,532	$335,841	$851,373

[1] Other includes acquisition purchase price adjustments and transfers between segments

	For the Year Ended December 31,	
	2014	2013
Intangibles:		
Trademarks (indefinite life)	$17,780	$17,780
Customer relationships – gross	$133,409	$92,640
Less accumulated amortization	(83,475)	(62,906)
Customer relationships – net	$49,934	$29,734
Other intangibles – gross	$31,408	$17,064
Less accumulated amortization	(13,001)	(8,316)
Other intangibles – net	$18,407	$8,748
Total intangible assets	$182,597	$127,484
Less accumulated amortization	(96,476)	(71,222)
Total intangible assets – net	$86,121	$56,262

See Note 4 for Accounting for Business Combinations.

The total accumulated impairment charges are $46,883 through December 31, 2014.

The weighted average amortization periods for customer relationships are 5 years and other intangible assets are 7 years. In total, the weighted average amortization period is 6 years. The amortization expense of amortizable intangible assets for the year ended December 31, 2014, was $29,749 (2013 – $18,456; 2012 – $26,074) the estimated amortization expense for the five succeeding years is:

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

Year	Amortization
2015	$28,113
2016	$16,809
2017	$11,664
2018	$8,369
2019	$2,558

61

9. Income Taxes

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

	2014	2013	2012
Income (Loss):			
US	$46,728	$21,661	$(36,644)
Non-US	(31,619)	(159,511)	(27,884)
	$15,109	$(137,850)	$(64,528)

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

	2014	2013	2012
Current tax provision			
U.S. federal	$—	$—	$—
U.S. state and local	907	213	802
Non-US	552	847	329
	1,459	1,060	1,131
Deferred tax provision (benefit):			
U.S. federal	13,402	7,505	2,150
U.S. state and local	1,971	1,027	299
Non-U.S.	(4,410)	(13,959)	5,973
	10,963	(5,427)	8,422
Income tax provision (benefit)	$12,422	$(4,367)	$9,553

A reconciliation of income tax expense (benefit) 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:

	2014	2013	2012
Income (loss) from continuing operations before income taxes, equity in non-consolidated affiliates and noncontrolling interest	$15,109	$(137,850)	$(64,528)
Statutory income tax rate	26.5%	26.5%	26.5%
Tax expense (benefit) using statutory income tax rate	4,004	(36,530)	(17,100)
State and foreign taxes	1,459	1,060	1,131
Non-deductible stock-based compensation	1,982	24,357	7,699
Other non-deductible expense	2,151	942	1,176
Change to valuation allowance on items affecting taxable income	2,003	6,952	15,682
Effect of the change in tax rate	—	—	2,168
Effect of the difference in federal and statutory rates	2,222	(15)	(793)
Noncontrolling interests	(1,826)	(1,712)	(1,593)
Other, net	427	579	1,183
Income tax expense (benefit)	$12,422	$(4,367)	$9,553
Effective income tax rate	82.2%	(3.2)%	14.8%

See Note 10 for income taxes for discontinued operations.

TABLE OF CONTENTS
MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
9. Income Taxes – (continued)

The 2014 effective income tax rate was significantly higher than the statutory rate due primarily to non-deductible stock based compensation of $1,982, and an increase in the valuation allowance of $2,003 and the effect of the difference in the U.S. and foreign federal rates and the Canadian statutory rate of $2,222.
The 2013 effective income tax rate was significantly lower than the statutory rate due primarily to an increase in the valuation allowance of $6,952 and non-deductible stock based compensation of $24,357.
The 2012 effective income tax rate was significantly lower than the statutory rate due primarily to an increase in the valuation allowance of $15,682 and non-deductible stock based compensation of $7,699.
Income taxes receivable were $235 and $533 at December 31, 2014 and 2013, respectively, and were included in other current assets on the balance sheet. Income taxes payable were $5,368 and $4,907 at December 31, 2014 and 2013, 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 payment of income taxes as a component of income tax expense. For the years ended 2014, 2013, and 2012, 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:

	2014		2013	
Deferred tax assets:				
Capital assets and other	$45,496		$36,449	
Net operating loss carry forwards	39,525		41,947	
Interest deductions	17,456		21,753	
Refinancing charge	5,176		10,153	
Deferred acquisition consideration	5,204		26,779	
Stock compensation	1,561		1,433	
Pension plan	3,597		—	
Unrealized foreign exchange	6,954		2,372	
Capital loss carry forwards	14,834		16,180	
Accounting reserves	5,135		4,769	
Gross deferred tax asset	144,938		161,835	
Less: valuation allowance	(119,117	)	(137,961	)
Net deferred tax assets	25,821		23,874	
Deferred tax liabilities:				
Pension plan	—		(1,112	)
Deferred finance charges	(386	)	(420	)
Capital assets	(396	)	(178	)
Goodwill amortization	(77,603	)	(61,859	)
Total deferred tax liabilities	(78,385	)	(63,569	)
Net deferred tax asset (liability)	$(52,564	)	$(39,695	)
Disclosed as:				
Deferred tax assets	$25,480		$23,380	
Deferred tax liabilities	(78,044	)	(63,075	)
	$(52,564	)	$(39,695	)

Included in accrued and other liabilities at December 31, 2014 and 2013 is a deferred tax liability of $47 and $55, respectively. Included in other current assets at December 31, 2014 and 2013 is a deferred tax asset of $6,722 and $2,249, respectively.

The Company has U.S. federal net operating loss carry forwards of $51,043 and non-U.S. net operating loss carry forwards of $52,139, these carry forwards expire in years 2015 through 2031. The Company also has total indefinite loss carry forwards of $131,758. These indefinite loss carry forwards consist of $36,052 relating to the U.S. and $95,706 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 $144,622.

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 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-U.S. 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, 2014, 2013 and 2012 was $2,003, $6,952 and $15,682, respectively. In addition, a benefit of $1,112 and an expense of $1,112 has been recorded in accumulated other comprehensive loss relating to the defined pension plan, for the year ended December 31, 2014 and 2013, 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, 2014 and 2013, the Company recorded a liability for unrecognized tax benefits as well as applicable penalties and interest in the amount of $4,166. As of December 31, 2014, accrued penalties and interest included in unrecognized tax benefits were approximately $1,093. 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. If these unrecognized tax benefits were to be recognized, it would affect the Company's effective tax rate.

Changes in the Company's reserve is as follows:

Balance at December 31, 2011	$3,624
Charges to income tax expense	—
Settlement of uncertainty	(551)
Balance at December 31, 2012	3,073
Charges to income tax expense	—
Balance at December 31, 2013	3,073
Charges to income tax expense	—
Balance at December 31, 2014	$3,073

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

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

10. Discontinued Operations

In 2014, the Company made the decision to strategically sell the net assets of Accent Marketing Services, L.L.C., which was previously reported in the Performance Marketing Services segment. The sale is expected to be completed in 2015.

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

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

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

64

TABLE OF CONTENTS

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

	Years Ended December 31,		
	2014	2013	2012
Revenue	$70,041	$89,659	$108,399
Operating loss	(4,704)	(324)	(5,659)
Other expense	(458)	(522)	(773)
Noncontrolling interest expense recovery	—	(55)	1,304
Loss on disposal	(16,098)	(8,299)	—
Net loss from discontinued operations	$(21,260)	$(9,200)	$(5,128)

At December 31, 2014, other current assets and other long term assets included assets held for sale of $5,591 and $16,409, respectively. At December 31, 2013, other assets and other current liabilities included no related assets and no liabilities held for sale. For the year ended December 31, 2014, the loss on disposal includes a goodwill write off of $15,564.

11. Debt

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

	2014	2013
Revolving credit facility	$—	$—
6.75% Notes due 2020	735,000	660,000
Original issue premium	7,017	4,056
Note payable and other bank loans	—	120
	742,017	664,176
Obligations under capital leases	1,110	952
	743,127	665,128
Less:		
Current portion	534	467
	$742,593	$664,661

Interest expense related to long-term debt for the years ended December 31, 2014, 2013 and 2012 was $50,832, $92,704 and $43,975, 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, 2014, 2013, and 2012, interest expense included income of $975, $4,262, $46, related to the amortization of the original issue premium. For the years ended December 31, 2014, 2013, and 2012, interest expense also included $2,186, $232 and $277, of present value adjustments for fixed deferred acquisition payments, respectively.

The amortization and write off of deferred finance costs included in interest expense were $3,222, $12,024 and $2,295 for the years ended December 31, 2014, 2013, and 2012, respectively.

Issuance of 6.75% Senior Notes

On March 20, 2013, 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 $550 million aggregate principal amount 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.

On April 2, 2014, the Company issued an additional $75,000 aggregate principal amount of 6.75% Notes due 2020. 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 private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $77,452, which included an original issue premium of $3,938, and payment of underwriter fees of $1,500. The Company used the net proceeds of the offering for general corporate purposes, including the funding of deferred acquisition consideration, working capital, acquisitions and the repayment of the amount outstanding under our senior secured revolving credit

facility.

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 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.

Effective October 23, 2014, MDC and its subsidiaries entered into an amendment of its Credit Agreement. The amendment: (i) expands the commitments under the facility by $100 million, from $225 million to $325 million; (ii) extends the maturity date by an additional eighteen months to September 30, 2019; (iii) reduces the base borrowing interest rate by 25 basis points (the applicable margin for borrowing is 1.00% in the case of Base Rate Loans and 1.75% in the case of LIBOR Rate Loans) ; and (iv) modifies certain covenants to provide the Company with increased flexibility to fund its continued growth and other general corporate purposes.

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 1.00% in the case of Base Rate Loans and 1.75% 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, 2014, there were no borrowings under the Credit Agreement.

At December 31, 2014, the Company had issued $4,822 of undrawn outstanding letters of credit.

At December 31, 2014 and 2013, accounts payable included $72,147 and $34,312 of outstanding checks, respectively.

Future Principal Repayments

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

Period	Amount
2015	$534
2016	472
2017	104
2018	—
2019	—
2020 and thereafter	735,000
	$736,110

Capital Leases

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

Period	Amount
2015	$600
2016	490
2017	105
2018	—
2019	—
2020 and thereafter	—
	1,195
Less: imputed interest	(85)
	1,110
Less: current portion	(534)
	$576

12. Share Capital

The authorized share capital of the Company is as follows:

(a) Authorized Share Capital

Class A Shares

TABLE OF CONTENTS
MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
12. Share Capital – (continued)

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.
(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, 2014, 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, 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
Granted	120,578	25.09	293,705	21.99
Vested	(497,214)	9.62	(264,478)	10.88
Forfeited	—	—	(26,874)	11.52
Balance at December 31, 2014	86,030	$23.14	916,141	$16.36

The total fair value of restricted stock and restricted stock unit awards, which vested during the year ended December 31, 2014, 2013 and 2012 was $7,659, $43,227 and $22,557, respectively. In connection with the vesting of these awards, the Company included in the taxable loss the amounts of $11,874, $17,219 and $5,242 in 2014, 2013 and 2012, respectively. At December 31, 2014, the weighted average remaining contractual life for performance based

awards is 2.1 years and for time based awards is 1.8 years. At December 31, 2014, the fair value of all restricted stock and restricted stock unit awards is $22,769. The term of these awards is three years with vesting up to three years. At December 31, 2014, the unrecognized

69

compensation expense for these awards was $10,027 and will be recognized through 2017. At December 31, 2014, there are 257,368 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.

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		Non Vested Options
	Number Outstanding	Weighted Average Price per Share	Number Outstanding	Weighted Average Price per Share	
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	—
Vested	—	—			—
Granted	—	—			—
Exercised	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2014	112,500	$5.70	112,500	$5.70	—

At December 31, 2014, the intrinsic value of vested options and the intrinsic value of all options was $1,915. For options exercised during 2014, 2013 and 2012, the Company received cash proceeds of nil, nil and $27, respectively. The Company did not receive any windfall tax benefits. The intrinsic value of options exercised during 2014, 2013 and 2012 was nil, nil and $5, respectively. At December 31, 2014, the weighted average remaining contractual life of all outstanding options was 1.8 years and for all vested options was 1.8 years. At December 31, 2014, the unrecognized compensation expense of all options was nil.

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

Share options outstanding as of December 31, 2014 are summarized as follows:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Outstanding Number	Weighted Average Contractual Life	Weighted Average Price per Share	Exercisable Number	Weighted Average Price per Share	Weighted Average Contractual Life
$5.63 – $5.83	112,500	1.8	$5.70	112,500	$5.70	1.8

(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, 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	—	$—	—	$—	—
Vested	—	—			—
Granted	—	—			—
Exercised	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2014	—	$—	—	$—	—

At December 31, 2014, the aggregate amount of shares to be issued on vested SAR's was nil. During 2014, 2013 and 2012, the aggregate value of SAR's exercised was nil, $80,323, and $301, respectively. The Company received tax deductions of nil, $12,682, and $296 in 2014, 2013 and 2012, 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, 2014, 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.

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

71

TABLE OF CONTENTS

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

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

	EVARs Outstanding		EVARs Exercisable		Non Vested EVARs
	Number Outstanding	Weighted Average Issuance Price per Share	Number Outstanding	Weighted Average Issuance Price per Share	
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	—	$—	—	$—	—
Vested	—	—			—
Granted	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2014	—	$—	—	$—	—

The grant date fair value of these EVARs was $13,240. At December 31, 2014, there are no outstanding EVARs.
The Company has reserved a total of 2,377,822 Class A shares in order to meet its obligations under various conversion rights, warrants and employee share related plans. At December 31, 2014 there were 1,002,172 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.

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

72

TABLE OF CONTENTS
MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
13. Fair Value Measurements – (continued)

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, 2014 and 2013:

	Level 1 2014 Carrying Amount	Fair Value	Level 1 2013 Carrying Amount	Fair Value
Liabilities:				
Long term debt	$742,017	$751,538	$664,056	$690,525

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)	
	2014	2013
Beginning Balance of contingent payments	$151,848	$194,795
Payments	(61,441)	(106,460)
Grants (1)	68,642	31,608
Redemption value adjustments (2)	20,816	38,712
Transfers (to) from fixed payments	(5,146)	(6,318)
Foreign translation adjustment	(2,492)	(489)
Ending Balance of contingent payments	$172,227	$151,848

(1) Grants are the initial estimated deferred acquisition payments of new acquisitions completed within that fiscal period.
(2) Redemption value adjustments are fair value changes from the Company's initial estimates of deferred acquisition payments, including the accretion of present value and stock based compensation charges relating to acquisition payments that are tied to continued employment.
In addition to the above amounts, there are fixed payments of $33,141 and $2,065 for total deferred acquisition consideration of $205,368 and $153,913, which reconciles to the consolidating financial statements at December 31, 2014 and 2013, respectively.
The Company includes the payments of all deferred acquisition consideration in financing activities in the Company's consolidated statement of cash flows, as the Company believes these payments to be seller related financing activities, which is the predominant source of cash flows.
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 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

TABLE OF CONTENTS
MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
13. Fair Value Measurements – (continued)

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. 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 one reportable Strategic Marketing Services segment plus two "other" segments, Performance Marketing Services and 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. In addition, services include consumer activation, investor relations and general public insights.

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

TABLE OF CONTENTS
MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
14. Segment Information – (continued)

	For the year ended December 31, 2014			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$954,211	$269,301	$—	$1,223,512
Cost of services sold	617,914	180,604	—	798,518
Office and general expenses	200,716	45,224	44,133	290,073
Depreciation and amortization	24,158	21,229	1,785	47,172
Operating profit (loss)	111,423	22,244	(45,918)	87,749
Other income (expense):				
Other income, net				689
Foreign exchange loss				(18,482)
Interest expense and finance charges, net				(54,847)
Income from continuing operations before income taxes, equity in non-consolidated affiliates				15,109
Income tax expense				12,422
Income from continuing operations before equity in non-consolidated affiliates				2,687
Equity in earnings of non-consolidated affiliates				1,406
Income from continuing operations				4,093
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(21,260)
Net loss				(17,167)
Net income attributable to noncontrolling interests	(6,943)	53	—	(6,890)
Net loss attributable to MDC Partners Inc.				$(24,057)
Stock-based compensation	$9,616	$3,553	$4,527	$17,696
Capital expenditures from continuing operations	$22,452	$2,627	$1,337	$26,416
Goodwill and intangibles	$560,505	$376,989	$—	$937,494
Total assets	$891,341	$476,795	$280,754	$1,648,890

TABLE OF CONTENTS

MDC PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)

14. Segment Information – (continued)

	For the year ended December 31, 2013			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$836,936	$225,542	$—	$1,062,478
Cost of services sold	535,085	169,884	—	704,969
Office and general expenses	190,699	38,551	126,714	355,964
Depreciation and amortization	24,210	10,535	1,394	36,139
Operating profit (loss)	86,942	6,572	(128,108)	(34,594)
Other income (expense):				
Other income, net				2,531
Foreign exchange loss				(5,516)
Interest expense, finance charges, and loss on redemption of notes,net				(100,271)
Loss from continuing operations before income taxes, equity in non-consolidated affiliates				(137,850)
Income tax benefit				(4,367)
Loss from continuing operations before equity in non-consolidated affiliates				(133,483)
Equity in earnings of non-consolidated affiliates				281
Loss from continuing operations				(133,202)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(9,200)
Net loss				(142,402)
Net income attributable to noncontrolling interests	(6,150)	(311)	—	(6,461)
Net loss attributable to MDC Partners Inc.				$(148,863)
Stock-based compensation	$7,657	$3,017	$89,731	$100,405
Capital expenditures from continuing operations	$12,338	$2,339	$2,132	$16,809
Goodwill and intangibles	$525,412	$275,183	$—	$800,595
Total assets	$841,362	$379,391	$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 per Share Amounts)
14. Segment Information – (continued)

	For the year ended December 31, 2012			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$751,464	$221,509	$—	$972,973
Cost of services sold	504,407	162,922	—	667,329
Office and general expenses	193,758	48,561	38,847	281,166
Depreciation and amortization	27,807	13,298	1,342	42,447
Operating profit (loss)	25,492	(3,272)	(40,189)	(17,969)
Other income (expense):				
Other income, net				450
Foreign exchange loss				(1,138)
Interest expense and finance charges, net				(45,871)
Loss from continuing operations before income taxes, equity in non-consolidated affiliates				(64,528)
Income tax expense				9,553
Loss from continuing operations before equity in non-consolidated affiliates				(74,081)
Equity in earnings of non-consolidated affiliates				633
Loss from continuing operations				(73,448)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(5,128)
Net loss				(78,576)
Net income attributable to noncontrolling interests	(6,326)	(537)	—	(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	$11,600	$4,555	$382	$16,537
Goodwill and intangibles	$542,573	$240,741	$—	$783,314
Total assets	$849,716	$374,982	$120,247	$1,344,945

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				
2014	$48,884	$7,099	$4,257	$60,240
2013	$44,360	$5,424	$2,287	$52,071
Goodwill and Intangible Assets				
2014	$759,035	$154,349	$24,110	$937,494
2013	$720,373	$80,222	$—	$800,595

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
14. 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:				
2014	$993,474	$150,390	$79,648	$1,223,512
2013	$870,525	$135,630	$56,323	$1,062,478
2012	$781,210	$148,063	$43,700	$972,973

15. Related Party Transactions

(a) The Company incurred fees and paid cash incentive awards totaling $13,592, $15,992 and $2,739 in 2014, 2013 and 2012, 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; effective January 1, 2014, the annual retainer amount was increased to $1,850; and effective January 1, 2015, the annual retainer amount was increased to $2,000.

During 2012 and 2013 and in accordance with this Services Agreement, Mr. Nadal repaid an amount equal to $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 (U.S. $9,649).

(c) Beginning in 2014, MDC has chartered for business purposes an airplane and helicopter (together, the "Aircraft") owned by entities controlled by Mr. Nadal and leased to an independent corporate aircraft management company. Entities controlled by Mr. Nadal paid for the purchases of the Aircraft and are legally responsible and have paid for all operating, personnel and maintenance costs associated with the Aircraft's operations. Payments by third parties to charter the Aircraft from the corporate aircraft management company will offset a portion of the costs. Payments by MDC for the business use of the Aircraft by Mr. Nadal and other Executive employees of MDC are made to the corporate aircraft management company at a fixed hourly rate set forth in the aircraft service agreement between the aircraft management company and entities controlled by Mr. Nadal. In 2014, MDC paid a total of $1,620 for the business use of the Aircraft.

(d) 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, an MDC partner firm provided services to Trapeze in exchange for fees equal to $187, respectively. Trapeze did not provide any services to MDC nor its partner firms in the three years ended December 31, 2014, prior to the July 31, 2014 acquisition.

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
15. Related Party Transactions – (continued)

On July 31, 2014, Union Advertising Canada LP (an MDC subsidiary), acquired 100% of the issued and outstanding stock of Trapeze Media Limited. Trapeze Media is a Toronto-based digital advertising company. Prior to the acquisition, the Company owned 18% of the equity interests in Trapeze, and Miles Nadal (the Company's President and Chief Executive Officer) owned 54% of the equity interests. The total estimated aggregate consideration for 100% of the equity interests in Trapeze was $5,281 (or $4,373 excluding the Company's current equity interest). MDC recorded other income of $908 representing a gain on the previously held 18% interest in Trapeze. Mr. Nadal recused himself from all Board discussions relating to Trapeze.The Stock Purchase Agreement for the Trapeze transaction contains customary representations and warranties and covenants of each party. Breaches of any representations and warranties will be subject to customary indemnification provisions.The acquisition of Trapeze by Union is expected to create an integrated agency with strong digital capabilities and more significant scale. In order to maximize the operating efficiency of the combined operations, the employees of Trapeze relocated into Union's current offices, and certain changes were made to the combined entity's executive management team.

16. 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, 2014, perform over the relevant future periods at their 2014 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately $19,722 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 $103 by the issuance of share capital. In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $175,229 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 $194,951, which has been recorded on the balance sheet at December 31, 2014 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, 2014, 2013, and 2012, these operations did not incur any material costs related to damages resulting from hurricanes, although certain agency operations experienced temporary closures in 2012 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, 2014, the Company has $4,822 of undrawn outstanding letters of credit. In addition, the Company has commitments to fund investments in an aggregate amount of $10,209.

Leases. The Company and its subsidiaries lease certain facilities and equipment. Gross premises rental expense amounted to $42,657 for 2014, $38,366 for 2013 and $34,422 for 2012, which was reduced by sublease income of $1,449 in 2014, $897 in 2013 and $820 in 2012. 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 2015 and thereafter, are as follows:

Period	Amount
2015	$41,871
2016	39,006
2017	33,740
2018	31,168
2019	26,472
2020 and thereafter	62,644
	$234,901

At December 31, 2014, the total future cash to be received on sublease income is $10,741.

17. New Accounting Pronouncements

In August 2014, the FASB issued Standards Update 2014-15, Presentation of Financial Statements - Going Concern. This update will be effective for fiscal years and interim periods beginning after December 15, 2016 and early application is permitted. ASU 2014-15 requires that management evaluate at each annual and interim reporting period whether there is a substantial doubt about an entity's ability to continue as a going concern within one year of the date that the financial statements are issued. The implementation of the amended accounting guidance is not expected to have an impact on the presentation of our results of operations, financial position or disclosures.

In May 2014, the FASB issued Standards Update 2014-09, Revenue with Contracts from Customers. This update supersedes Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity must apply a five-step approach. ASU 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented; or, recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. This guidance is effective for the Company beginning January 1, 2017. The Company is currently assessing the impact and choice of transition method.

In April 2014, the FASB issued Standards Update No 2014-08, Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity. This update changes the requirements for reporting discontinued operations and requires additional disclosures. This guidance is effective for the Company beginning January 1, 2015. The implementation of the amended accounting guidance is not expected to have a material impact on our consolidated financial position or results of operations.

18. 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.

TABLE OF CONTENTS

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

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

	Pension Benefits 2014	Pension Benefits 2013
Service cost	$—	$—
Interest cost on benefit obligation	1,788	1,752
Expected return on plan assets	(2,025)	(1,829)
Curtailment and settlements	—	105
Amortization of prior service cost	—	—
Amortization of actuarial (gains) losses	—	15
Net periodic benefit cost (benefit)	$(237)	$43

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.

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 2014	Pension Benefits 2013
Curtailment/settlement	$—	$(105)
Current year actuarial (gain) loss	11,515	(7,928)
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	$11,515	$(8,048)
Total recognized in net periodic benefit cost and other comprehensive (income) loss	11,278	$(8,005)

The following table summarizes the change in benefit obligations and fair values of plan assets for the years ended December 31, 2014 and 2013:

	Pension Benefits 2014	Pension Benefits 2013
Change in benefit obligation:		
Benefit obligation, Beginning balance	$32,857	$40,041
Service Cost	—	—
Interest Cost	1,788	1,752
Change in Mortality	3,287	—
Plan amendments	—	—
Curtailment/settlement	—	(1,567)
Actuarial (gains) losses	7,681	(4,954)
Benefits paid	(1,814)	(2,415)
Benefit obligation, Ending balance	43,799	32,857
Change in plan assets:		
Fair value of plan assets, Beginning balance	26,868	24,769
Actual return on plan assets	1,478	3,236
Employer contributions	1,828	1,278
Benefits paid	(1,814)	(2,415)
Fair value of plan assets, Ending balance	28,360	26,868
Unfunded status	$15,439	$5,989

	Pension Benefits 2014	Pension Benefits 2013
Amounts recognized in the balance sheet consist of:		
Noncurrent liability	$15,439	$5,989
Net amount recognized	$15,439	$5,989

Amounts recognized in Accumulated Other Comprehensive Loss:

	Pension Benefits 2014	Pension Benefits 2013
Accumulated net actuarial losses	$8,796	$(1,607)
Accumulated prior service cost	—	—
Accumulated transition obligation	—	—
Net amount recognized, net of tax	$8,796	$(1,607)

The preceding table presents two measures of benefit obligations for the pension plan. Accumulated benefit obligation generally measures the value of benefits earned to date. Projected benefit obligation 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.

TABLE OF CONTENTS

MDC PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)

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

	Pension Benefits 2014		Pension Benefits 2013	
Discount rate	4.38	%	5.26	%
Rate of compensation increase	N/A		N/A	

The discount rate assumptions at December 31, 2014 and 2013 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 2014		Pension Benefits 2013	
Discount rate	5.26	%	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.

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, 2014	Level 1	Level 2	Level 3
Asset Category:				
Money Market Fund – Short Term Investments	$982	$251	$731	$—
Common Stock	11,099	11,099	—	—
Corporate Bonds	5,460	—	5,460	—
Mutual Funds	10,606	10,606	—	—
Foreign Stock	213	213	—	—
Total	$28,360	$22,169	$6,191	$—

	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	$—

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

The pension plans weighted-average asset allocation for the years ended December 31, 2014 and 2013 are as follows:

	Target Allocation 2014		Actual Allocation 2014		Actual Allocation 2013	
Asset Category:						
Equity Securities	60	%	65.0	%	55.6	%
Debt Securities	40	%	31.5	%	36.9	%
Cash/Cash Equivalents and Short Term Investments	—	%	3.5	%	7.5	%
	100	%	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.

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, 2014 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

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

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 2015 are as follows:

Estimated Amortization:	Pension Benefits 2015
Prior service cost (credit) amortization	$—
Net loss amortization	114
Total	$114

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

Estimated Future Benefit Payments for FYE 12/31	Pension Benefits
2015	$1,092
2016	$1,168
2017	$1,317
2018	$1,433
2019	$1,521
2020 – 2024	$9,500

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

19. Changes in Accumulated Other Comprehensive Income (Loss)

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

	Defined Benefit Pension	Foreign Currency Translation	Total
Balance December 31, 2012	$(5,329)	$(2,116)	$(7,445)
Other comprehensive income (loss) before reclassifications	—	(288)	(288)
Amounts reclassified from accumulated other comprehensive income (loss) (net of tax expense of $1,112)	6,936	—	6,936
Other comprehensive income (loss)	$6,936	$(288)	$6,648
Balance December 31, 2013	$1,607	$(2,404)	$(797)
Other comprehensive income (loss) before reclassifications	—	3,448	3,448
Amounts reclassified from accumulated other comprehensive income (loss) (net of tax benefit of $1,112)	(10,403)	—	(10,403)
Other comprehensive income (loss)	(10,403)	3,448	(6,955)
Balance December 31, 2014	$(8,796)	$1,044	$(7,752)

TABLE OF CONTENTS

MDC PARTNERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)

19. Changes in Accumulated Other Comprehensive Income (Loss) - (continued)

For the year ended December 31, 2014 there were no reclassifications from accumulated other comprehensive income (loss). Reclassifications for the year ended December 31, 2013 were:

	2013
Amortization of defined pension plan:	
Prior service cost	$—
Actuarial (gains) losses	15
Net periodic benefit cost (see Note 18)	15
Income tax expense	6
Net of tax	$9

20. 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, 2014 and 2013, in thousands of dollars, except per share amounts.

	Quarters			
	First	Second	Third	Fourth
Revenue:				
2014	$274,854	$299,356	$309,391	$339,911
2013	$242,995	$262,793	$267,461	$289,229
Cost of services sold:				
2014	$181,468	$188,875	$205,549	$222,626
2013	$164,932	$175,693	$176,913	$187,431
Income (loss) from continuing operations:				
2014	$(7,213)	$19,555	$(1,868)	$(6,381)
2013	$(41,181)	$10,630	$(12,533)	$(90,118)
Net income (loss) attributable to MDC Partners Inc.:				
2014	$(8,846)	$16,470	$(4,922)	$(26,759)
2013	$(43,158)	$9,816	$(21,200)	$(94,321)
Income (loss) per common share:				
Basic				
Continuing operations:				
2014	$(0.17)	$0.36	$(0.07)	$(0.17)
2013	$(0.90)	$0.19	$(0.31)	$(1.95)
Net income (loss):				
2014	$(0.18)	$0.33	$(0.10)	$(0.54)
2013	$(0.92)	$0.20	$(0.45)	$(2.00)
Diluted				
Continuing operations:				
2014	$(0.21)	$0.29	$(0.13)	$(0.58)
2013	$(0.94)	$0.16	$(0.49)	$(2.04)
Net income (loss):				
2014	$(0.22)	$0.26	$(0.16)	$(0.95)
2013	$(0.96)	$0.17	$(0.63)	$(2.09)

TABLE OF CONTENTS

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
20. Quarterly Results of Operations (Unaudited) - (continued)

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.

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

- The fourth quarter of 2014 includes a foreign exchange loss of $8,066.
- The fourth quarter of 2013 includes stock based compensation charges of $63,715.
- The fourth quarter of 2014 includes deferred acquisition adjustments of $1,751.
- The fourth quarter of 2013 includes deferred acquisition adjustments of $30,514.

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, 2014. In making this assessment, we used the criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, we believe that, as of December 31, 2014, 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, 2014, 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, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(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, 2014, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). MDC Partners Inc.'s 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.

TABLE OF CONTENTS

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, 2014, 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, 2014 and 2013, 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, 2014 and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
March 2, 2015

TABLE OF CONTENTS

Item 9B. Other Information

None.

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 with Section 16(a) of the Exchange Act” in our Proxy Statement for the 2015 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, 2014, which sections are incorporated herein by reference.

Executive Officers of MDC Partners

The executive officers of MDC Partners as of March 2, 2015 are:

Name	Age	Office
Miles S. Nadal(1)	57	Chairman of the Board, Chief Executive Officer and President
Lori Senecal(1)	50	Director, President and Chief Executive Officer of The MDC Partner Network
Stephen Pustil(1)	71	Vice Chairman
David B. Doft	43	Chief Financial Officer
Mitchell S. Gendel	49	General Counsel & Corporate Secretary
Michael C. Sabatino	50	Senior Vice President, Chief Accounting Officer
Andre Coste	51	Executive Vice President, Chief Operating Officer of The MDC Partners Network
David C. Ross	34	Senior Vice President, Corporate Development

(1) Also a member of MDC's Board of Directors.

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.

Ms. Senecal joined MDC Partners in September 2014 as CEO of The MDC Partner Network and as a director on the Board of Directors. At that time she also assumed the role of Global Executive Chairman of kbs+, one of MDC's leading creative advertising agencies. From August 2009 until September 2014, Ms. Senecal served as Chief Executive Officer of kbs+. Prior to kbs+, Ms. Senecal was President of the flagship New York office of McCann Erickson, and previously, as Global Chief Innovation Officer for McCann Worldgroup. At McCann, Ms. Senecal also founded TAG Ideation, a young-adult marketing specialty unit.

Mr. Pustil has been a director of MDC since 1992, and its Vice Chairman since 1992. Mr. Pustil is also Chairman of Peerage Realty Partners. 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.

TABLE OF CONTENTS

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

The audits referred to in our report dated March 2, 2015 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 2014, 2013 and 2012. 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 2, 2015

TABLE OF CONTENTS

(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,

(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, 2014	$2,011	$556	$(1,127)	$(31)	$1,409
December 31, 2013	$1,581	$1,484	$(1,042)	$(12)	$2,011
December 31, 2012	$851	$1,587	$(864)	$7	$1,581

Schedule II — 2 of 2

MDC PARTNERS INC. & SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

For the Three Years Ended December 31,

(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, 2014	$137,961	$(10,437)	$(7,062)	$(1,345)	$119,117
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

(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.

TABLE OF CONTENTS

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.

Date: March 2, 2015	By:	/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 2, 2015
/s/ Scott Kauffman Scott Kauffman	Presiding Director	March 2, 2015
/s/ Clare Copeland Clare Copeland	Director	March 2, 2015
/s/ Michael J. Kirby Michael J. Kirby	Director	March 2, 2015
/s/ Lori Senecal Lori Senecal	Director, President and Chief Executive Officer, The MDC Partner Network	March 2, 2015
/s/ Irwin D. Simon Irwin D. Simon	Director	March 2, 2015
/s/ Stephen M. Pustil Stephen M. Pustil	Director, Vice Chairman	March 2, 2015
/s/ David Doft David Doft	Chief Financial Officer	March 2, 2015
/s/ Michael Sabatino Michael Sabatino	Senior Vice President and Chief Accounting Officer	March 2, 2015

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);
3.1.3	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 (incorporated by reference to Exhibit 3.1.4 to the Company's Form 10-K filed on March 10, 2014);
3.1.5	Articles of Amalgamation, dated April 1, 2013 (incorporated by reference to Exhibit 3.1.5 to the Company's Form 10-K filed on March 10, 2014);
3.1.6	Articles of Amalgamation, dated July 1, 2013 (incorporated by reference to Exhibit 3.1.6 to the Company's Form 10-K filed on March 10, 2014);
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);
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 (incorporated by reference to Exhibit 4.1.2 to the Company's Form 10-K filed on March 10, 2014);
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 (incorporated by reference to Exhibit 4.1.3 to the Company's Form 10-K filed on March 10, 2014);
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 (incorporated by reference to Exhibit 4.1.4 to the Company's Form 10-K filed on March 10, 2014);
4.1.5	Fourth Supplemental Indenture, dated as of March 14, 2014, 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 (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q filed on April 29, 2014);
4.1.6	Fifth Supplemental Indenture, dated as of April 2, 2014, 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 (incorporated by reference to the Company's Current Report on Form 8-K filed on April 2, 2014);
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 (incorporated by reference to Exhibit 10.1.1 to the Company's Form 10-K filed on March 10, 2014);
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 (incorporated by reference to Exhibit 10.1.1 to the Company's Form 10-K filed on March 10, 2014);
10.1.3	Consent and Third Amendment, with an effective date of March 27, 2014, to 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 the Company's Current Report on Form 8-K filed on March 28, 2014);

TABLE OF CONTENTS

10.1.4	Fourth Amendment, dated as of October 23, 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 (incorporated by reference to Exhibit 10.1 to the Company's 8-K filed on October 24, 2014);
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);
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 Employment Agreement, dated as of August 10, 2014, between Lori Senecal and MDC Partners Inc. (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on August 11, 2014);
10.9	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);
10.9.1	Form of Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's 10-Q filed on May 5, 2006);
10.10	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);
10.10.1	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on November 9, 2005);
10.10.2	

	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);
10.10.3	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);
10.10.4	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);
10.10.5	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);
10.10.6	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);
10.10.7	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);
10.10.8	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);
10.10.9	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);
10.11	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);

TABLE OF CONTENTS

10.11.1	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);
10.11.2	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);
10.11.3	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);
10.11.4	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);
10.11.5	Form of 2014 Financial-Performance Based Restricted Stock Grant Agreement (incorporated by reference to Exhibit 10.10.5 to the Company’s Form 10-K filed on March 10, 2014);
10.12	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);
10.13	MDC Partners Inc. 2014 Long Term Cash Incentive Compensation Plan (the “2014 LTIP Plan”); Forms of Award Agreement (incorporated by reference to Exhibit 4.1.2 to the Company’s Form 10-K filed on March 10, 2014);
10.14	Underwriting Agreement, dated May 13, 2014, among MDC Partners Inc., Miles S. Nadal and BMO Capital Markets Corp. (incorporated by reference to the Company's Current Report on Form 8-K filed on May 16, 2014);
10.15	Price Determination Agreement, dated May 13, 2014, among MDC Partners Inc., Miles S. Nadal and BMO Capital Markets Corp. (incorporated by reference to the Company's Current Report on Form 8-K filed on May 16, 2014);
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*.

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* Filed electronically herewith.