

MDC PARTNERS INC  
Form 10-K  
March 10, 2014

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

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR  
15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2013  
Commission File Number 001-13178**

**MDC PARTNERS INC.**

(Exact Name of Registrant as Specified in Its Charter)

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification Number)

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Subordinate Voting Shares, no par value	NASDAQ; Toronto Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: <b>None.</b>	

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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  No

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.

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  Accelerated Filer  Non-Accelerated  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Edgar Filing: MDC PARTNERS INC - Form 10-K

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

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

---

TABLE OF CONTENTS

**MDC PARTNERS INC.**

**TABLE OF CONTENTS**

	Page
PART I	
<u>Item 1.</u>	1
<u>Business</u>	
<u>Item 1A.</u>	8
<u>Risk Factors</u>	
<u>Item 1B.</u>	14
<u>Unresolved Staff Comments</u>	
<u>Item 2.</u>	14
<u>Properties</u>	
<u>Item 3.</u>	14
<u>Legal Proceedings</u>	
<u>Item 4.</u>	14
<u>Mine Safety Disclosures</u>	
PART II	
<u>Item 5.</u>	15
<u>Market for Registrant's Common Equity and Related Stockholder Matters</u>	
<u>Item 6.</u>	17
<u>Selected Financial Data</u>	
<u>Item 7.</u>	19
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Item 7A.</u>	41
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
<u>Item 8.</u>	43
<u>Financial Statements and Supplementary Data</u>	
<u>Item 9.</u>	95
<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	
<u>Item 9A.</u>	95

<u>Controls and Procedures</u>	
<u>Item 9B.</u>	<u>97</u>
<u>Other Information</u>	
PART III	
<u>Item 10.</u>	<u>98</u>
<u>Directors, Executive Officers and Corporate Governance</u>	
<u>Item 11.</u>	<u>99</u>
<u>Executive Compensation</u>	
<u>Item 12.</u>	<u>99</u>
<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	
<u>Item 13.</u>	<u>99</u>
<u>Certain Relationships and Related Transactions, and Director Independence</u>	
<u>Item 14.</u>	<u>99</u>
<u>Principal Accountant Fees and Services</u>	
<u>Item 15.</u>	<u>100</u>
<u>Exhibits and Financial Statements Schedules</u>	
<u>Signatures</u>	<u>102</u>

TABLE OF CONTENTS

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

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

## DOCUMENTS INCORPORATED BY REFERENCE

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

## AVAILABLE INFORMATION

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

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

TABLE OF CONTENTS

## **FORWARD-LOOKING STATEMENTS**

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

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

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

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

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

## **SUPPLEMENTARY FINANCIAL INFORMATION**

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

determined in accordance with US GAAP.



TABLE OF CONTENTS

## **PART I**

### **Item 1. Business**

## **BUSINESS**

### **MDC PARTNERS INC.**

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

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

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

## **Part I Business**

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

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

The MDC model is driven by three key elements:

*Perpetual Partnership.* The perpetual partnership creates ongoing alignment of interests to drive performance. The perpetual partnership model functions by (1) identifying the right Partners with a sustainable differentiated position in

the marketplace; (2) creating the right Partnership structure generally by taking a majority ownership position and leaving a substantial noncontrolling equity or economic ownership position in the hands of operating management to incentivize long-term growth; (3) providing access to more strategic resources, best practices, and leveraging the network's scale; and (4) focusing on delivering financial results.

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

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

## TABLE OF CONTENTS

MDC operates through Partner companies within the following reportable segments:

### **Strategic Marketing Services**

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

### **Performance Marketing Services**

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

### **Ownership Information**

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

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

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

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

Edgar Filing: MDC PARTNERS INC - Form 10-K

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

3

TABLE OF CONTENTS

**Notes**

- (1) MDC has the right to increase its ownership interest in 72andSunny Partners LLC through acquisition of an incremental interest of up to 100% in 2016.  
MDC has the right to increase its ownership interest in Allison & Partners LLC through acquisition of an
- (2) incremental interest, and other holders have the right to put only upon termination to MDC the same incremental interest up to 100% of this entity in 2015.
- (3) MDC has the right to increase its ownership interest in Anomaly Partners LLC through acquisition of an incremental interest of up to 100% in 2015.  
MDC has the right to increase its ownership in Attention Partners, LLC through acquisitions of incremental
- (4) interests, and the other interest holders have the right to put to MDC the same incremental interests up to 100% only upon termination.
- (5) Effective January 24, 2013, MDC owns 100% of the equity interests of each of Bruce Mau Holdings Ltd. And Bruce Mau Design (USA) LLC.
  - (6) During 2013, MDC acquired 100% of Capital C Partners LP.  
MDC has the right to increase its economic ownership in Colle + McVoy, LLC through acquisition of an
  - (7) incremental interest, and the other interest holder has the right to put to MDC the same incremental interest, up to 100% of this entity in 2014.
  - (8) MDC has the right to increase its ownership in Concentric Partners LLC through acquisition of an incremental interest of up to 100% in 2016.
  - (9) Includes Crispin Porter & Bogusky LLC, and certain other domestic and international operating subsidiaries.
  - (10) MDC has the right to increase its ownership in Doner Partners LLC through conversion of preferred interests and/or acquisitions of incremental interests, up to 70% of this entity in 2014 and up to 100% in 2017.  
Consists of Kirshenbaum Bond Senecal + Partners LLC, Kwittken PR LLC, Varick Media Management LLC,
  - (11) certain other domestic and international operating subsidiaries, and The Media Kitchen, a division of kirshenbaum bond senecal + partners.
  - (12) MDC has the right to increase its ownership in Kwittken PR LLC through acquisitions of incremental interests, up to 100% of this entity in 2015.
  - (13) MDC has the right to increase its ownership in Laird + Partners New York LLC through acquisition of an incremental interest of up to 100% in 2016.  
MDC has the right to increase its ownership in Mono Advertising, LLC through acquisitions of incremental
  - (14) interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 75.0% in 2014.  
MDC has the right to increase its ownership interest in Sloane & Company LLC through acquisition of
  - (15) incremental interests, and other interest holders have the right to put to MDC the same incremental interests up to 100% in 2015.
  - (16) MDC has the right to increase its ownership in Union Advertising Canada, LP through acquisition of incremental interests, up to 80% of this entity in 2018, 90% in 2019, and 100% in 2020.  
MDC has the right to increase its ownership in Veritas Communications Inc. through acquisitions of incremental
  - (17) interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 98.3% of this entity in 2014 and 100% in 2015.  
Effective January 1, 2012, Vitro Robertson, LLC and Skinny NYC, LLC were combined into a new entity Vitro
  - (18) Partners, LLC. MDC has the right to increase its ownership in Vitro Partners, LLC through acquisition interests, and other interest holders have the right to put to MDC the same incremental interests up to 88.1% of this entity in 2015, and up to 100% in 2017.
  - (19)

Edgar Filing: MDC PARTNERS INC - Form 10-K

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

4

---

## TABLE OF CONTENTS

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

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

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

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

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

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

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

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

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

## **Financial Information Relating to Business Segments and Geographic Regions**

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

## **Competition**

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



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

TABLE OF CONTENTS

## Industry Trends

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

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

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

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

## Clients

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

Edgar Filing: MDC PARTNERS INC - Form 10-K

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

TABLE OF CONTENTS

## Employees

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

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

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

## Effect of Environmental Laws

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

TABLE OF CONTENTS

## **Item 1A. Risk Factors**

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

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

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

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

Global economic conditions affect the advertising and marketing services industry more severely than other industries.

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

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

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

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

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

### **MDC competes for clients in highly competitive industries.**

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

occasion, able to take all or some portion of a client's business from a larger competitor.

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

8

---

TABLE OF CONTENTS

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

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

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

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

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

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

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

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

The Company recorded \$148.5 million on its December 31, 2013 balance sheet as Redeemable Noncontrolling Interests for its estimated obligations in respect of minority shareholder put and call rights based on the current

performance of the subsidiaries, \$17.8 million of which related to put rights for which, if exercised, the payments are due at specified dates, with the remainder of Redeemable Noncontrolling Interests attributable to put or call rights exercisable only upon termination of employment or death. No obligation is recorded on the balance sheet for minority interests for which the Company has a call right but the minority holder has no put right.

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



TABLE OF CONTENTS

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

employees is an essential factor in attracting and retaining them, and MDC may not offer a level of compensation sufficient to attract and retain these key employees. If MDC fails to hire and retain a sufficient number of these key employees, it may not be able to compete effectively. If key executives were to leave our operating units, the relationships that MDC has with its clients could be adversely affected.

**MDC is exposed to the risk of client defaults.**

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

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

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

**Goodwill and intangible assets may become impaired.**

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

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

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

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

TABLE OF CONTENTS

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

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

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

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

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

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

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

The indenture governing the 6.75% Notes and the WF Credit Agreement governing our secured line of credit contain

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

TABLE OF CONTENTS

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

- make it more difficult for us to satisfy our obligations with respect to the 6.75% Notes;
- make it difficult for us to meet our obligations with respect to our contingent deferred acquisition payments;
- limit our ability to increase our ownership stake in our Partner firms;
- increase our vulnerability to general adverse economic and industry conditions;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and other activities;

limit our flexibility in planning for, or reacting to, changes in our business and the advertising industry, which may place us at a competitive disadvantage compared to our competitors that have less debt; and

limit, particularly in concert with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds or take other actions.

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

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

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

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

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

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

Despite our current debt levels, we may be able to incur substantially more indebtedness, which could further increase





TABLE OF CONTENTS

## **Item 1B. Unresolved Staff Comments**

None.

## **Item 2. Properties**

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

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

## **Item 3. Legal Proceedings**

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

## **Item 4. Mine Safety Disclosures**

Not applicable.

TABLE OF CONTENTS**PART II**

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

**Market Information and Holders of Class A Subordinate Voting  
Shares**

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

**Nasdaq**

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

**The Toronto Stock Exchange**

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

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

## **Dividend Practice**

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

TABLE OF CONTENTS

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

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

## Securities Authorized for Issuance Under Equity Compensation Plans

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

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

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

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

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

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

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

## **Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

Issuer Purchases of Equity Securities:

Shares    Class A subordinate voting shares

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

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

TABLE OF CONTENTS

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

## Transfer Agent and Registrar for Common Stock

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

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

## Item 6. Selected Financial Data

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

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