

MDC PARTNERS INC  
Form 8-K/A  
December 04, 2006

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

FORM 8-K/A

Current Report Pursuant to Section 13  
of the Securities Exchange Act of 1934

Date of Report (Date Earliest Event reported) — December 4, 2006 (November 15, 2006)

**MDC PARTNERS INC.**

(Exact name of registrant as specified in its charter)

|                                 |                          |                                   |
|---------------------------------|--------------------------|-----------------------------------|
| Ontario                         | 001-13718                | 98-0364441                        |
| (Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

45 Hazelton Ave., Toronto, Ontario, Canada M5R 2E3  
(Address of principal executive offices and zip code)

(416) 960-9000  
(Registrant's Telephone Number)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**MDC PARTNERS INC.**

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References in this Report on Form 8-K/A to “MDC Partners”, “MDC”, the “Company”, “we”, “us”, and “our” refer to MDC Partners Inc. and unless the context otherwise requires or otherwise is expressly stated, its subsidiaries.

This Form 8-K/A is an amendment to the registrant’s current report on Form 8-K, filed on November 17, 2006 (relating to the registrant’s sale of stock of its Secured Products International Group) to file the pro forma financial information omitted from the initial filing of the Current Report.

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

On November 3, 2006, the Company entered into a definitive agreement to sell the stock of its Secured Products International Group (“SPI”) to Secured Products (Cayman), Inc. (an affiliate of H.I.G. Capital), in exchange for consideration equal to approximately \$27 million. On November 15, 2006, the Company consummated this transaction. Consideration for the sale of SPI was paid in the form of a \$20 million cash payment at closing and additional \$1 million annual payments over the next five years. In addition, the Company received a 7.5% equity interest in the newly-formed entity acquiring SPI. The net cash proceeds from the closing of the sale of SPI were used to repay borrowings under the Company’s credit facility.

**Item 9.01 Financial Statements and Exhibits.**

(b) Pro Forma Financial Information

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**MDC PARTNERS INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
(thousands of United States dollars, except share and per share amounts)

**YEAR ENDED DECEMBER 31, 2005**

|   | <b>Historical<br/>MDC<br/>Partners<br/>Inc.</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Notes</b> | <b>Pro Forma<br/>Results</b> |
|---|---|----------------------------------|--------------|------------------------------|
| <b>Revenue:</b>   |   |                                  |              |                              |
| Services  | \$ 363,362                                      | \$                               |              | \$ 363,362                   |
| Products  | 80,100  | (80,100)                         | 3(i)         | -                            |
|   | 443,462   | (80,100)                         |              | 363,362                      |
| <b>Operating Expenses:</b>  |   |                                  |              |                              |
| Cost of services sold   | 211,811   |                                  |              | 211,811                      |
| Cost of products sold   | 49,876  | (49,876)                         | 3(i)         | -                            |
| Office and general expenses   | 131,231   | (23,255)                         | 3(i)         | 107,976                      |
| Depreciation and amortization   | 27,483  | (4,340)                          | 3(i)         | 23,143                       |
| Goodwill charges  | 473   | -                                | 3(i)         | 473                          |
|   | 420,874   | (77,471)                         |              | 343,403                      |
| Operating Profit  | 22,588  | (2,629)                          |              | 19,959                       |
| <b>Other Income (Expenses):</b>   |   |                                  |              |                              |
| Gain (loss) on sale of assets<br>and settlement of long-term<br>debt  | 615   | (137)                            | 3(i)         | 478                          |
| Foreign exchange gain (loss)  | (887)   | 967                              | 3(i)         | 80                           |
| Interest expense  | (9,260)   | 1,548                            | 3(i), 3(ii)  | (7,712)                      |
| Interest income   | 369   | (21)                             | 3(i)         | 348                          |
|   | (9,163)   | 2,357                            |              | (6,806)                      |
| Income from continuing<br>operations before income<br>taxes, equity in affiliates and<br>minority interests | 13,425  | (272)                            | 3(i)         | 13,153                       |
| Income Taxes  | 2,157   | 153                              | 3(i), 3(iii) | 2,310                        |
| Income from continuing<br>operations before equity in<br>affiliates and minority<br>interests               | 11,268  | (425)                            |              | 10,843                       |
| Equity in earnings of non<br>consolidated affiliates  | 1,402   | -                                |              | 1,402                        |
| Minority interests in income<br>of consolidated subsidiaries  | (21,192)  | -                                |              | (21,192)                     |
| Loss from Continuing<br>Operations  | (8,522)   | \$ (425)                         |              | (8,947)                      |
| Income from Discontinued<br>Operations  | 573   | 425                              |              | 998                          |

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|          |    |         |    |   |    |         |
|----------|----|---------|----|---|----|---------|
| Net Loss | \$ | (7,949) | \$ | - | \$ | (7,949) |
|----------|----|---------|----|---|----|---------|

Earnings/(Loss) Per Common

Share:

Basic:

|                       |    |        |    |        |
|-----------------------|----|--------|----|--------|
| Continuing Operations | \$ | (0.37) | \$ | (0.38) |
|-----------------------|----|--------|----|--------|

|                         |    |      |    |      |
|-------------------------|----|------|----|------|
| Discontinued Operations | \$ | 0.03 | \$ | 0.04 |
|-------------------------|----|------|----|------|

|          |    |        |    |        |
|----------|----|--------|----|--------|
| Net Loss | \$ | (0.34) | \$ | (0.34) |
|----------|----|--------|----|--------|

Diluted

|                       |    |        |    |        |
|-----------------------|----|--------|----|--------|
| Continuing Operations | \$ | (0.37) | \$ | (0.38) |
|-----------------------|----|--------|----|--------|

|                         |    |      |    |      |
|-------------------------|----|------|----|------|
| Discontinued Operations | \$ | 0.03 | \$ | 0.04 |
|-------------------------|----|------|----|------|

|          |    |        |    |        |
|----------|----|--------|----|--------|
| Net Loss | \$ | (0.34) | \$ | (0.34) |
|----------|----|--------|----|--------|

Weighted Average Number of

Common Shares:

|       |            |            |
|-------|------------|------------|
| Basic | 23,298,795 | 23,298,795 |
|-------|------------|------------|

|         |            |            |
|---------|------------|------------|
| Diluted | 23,298,795 | 23,298,795 |
|---------|------------|------------|

**MDC PARTNERS INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**

(thousands of United States dollars, except share and per share amounts)

**YEAR ENDED DECEMBER 31, 2004**

|   | <b>Historical<br/>MDC<br/>Partners<br/>Inc.</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Notes</b> | <b>Pro Forma<br/>Results</b> |
|---|---|----------------------------------|--------------|------------------------------|
| Revenue:  |   |                                  |              |                              |
| Services  | \$ 247,073                                      | \$                               |              | \$ 247,073                   |
| Products  | 69,739  | (69,739)                         | 3(i)         |                              |
|   | 316,812   | (69,739)                         |              | 247,073                      |
| Operating Expenses:   |   |                                  |              |                              |
| Cost of services sold   | 158,965   | -                                |              | 158,965                      |
| Cost of products sold   | 42,301  | (42,301)                         | 3(i)         | -                            |
| Office and general expenses   | 99,349  | (23,456)                         | 3(i)         | 75,893                       |
| Other charges (recoveries)  | (2,693)   | -                                |              | (2,693)                      |
| Depreciation and amortization   | 13,738  | (3,489)                          | 3(i)         | 10,249                       |
|   | 311,660   | (69,246)                         |              | 242,414                      |
| Operating Profit (loss)   | 5,152   | (493)                            |              | 4,659                        |
| Other Income (Expenses):  |   |                                  |              |                              |
| Gain (loss) on sale of assets<br>and settlement of long-term<br>debt  | 14,844  | (2,838)                          | 3(i)         | 12,006                       |
| Foreign exchange gain (loss)  | (498)   | 647                              | 3(i)         | 149                          |
| Interest expense  | (8,790)   | 1,571                            | 3(i), 3(ii)  | (7,219)                      |
| Interest income   | 685   | (37)                             | 3(i)         | 648                          |
|   | 6,241   | (657)                            |              | 5,584                        |
| Income from continuing<br>operations before income<br>taxes, equity in affiliates and<br>minority interests | 11,393  | (1,150)                          |              | 10,243                       |
| Income Taxes  | 818   | (199)                            | 3(i), 3(iii) | 619                          |
| Income from continuing<br>operations before equity in<br>affiliates and minority<br>interests               | 10,575  | (951)                            |              | 9,624                        |
| Equity in earnings of non<br>consolidated affiliates  | 3,651   | -                                |              | 3,651                        |
| Minority interests in income<br>of consolidated subsidiaries  | (9,235)   | -                                |              | (9,235)                      |
| Income from Continuing<br>Operations  | 4,991   | \$ (951)                         |              | 4,040                        |
|   | (7,148)   | 951                              |              | (6,197)                      |

|   |    |            |            |
|---|----|------------|------------|
| <b>Income (Loss) from Discontinued Operations</b> |    |            |            |
| Net Loss  | \$ | (2,157)    | \$ (2,157) |
| <b>Earnings/(Loss) Per Common Share:</b>          |    |            |            |
| <b>Basic:</b>                                     |    |            |            |
| Continuing Operations                             | \$ | 0.23       | \$ 0.19    |
| Discontinued Operations                           | \$ | (0.33)     | \$ (0.29)  |
| Net Loss  | \$ | (0.10)     | \$ (0.10)  |
| <b>Diluted</b>                                    |    |            |            |
| Continuing Operations                             | \$ | 0.22       | \$ 0.18    |
| Discontinued Operations                           | \$ | (0.31)     | \$ (0.27)  |
| Net Loss  | \$ | (0.09)     | \$ (0.09)  |
| <b>Weighted Average Number of Common Shares:</b>  |    |            |            |
| Basic   |    | 21,353,268 | 21,353,268 |
| Diluted   |    | 22,817,823 | 22,817,823 |

**MDC PARTNERS INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**

(thousands of United States dollars, except share and per share amounts)

**YEAR ENDED DECEMBER 31, 2003**

|   | <b>Historical<br/>MDC<br/>Partners<br/>Inc.</b> | <b>Pro Forma<br/>Adjustments</b> | <b>Notes</b> | <b>Pro Forma<br/>Results</b> |
|---|---|----------------------------------|--------------|------------------------------|
| Revenue:  |   |                                  |              |                              |
| Services  | \$ 164,850                                      | \$ —                             |              | \$ 164,850                   |
| Products  | 113,927   | (68,691)                         | 3(i)         | 45,236                       |
|   | 278,777   | (68,691)                         |              | 210,086                      |
| Operating Expenses:   |   |                                  |              |                              |
| Cost of services sold   | 105,908   | —                                |              | 105,908                      |
| Cost of products sold   | 56,654  | (43,320)                         | 3(i)         | 13,334                       |
| Office and general expenses   | 94,241  | (21,831)                         | 3(i)         | 72,410                       |
| Other charges   | 1,333   | -                                |              | 1,333                        |
| Depreciation and amortization   | 8,485   | (1,898)                          | 3(i)         | 6,587                        |
| Write-down of fixed assets  | 8,126   | (8,126)                          | 3(i)         | -                            |
| Goodwill charges  | 10,012  | (9,179)                          | 3(i)         | 833                          |
|   | 284,759   | (84,354)                         |              | 200,405                      |
| Operating Profit (Loss)   | (5,982)   | 15,663                           |              | 9,681                        |
| Other Income (Expenses):  |   |                                  |              |                              |
| Gain (loss) on sale of assets<br>and settlement of long-term<br>debt  | 43,792  | (4)                              | 3(i)         | 43,788                       |
| Foreign exchange loss   | (2,023)   | 681                              | 3(i)         | (1,342)                      |
| Interest expense  | (17,673)  | 1,591                            | 3(i), 3(ii)  | (16,082)                     |
| Interest income   | 937   | (39)                             | 3(i)         | 898                          |
|   | 25,033  | 2,229                            |              | 27,262                       |
| Income from continuing<br>operations before income<br>taxes, equity in affiliates and<br>minority interests |   |                                  |              |                              |
|   | 19,051  | 17,892                           |              | 36,943                       |
| Income Taxes  | 5,770   | 471                              | 3(i), 3(iii) | 6,241                        |
| Income from continuing<br>operations before equity in<br>affiliates and minority<br>interests               |   |                                  |              |                              |
|   | 13,281  | 17,421                           |              | 30,702                       |
| Equity in earnings of non<br>consolidated affiliates  | 4,929   | -                                |              | 4,929                        |
| Minority interests in income<br>of consolidated subsidiaries  | (4,508)   | (1,536)                          |              | (6,044)                      |
|   | 13,702  | 15,885                           |              | 29,587                       |

Income from Continuing  
Operations

|                                      |    |         |    |          |    |          |
|--------------------------------------|----|---------|----|----------|----|----------|
| Loss from Discontinued<br>Operations |    | (1,271) |    | (15,885) |    | (17,156) |
| Net Income                           | \$ | 12,431  | \$ | -        | \$ | 12,431   |

Earnings/(Loss) Per Common  
Share:

## Basic:

|                         |    |        |    |        |
|-------------------------|----|--------|----|--------|
| Continuing Operations   | \$ | 0.77   | \$ | 1.66   |
| Discontinued Operations | \$ | (0.07) | \$ | (0.96) |
| Net Income              | \$ | 0.70   |    | 0.70   |

## Diluted

|                         |    |        |    |        |
|-------------------------|----|--------|----|--------|
| Continuing Operations   | \$ | 0.70   | \$ | 1.44   |
| Discontinued Operations | \$ | (0.05) | \$ | (0.79) |
| Net Loss                | \$ | 0.65   | \$ | 0.65   |

Weighted Average Number of  
Common Shares:

|         |  |            |  |            |
|---------|--|------------|--|------------|
| Basic   |  | 17,791,064 |  | 17,791,064 |
| Diluted |  | 21,665,530 |  | 21,665,530 |



NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

(thousands of United States dollars, except share and per share amounts)

1. Description of transaction:

On November 3, 2006, the Company entered into a definitive agreement to sell the stock of its Secured Products International Group (“SPI”) to Secured Products (Cayman), Inc. (an affiliate of H.I.G. Capital), in exchange for consideration equal to approximately \$27 million. On November 15, 2006, the Company consummated this transaction. Consideration for the sale of SPI was paid in the form of a \$20 million cash payment at closing and additional \$1 million annual payments over the next five years. In addition, the Company received a 7.5% equity interest in the newly-formed entity acquiring SPI. The net cash proceeds from the closing of the sale of SPI were used to repay borrowings under the Company’s credit facility.

2. Basis of Presentation:

The accompanying unaudited pro forma consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003 give effect to the disposition of SPI. The unaudited pro forma consolidated statements of operations presents our results as if the disposition of SPI had occurred on January 1, 2003. The unaudited pro forma consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003 are based on our historical audited consolidated statements of operations.

The unaudited pro forma consolidated statements of operations include, in our opinion, all material adjustments necessary to reflect the disposition of SPI. The unaudited pro forma consolidated statements of operations do not purport to represent what the Company’s actual results of operations excluding the disposition of SPI would have been, nor do they purport to predict or indicate our results of operations at any future date or for any future period. The unaudited pro forma consolidated statements of operations should be read in conjunction with our audited consolidated financial statements and the related notes thereto. The audited consolidated financial statements have been prepared by management in accordance, with the United States generally accepted accounting principles (“GAAP”). The accounting policies used in the preparation of the unaudited pro forma consolidated statements of operations are consistent with those used by the Company in the preparation of the consolidated financial statements as of and for the year ended December 31, 2005.

3. Pro forma assumptions and adjustments:

The unaudited pro forma consolidated statement of operations for the years ended December 31, 2005, 2004 and 2003 incorporates the following assumptions and adjustments:

- (i) The disposition of SPI has been treated as a discontinued operation.
- (ii) The Company has allocated interest expense to discontinued operations of \$1,207, \$1,198 and \$1,339 for each of the years ended December 31, 2005, 2004 and 2003 respectively. The allocated amounts are based on net proceeds of \$19,600 and the effective interest borrowing rate of 6.2%, 6.1% and 6.8% for the years ended December 31, 2005, 2004 and 2003, respectively.
- (iii) The tax effect of the allocated interest above.
- (c) Exhibits.

10.1 Stock Purchase Agreement, dated November 3, 2006, by and among the Company (as seller), Secured Products (Cayman), Inc. (as purchaser) and H.I.G. Capital Management, Inc. relating to the sale of the Company’s Secured Products International Group (incorporated by reference to the Company’s Form 10-Q filed on November 9, 2006).



**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned hereunto duly authorized.

Date: December 4, 2006

MDC Partners Inc.

By:

/s/ Mitchell Gendel

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Mitchell Gendel  
General Counsel & Corporate  
Secretary