

MDC PARTNERS INC
Form 10-K
March 14, 2011

**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, 2010

Commission File Number 001-13178

MDC PARTNERS INC.

(Exact Name of Registrant as Specified in Its Charter)

Canada
(State or Other Jurisdiction of
Incorporation or Organization)

98-0364441
(I.R.S. Employer
Identification Number)

**45 Hazelton Avenue,
Toronto, Ontario, M5R 2E3
(416) 960-9000**

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

**950 Third Avenue,
New York, NY, 10022
(646) 429-1800**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ 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 ☒

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, 2010 was approximately \$260.7 million, computed upon the basis of the closing sales price (\$10.48/share) of the Class A subordinate voting shares on that date.

As of March 1, 2011, there were 29,536,114 outstanding shares of Class A subordinate voting shares without par value, and 2,503 outstanding shares of Class B multiple voting shares without par value, of the registrant.

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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 1, 2011, 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., 950 Third Avenue, New York, NY 10022, Attention: Investor Relations.

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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 national and regional economic conditions;

- the Company's ability to attract new clients and retain existing clients;

- the 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 options 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 Facility 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.

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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 May 28, 1996, MDC changed its name to MDC Communications Corporation and, on May 29, 1999, it changed its name to MDC Corporation Inc. On July 31, 2003, MDC acquired the remaining 26% of Maxxcom Inc. (Maxxcom) that it did not already own, privatizing the now wholly-owned subsidiary and merging Maxxcom's corporate functions with MDC's existing corporate functions. 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 and head office address is located at 45 Hazelton Avenue, Toronto, Ontario, M5R 2E3.

MDC is a leading provider of marketing communications services to customers globally. MDC has operating units in the United States, Canada, Europe, and the Caribbean.

MDC's subsidiaries provide a comprehensive range of marketing communications and consulting services, including advertising, interactive and mobile marketing, direct marketing, database and customer relationship management, sales promotion, corporate communications, market research, corporate identity, design and branding and other related services.

Part I Business

MDC's strategy is to build, grow and acquire market-leading businesses that deliver innovative, value-added marketing communications and strategic consulting services to their clients. MDC Partners strives to be a partnership of marketing communications and consulting companies (or Partners) whose strategic, creative and innovative solutions are media-agnostic, challenge the status quo and achieve measurable superior results 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 resources and leveraging the network's scale; and (4) focusing on delivering financial results.

Entrepreneurialism. Entrepreneurial spirit is optimized by creating customized solutions to support and grow our businesses.

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

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,

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direct marketing, public relations, corporate communications, market research, corporate identity and branding, and sales promotion to national and global clients. The Strategic Marketing Services segment is comprised of the following agencies: 72andSunny; Allison & Partners; Attention, Bruce Mau Design; Capital C Partners; Colle + McVoy; Company C; Crispin Porter + Bogusky; Crispin Porter + Bogusky Canada; Hello Design; henderson bas; HL Group Partners; kirshenbaum bond senecal + partners; Kbs+p Canada; Kwittken; Mono Advertising; Redscout; Skinny NYC; Sloane & Company; Veritas Communications; VitroRobertson; Yamamoto Moss MacKenzie; and Zyman Group.

Performance Marketing Services

The Performance Marketing Services segment includes firms that provide consumer insights 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; Bryan Mills Iradesso; Communifx Partners; Computer Composition; Hudson and Sunset Media; Kenna Communications; Northstar Research Partners; Onbrand; Relevant; Source Marketing; TargetCom; and Team.

Ownership Information

The following table includes certain information about MDC's operating subsidiaries as of December 31, 2010. 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.

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MDC PARTNERS INC.

SCHEDULE OF CURRENT AND POTENTIAL MARKETING COMMUNICATIONS COMPANY OWNERSHIP

Company	% Owned at 12/31/10	Year of Initial Investment	Put/Call Options 2011 Thereafter (See Notes)	
Consolidated:				
Strategic Marketing Services				
72andSunny Partners LLC	51.0 %	2010		Note 1
Allison & Partners LLC	51.0 %	2010		Note 2
Attention Partners LLC	51.0 %	2009		Note 3
Bruce Mau Design Inc.	75.0 %	2004		
Capital C Partners LP	80.0 %	2010		Note 4
Colle & McVoy, LLC	95.0 %	1999		Note 5
Crispin Porter & Bogusky, LLC	100.0 %	2001		
Crispin Porter + Bogusky Canada Inc. (f.k.a. Zig Inc.)	100.0 %	2004		Note 6
Company C Communications LLC	100.0 %	2000		Note 7
Hello Design, LLC	49.0 %	2004		
henderson bas partnership	65.0 %	2004	100.0 %	
HL Group Partners, LLC	65.9 %	2007		Note 8
kirshenbaum bond senecal & partners, LLC	100.0 %	2004		
Kbs+p Atlanta (f.k.a. Fletcher Martin, LLC)	100.0 %	1999		
Kbs+p Canada, Inc. (f.k.a. Allard Johnson Communications Inc.)	100.0 %	1992		Note 9
Kwittken PR LLC	60.0 %	2010		Note 10
Mono Advertising, LLC	49.9 %	2004	60.0 %	Note 11
Redscout, LLC	60.0 %	2007		Note 12
Sloane & Company LLC	70.0 %	2010		Note 13
Skinny NYC, LLC	50.1 %	2008		Note 14
Veritas Communications Inc.	64.1 %	1993	81.5 %	Note 15
Vitro Robertson, LLC	77.0 %	2004	95.0 %	Note 16
Yamamoto Moss Mackenzie, Inc.	100.0 %	2000		
Zyman Group, LLC	96.0 %	2005		Note 17
Performance Marketing Services				
Accent Marketing Services, LLC	100.0 %	1999		
6degrees Integrated Communications Inc. (f.k.a. Accumark Communications Inc.)	55.0 %	1993	68.3 %	Note 18
Bryan Mills Iradesso Corp.	62.8 %	1989	88.2 %	Note 19
Communifx Partners, LLC	69.7 %	2010		Note 20

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Computer Composition of Canada Inc.	100.0 %	1988		
Integrated Media Solutions Partners LLC	75.0 %	2010		Note 21
Kenna Communications LP	80.0 %	2010		Note 22
Northstar Research Partners Inc.	70.0 %	1998		Note 23
656712 Ontario Limited (d.b.a. Onbrand)	89.0 %	1992		
Relevant Partners LLC	60.0 %	2010		
Hudson and Sunset Media LLC (f.k.a. Shout Media LLC)	51.0 %	2010		
Source Marketing, LLC	83.0 %	1998	87.1 %	Note 24
TargetCom, LLC	100.0 %	2000		Note 25
The Arsenal LLC (f.k.a. Team Holdings LLC)	60.0 %	2010		Note 26
Equity Accounted:				
Adrenalina, LLC	49.9 %	2007		Note 27

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- (1) MDC has the right to increase its ownership interest in 72 and Sunny 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.
Attention Partners LLC is owned by HL Group Partners, LLC. HL Group Partners, LLC has the right to increase
- (3) its ownership in Attention Partners, LLC through acquisitions of incremental interests, and the other interest holders has the right to put to HL Group Partners, LLC the same incremental interests up to 100% only upon termination.
- (4) MDC has the right to increase its ownership interest in Capital C Partners LP through acquisition of an incremental interest, up to 90% in 2015, and up to 100% in 2017.
MDC has the right to increase its economic ownership in Colle & McVoy, LLC through acquisition of an
- (5) 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 2012.
- (6) During 2010, MDC has increased its ownership in Crispin Porter + Bogusky Canada Inc. 100% through acquisitions of incremental interests.
During 2010, MDC increased its economic ownership in Company C Communications, LLC through acquisition of
- (7) an incremental interest. Effective October 1, 2008, Company C is operated as a division of kirshenbaum bond senecal & partners, LLC.
MDC has the right to increase its ownership in HL Group Partners, LLC through acquisitions of incremental
- (8) interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 72.4% of this entity in 2012, up to 82.62% in 2013 and up to 93.73% in 2014. Effective January 25, 2010, MDC acquired an additional 1% membership interest in HL Group Partners, LLC.
- (9) During 2010, MDC has increased its ownership in Kbs+p Canada Inc. to 100% through acquisitions of incremental interest.
- (10) 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.
MDC has the right to increase its ownership in Mono Advertising, LLC through acquisitions of incremental
- (11) interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 54.9% of this entity in 2010, up to 60.0% in 2011, up to 65.0% in 2012, up to 70.0% in 2013 and up to 75.0% in 2014.
MDC has the right to increase its ownership in Redscout, LLC through acquisition of an incremental interest, and
- (12) the other interest holder has the right to put to MDC the same incremental interest, up to 80% of this entity in 2012.
MDC has the right to increase its ownership interest in Sloane & Company LLC through acquisition of
- (13) incremental interests, and other interest holders have the right to put to MDC the same incremental interests up to 100% in 2015.
MDC has the right to increase its ownership in Skinny NYC, LLC through acquisition of incremental interests,
- (14) and the other interest holders have the right to put to MDC the same incremental interest, up to 60.1% of this entity in 2014, up to 70.1% of this entity in 2015 and up to 80.1% of this entity in 2016.
MDC has the right to increase its ownership in Veritas Communications Inc. through acquisitions of incremental
- (15) interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 81.5% of this entity in 2011, up to 95.1% in 2012 and up to 100% in 2013.

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- MDC has the right to increase its ownership in Vitro Robertson, LLC through acquisition of an incremental (16) interest, and the other interest holder has the right to put to MDC the same incremental interest, up to 95% of this entity in 2011, up to 97.5% in 2012 and up to 100% in 2013.
- (17) In January 2009, Zyman Group, LLC has become an operating division of kirshenbaum bond senecal & partners, LLC.
- (18) MDC has the right to increase its ownership in 6degrees Integrated Communications Inc. through acquisitions of incremental interests, and the other interest holders have the right to put to MDC the same incremental interests up to 68.3% of this entity in 2011 and up to 75.0% in 2012. MDC's current economic interest is 42%.
- (19) 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 2012.
- (20) MDC has the right to increase its ownership in Communifx Partners, LLC through acquisitions of incremental interests, and the other interest holders have the right to put to MDC the same incremental interests, up to 100% of this entity in 2013.
- (21) MDC has the right to increase its ownership interest in Integrated Media Solutions Partners LLC through acquisitions of incremental interests, up to 100% of this entity in 2015.
- (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 in Northstar Research Partners Inc. 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 2013.
- (24) 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 87.1% of this entity in 2011 and 91.3% in 2012 and 100% in 2013.
- (25) Effective January 1, 2009, Targetcom LLC is operating as a division of Accent Marketing Services, LLC.
- (26) MDC has the right to increase its ownership in The Arsenal, LLC, through acquisition of an incremental interest, up to 100% of this entity in 2013.
- (27) Effective September 1, 2010, MDC has written off the value of its investment in Adrenalina, LLC.

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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 16 (Segmented 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 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 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 operating companies through referrals and the sharing of both services and expertise, which enables MDC to service clients' varied marketing needs.

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.

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, 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 different message and/or different, often non-traditional, channels of communication. Global marketers now seek innovative ideas wherever they can find them, providing new opportunities for small to mid-sized communications companies.

Clients

The Company serves clients in virtually every industry, and in many cases, the same clients in various locations. Representation of a client rarely means that MDC handles marketing communications for all brands or product lines

of the client in every geographical location. MDC's agencies have written contracts with many of their clients. As is customary in the industry, these contracts provide for termination by either party on relatively short notice. See Management's Discussion and Analysis - Executive Overview for a further discussion of MDC's arrangements with its clients.

During 2010, 2009 and 2008, the Company's largest client, Sprint, accounted for approximately 8%, 16% and 19% of revenues, respectively. In addition, MDC's ten largest clients (measured by revenue generated) accounted for 37%, 49% and 45% of 2010, 2009 and 2008 revenues, respectively.

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Employees

As of December 31, 2010, MDC and its subsidiaries had the following number of employees within its reportable segments:

Segment	Total
Strategic Marketing Services	2,559
Performance Marketing Services	3,323
Corporate	38
Total	5,920

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.

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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. 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 2011.

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

The recent economic downturn affected 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. Further 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 recent unfavorable economic and financial conditions that have impacted many sectors of the 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, credit agreement covenant violations or reduced liquidity. Our 10 largest clients (measured by revenue generated) accounted for 37% of revenue in 2010.

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. 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; however, the proportion of MDC's business derived from its 10 largest clients does not vary significantly from year to year. 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.

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The loss of lines of credit under our WF Credit Facility, and compliance with the covenants in the indenture governing our 11% notes, 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 Facility, 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.

The Company is currently in compliance with all of the terms and conditions of the WF Credit Facility. If, however, events were to occur, which result in MDC losing all or a substantial portion of its available credit under the WF Credit Facility, 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 would be materially adversely affected.

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.

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.

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

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

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

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

Employees, including creative, research, media, account and practice group specialists, and their skills and relationships with clients, are among MDC's most important assets. An important aspect of MDC's competitiveness is its ability to retain key employee and management personnel. Compensation for these key

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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 incurs expenses on behalf of its clients for productions and in order to secure a variety of media time and space, in exchange for which it receives 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.

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 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 that could restrict its activities or negatively impact its 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.

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 11% Notes and the WF Credit Facility governing our secured line of credit contain various covenants that limit our discretion in the operation of our business.

The indenture governing the 11% Notes and the WF Credit Facility 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;

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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;
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 Facility is subject to various additional covenants, including senior and total leverage ratios, a fixed charges ratio, a minimum Earning before interest, taxes, depreciation, and amortization level, and a minimum accounts receivable level. 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 11% Notes.

As of December 31, 2010, MDC had \$286.2 million net of original issue discount of indebtedness. In addition, we have and expect to continue to make additional drawings under the WF Credit Facility from time to time. Our ability to pay principal and interest on our indebtedness is dependent on the generation of cash flow by our subsidiaries. Our subsidiaries' business may not generate sufficient cash flow from operations to meet MDC's debt service and other obligations. If we are unable to meet our expenses and debt service obligations, we may need to obtain additional debt, refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. We may not be able to obtain additional debt, refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations, to obtain additional debt or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business, financial condition and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable; the lenders under the WF Credit Facility 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 11% Notes;
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.

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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 11% 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 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 11% Notes, future earnings, capital requirements, our general financial condition and general business conditions. MDC's practice is to pay dividends only out of excess free cash flow from operations, and in the event that worsening economic conditions, disruptions in the credit markets or other factors have a significant effect on our liquidity, MDC's board of directors could decide to reduce or suspend dividend payments in the future.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

The Company maintains office space in many cities in the United States, Canada, Europe, 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

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

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. Reserved

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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, 2011, the approximate number of holders of our Class A subordinate voting shares, including those whose shares are held in nominee name, was 2,800. 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, 2010 and 2009, are as follows:

Nasdaq

Quarter Ended	High (\$ per Share)	Low
March 31, 2009	3.87	2.50
June 30, 2009	6.00	3.24
September 30, 2009	8.10	5.44
December 31, 2009	9.00	6.88
March 31, 2010	11.20	8.29
June 30, 2010	13.19	10.30
September 30, 2010	13.59	10.07
December 31, 2010	17.47	13.19

The Toronto Stock Exchange

Quarter Ended	High (C\$ per Share)	Low
March 31, 2009	4.75	3.22
June 30, 2009	6.85	4.00
September 30, 2009	8.74	6.27
December 31, 2009	9.98	7.50
March 31, 2010	11.30	8.54
June 30, 2010	13.51	10.46
September 30, 2010	13.78	10.11
December 31, 2010	17.37	13.39

As of March 1, 2011, the last reported sale price of the Class A subordinate voting shares was \$16.84 on NASDAQ and C\$16.45 on the Toronto Stock Exchange.

Dividend Practice

In 2010, MDC's board of directors declared the following dividends: a \$0.10 per share quarterly dividend to all shareholders of record as of the close of business on February 12, 2010; an \$0.11 per share quarterly dividend to all shareholders of record as of the close of business on August 13, 2010; and a \$0.13 per share quarterly dividend to all shareholders of record as of the close of business on November 12, 2010. 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 11% 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 11% Notes, future earnings, capital requirements, our general financial condition and general business conditions.

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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, 2010.

	Number of Securities to Be Issued Upon Exercise of Outstanding Options and Rights	Weighted Average Exercise Price of Outstanding Options and Rights	Number of Securities Remaining Available for Future Issuance (Excluding Column (a))
	(a)	(b)	(c)
Equity Compensation Plans:			
Approved by stockholders:			
Share options	216,200	\$ 9.41	1,668,919
Stock appreciation rights	2,597,808 ⁽¹⁾	\$ 3.78	940,626
Not approved by stockholders:			
None			

(1) Based on December 31, 2010 closing Class A subordinate voting share price on NASDAQ of \$17.27.

On May 26, 2005, the Company's shareholders approved the 2005 Stock Incentive Plan, which provides for the issuance of two 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 4.5 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 600,000 Class A shares.

See also Note 13 of the notes to the consolidated financial statements included herein.

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

None.

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, 2010, the Company made no open market purchases of its Class A shares or its Class B shares. Pursuant to its Credit Agreement, the Company is currently restricted from repurchasing its shares in the open market.

During 2010, the Company's employees surrendered 282,954 Class A shares valued at approximately \$3.5 million in connection with the required tax withholding resulting from the vesting of restricted stock. These Class A shares were subsequently retired and no longer remain outstanding as of December 31, 2010.

Transfer Agent and Registrar for Common Stock

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

Correspondence may be addressed to:
MDC Partners Inc.
C/o CIBC Mellon Trust Company Corporate Trust Services
P.O. Box 7010 Adelaide Street
Postal Station Toronto, Ontario M5G 2M7

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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,				
	2010	2009	2008	2007	2006
	(Dollars in Thousands, Except per Share Data)				
Operating Data					
Revenues	\$697,825	\$545,141	\$583,271	\$532,947	\$403,030
Operating profit	\$28,929	\$21,096	\$20,698	\$23,561	\$23,491
Income (loss) from continuing operations	\$(2,872)	\$(11,239)	\$18,638	\$2,467	\$8,471
Stock-based compensation included in income from continuing operations	\$16,507	\$15,444	\$14,437	\$10,217	\$8,361
Earnings (Loss) per Share					
Basic					
Continuing operations attributable to MDC Partners Inc.	\$(0.46)	\$(0.61)	\$0.39	\$(0.72)	\$(0.35)
Diluted					
Continuing operations attributable to MDC Partners Inc. common shareholders	\$(0.46)	\$(0.61)	\$0.38	\$(0.72)	\$(0.35)
Cash dividends declared per share	\$0.34	\$	\$	\$	\$
Financial Position Data					
Total assets	\$914,348	\$604,519	\$529,239	\$520,698	\$493,501
Total debt	\$286,216	\$217,946	\$181,498	\$164,754	\$95,454
Redeemable noncontrolling interest	\$77,560	\$33,728	\$21,751	\$24,187	\$45,682
Deferred acquisition consideration	\$107,991	\$30,645	\$5,538	\$2,511	\$2,721
Fixed charge coverage ratio	N/A	N/A	2.03	1.44	2.04
Fixed charge deficiency	\$3,265	\$2,497	N/A	N/A	N/A

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

Year Ended December 31, 2010

During 2010, the Company completed a significant number of acquisitions. Please see Note 4 of the notes to the consolidated financial statements included herein for a summary of these acquisitions.

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

corporate purposes, including acquisitions.

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Effective September 30, 2010, the Company ceased Zig (USA) LLC operations. All periods have been restated to reflect these discontinued operations. See Note 10 of the notes to the consolidated financial statements included herein.

Year Ended December 31, 2009

On October 23, 2009, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold \$225 million aggregate principal amount of 11% Senior Notes due 2016 (the "11% Notes"). The 11% Notes bear interest at a rate of 11% per annum, accruing from October 23, 2009. Interest is payable semiannually in arrears in cash on May 1 and November 1 of each year, beginning on May 1, 2010. The 11% Notes will mature on November 1, 2016, unless earlier redeemed or repurchased. In addition, the Company entered into a \$75 million Revolving Credit Facility, expiring in October 2014. The Company used the net proceeds of this offering to repay the outstanding balance and terminate its prior Fortress Financing Agreement, and redeemed its outstanding 8% C\$45 million convertible debentures. As a result, the Company incurred \$4.5 million of early termination fees and wrote off of the remaining deferred financing costs relating to its prior Financing Agreement and convertible debentures.

Year Ended December 31, 2008

During the year ended December 31, 2008, MDC recognized \$13.3 million of primarily non-cash, unrealized, foreign exchange gains due primarily to the strengthening of the US dollar as compared to the Canadian dollar on its intercompany balances that are denominated in the US dollar.

Effective December 31, 2008, three of the Company's operating subsidiaries, Clifford/Bratskeir Public Relations LLC, Ito Partners, LLC and Mobium Creative Group (a division of Colle + McVoy) have been deemed discontinued operations. All periods have been restated to reflect these discontinued operations. See Note 10 of the notes to the consolidated financial statements included herein.

Year Ended December 31, 2007

In March 2007, due to continued operating and client losses, the Company ceased Margeotes Fertitta Powell, LLC ("MFP") current operations and spun off a new operating business and as a result incurred a goodwill impairment charge of \$4.5 million in 2007. The Company also recorded an impairment charge relating to MFP of \$6.3 million in 2006. After reviewing the 2008 projections of the new operating business the Company decided to cease the operations of the new operating business as well. As a result, the Company has classified these operations as discontinued. In addition, an additional intangible relating to an employment contract of \$0.6 million was deemed impaired and written off.

In December 2007, due to continued operating losses and the lack of new business wins the Company ceased Banjo Strategic Entertainment, LLC ("Banjo") operations. All periods have been restated to reflect these discontinued operations. See Note 10 of the notes to the consolidated financial statements included herein.

Year Ended December 31, 2006

On November 14, 2006, MDC sold its Secure Products International Products division, and all periods have been restated to reflect these discontinued operations.

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

Unless otherwise indicated, references to the Company mean MDC Partners Inc. and its subsidiaries, and references to a fiscal year means the Company's year commencing on January 1 of that year and ending December 31 of that year (e.g., fiscal 2010 means the period beginning January 1, 2010, and ending December 31, 2010).

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

Executive Summary

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

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

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

Marketing Communications Businesses

Through its operating partners, MDC provides advertising, consulting, customer relationship management, and specialized communication services to clients throughout the United States, Canada, Europe, and the Caribbean.

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

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

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

We measure capital expenditures as either maintenance or investment related. Maintenance capital expenditures are primarily composed of general upkeep of our office facilities and equipment that are required

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to continue to operate our businesses. Investment capital expenditures include expansion costs, the build out of new capabilities, technology or call centers, or other growth initiatives not related to the day to day upkeep of the existing operations. Growth capital expenditures are measured and approved based on the expected return of the invested capital.

Certain Factors Affecting Our Business

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

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

Acquisitions and Dispositions. Our strategy includes acquiring ownership stakes in well-managed businesses with strong reputations in the industry. We engaged in a number of acquisition and disposal transactions during the 2008 to 2010 period, which affected revenues, expenses, operating income and net income. Additional information regarding material acquisitions is provided in Note 4 Acquisitions and information on dispositions is provided in Note 10 Discontinued Operations in the notes to the consolidated financial statements.

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

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

Fourth Quarter Results. Revenues for the fourth quarter of 2010 increased to \$213.4 million, compared to the 2009 fourth quarter revenues of \$149.5 million. The increase consisted of organic growth of \$20.8 million acquisition revenue of \$41.9 million and a \$1.3 million increase due to foreign currency fluctuations. The Strategic Marketing Services segment had revenue growth of \$24.4 million, of which \$13.5 million is organic and \$10.1 million is acquisition. The Performance Marketing Services segment had increased revenue of \$39.5 million in 2010 of which \$7.3 million was organic and \$31.8 million was acquisition. Operating results for the fourth quarter of 2010 resulted in income of \$21.8 million compared to a loss of \$0.7 million in 2009. The increase in operating profits was primarily related to the increase in revenue. Income (loss) from continuing operations for the fourth quarter of 2010 was income \$17.4 million compared to a loss of \$15.9 million in 2009. The 2009 fourth quarter loss is attributable to a loss in

operating income of \$0.7 million compared to income of \$21.8 million in 2010. Interest expense was higher in 2009 by \$1.6 million, income tax expense was also higher by \$6.4 million and equity in earning of affiliates was a loss in 2009 of \$0.3 million compared to income in 2010 of \$2.5 million. The increase in operating income of \$22.5 million in 2010 over 2009 was primarily due to the increased revenue in 2010. Interest expense increased due to the Company's refinancing of its outstanding debt. Income tax expense was higher primarily due to additional valuation allowance reserves and non-deductible stock-based compensation in 2009. The 2010 income in equity affiliates relates to distributions in excess of the Company's carrying value of one of its equity method investments.

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Summary of Key Transactions

Year Ended December 31, 2010

The Company completed several key acquisitions in 2010. These acquisitions included the acquisition of 60% of the equity interests in The Arsenal LLC (Team); 75% of the equity interest in Integrated Media Solutions, LLC; 51% of the equity interests in Allison & Partners LLC; 70% of the equity interests in Sloane & Company LLC; 60% of the equity interests of Relevant Partners LLC; 80% of the total outstanding equity interests in each of Kenna Communications LP and Capital C Partners LP; and 51% of the equity interests in 72andSunny Partners LLC.

The total aggregate purchase price for these 2010 transactions was \$182.1 million, which included closing cash payments equal to \$92.4 million and additional estimated contingent purchase payments in future years of approximately \$89.7 million. See Note 4 of the notes to the consolidated financial statements included herein for additional information on these and other acquisitions.

On May 14, 2010, the Company and its wholly-owned subsidiaries (as guarantors) issued and sold an additional \$65 million aggregate principal amount of 11% Senior Notes due 2016. The additional notes were issued under the Indenture governing the 11% notes and treated as a single series with the original 11% notes. The additional notes were sold in a private placement in reliance on exemptions from registration under the Securities Act of 1933, as amended. The Company used the net proceeds of the offering to repay the outstanding balance under the Company's revolving WF Credit Facility, and for acquisitions and other general corporate purposes.

Year Ended December 31, 2009

New Financing

On October 23, 2009, the Company completed a \$300 million refinancing of its existing debt arrangements. The Company issued \$225 million of 11% senior notes and obtained a new \$75 million revolving WF Credit Facility. The proceeds were used to pay off the existing Fortress Facility, consisting of the \$130 million term loan, and the C\$45 million convertible debentures. The proceeds were also used for the early payment of \$46.0 million of deferred acquisition consideration relating to Kirshenbaum Bond Senecal & Partners LLC (KBSP) and Crispin Porter & Bogusky LLC (CPB). In connection with the repayment of its prior indebtedness, the Company incurred termination fees and expenses of \$2.0 million and wrote off deferred financing costs of \$2.5 million.

Effective October 5, 2009, MDC acquired the remaining 6% equity interest in CPB from the minority holder. In accordance with the terms of the underlying limited liability company agreement, the estimated contingent purchase price of \$8.5 million will be paid in future periods beginning in April 2011. Following the closing of this transaction, MDC's ownership in CPB is 100%.

Year Ended December 31, 2008

Step-Up Acquisitions of Key Partners

On November 10, 2008, the Company acquired an additional 17% equity interest in CPB from certain noncontrolling holders. The purchase price consisted of a cash payment equal to \$6.4 million plus the issuance of 105,000

newly-issued Class A shares of the Company, plus an additional contingent purchase price payment due in April 2010 based on 2007, 2008 and 2009 performance. Following the closing of this transaction, the Company's ownership in CPB was 94%.

On December 31, 2008, the Company acquired the remaining 6.3% of Accent Marketing Services (Accent). The aggregate purchase price was equal to \$4.8 million and was satisfied as follows: on closing, the extinguishment of \$1.8 million of outstanding loans, and payment of \$1.0 million in cash and an additional payment of \$2.0 million paid in 2009.

Discontinued Operations

Effective December 3, 2008, Colle & McVoy, LLC completed the sale of certain assets of its Mobium division. The purchase price consisted of minimal cash received at closing plus additional potential payments to be received through 2010. As of December 31, 2008, Mobium is treated as a discontinued operation.

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In December 2008, the Company entered into negotiations with the management of Clifford/Bratskeir Public Relations LLC (Bratskeir) to sell certain remaining assets to management. This transaction was completed in April 2009. As of December 31, 2008, Bratskeir has been treated as a discontinued operation.

Results of Operations for the Years Ended December 31, 2010, 2009 and 2008:

	For the Year Ended December 31, 2010			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	\$438,941	\$258,884	\$	\$697,825
Cost of services sold	289,409	188,082		477,491
Office and general expenses	90,622	44,011	22,291	156,924
Depreciation and amortization	17,917	16,196	368	34,481
Operating Profit (Loss)	40,993	10,595	(22,659)	28,929
Other Income (Expense):				
Other income, net				381
Foreign exchange gain				69
Interest expense, net				(33,282)
Loss from continuing operations before income taxes, equity in affiliates and noncontrolling interest				(3,903)
Income tax recovery				165
Loss from continuing operations before equity in affiliates and noncontrolling interests				(3,738)
Equity in earnings of affiliates				866
Loss from continuing operations				(2,872)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(2,494)
Net loss				(5,366)
Net income attributable to noncontrolling interests	(7,211)	(2,863)		(10,074)
Net loss attributable to MDC Partners Inc.				\$(15,440)
Stock-based compensation	\$7,282	\$1,992	\$7,233	\$16,507

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	For the Year Ended December 31, 2009			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	\$370,615	\$174,526	\$	\$545,141
Cost of services sold	220,714	132,297		353,011
Office and general expenses	87,633	30,898	18,091	136,622
Depreciation and amortization	25,518	8,466	428	34,412
Operating Profit (Loss)	36,750	2,865	(18,519)	21,096
Other Income (Expense):				
Other expense, net				(91)
Foreign exchange loss				(1,956)
Interest expense, net				(21,744)
Loss from continuing operations before income taxes, equity in affiliates and noncontrolling interest				(2,695)
Income tax expense				(8,536)
Loss from continuing operations before equity in affiliates and noncontrolling interests				(11,231)
Equity loss in earnings of affiliates				(8)
Loss from continuing operations				(11,239)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(1,519)
Net loss				(12,758)
Net income attributable to noncontrolling interests	(4,851)	(715)		(5,566)
Net loss attributable to MDC Partners Inc.				\$(18,324)
Stock-based compensation	\$8,742	\$868	\$5,834	\$15,444

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	For the Year Ended December 31, 2008			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	\$362,203	\$221,068	\$	\$583,271
Cost of services sold	225,569	165,446		391,015
Office and general expenses	84,071	35,725	17,622	137,418
Depreciation and amortization	24,550	9,189	401	34,140
Operating Profit (Loss)	28,013	10,708	(18,023)	20,698
Other Income (Expense):				
Other expense, net				(14)
Foreign exchange gain				13,257
Interest expense, net				(13,255)
Income from continuing operations before income taxes and equity in affiliates				20,686
Income tax expense				(2,397)
Income from continuing operations before equity in affiliates and noncontrolling interests				18,289
Equity in earnings of affiliates				349
Income from continuing operations				18,638
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(10,205)
Net income				8,433
Net income attributable to the noncontrolling interests	(5,466)	(2,834)		(8,300)
Net income attributable to MDC Partners Inc.				\$133
Stock-based compensation	\$6,162	\$3,697	\$4,578	\$14,437

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenue was \$697.8 million for the year ended 2010, representing an increase of \$152.7 million, or 28.1%, compared to revenue of \$545.1 million for the year ended 2009. This increase relates primarily to acquisition growth of \$105.8 million and an increase in organic revenue of \$38.5 million. In addition, a weakening of the US Dollar, primarily versus the Canadian dollar during the year ended December 31, 2010, resulted in an increase of \$8.4 million.

Operating profit for the year ended 2010 was \$28.9 million compared to \$21.1 million in 2009. Operating profit increased by \$4.2 million in the Strategic Marketing Services, and by \$7.7 million within the Performance Marketing Services segment. Corporate operating expenses increased by \$4.1 million in 2010.

Income (loss) from continuing operations was a loss of \$2.9 million in 2010, compared to a loss of \$11.2 million in 2009. This increase in income of \$8.3 million was primarily attributable to the increase in operating profit, offset by an increase in net interest expense equal to \$11.5 million. This increase in net interest expense was primarily due to the Company's outstanding 11% senior notes. These amounts were impacted by a decrease in foreign exchange losses from a loss of \$2.0 million in 2009 to income of \$0.1 million in 2010, and an increase in other income, net of \$0.5 million from a loss of \$0.1 million in 2009 to income of \$0.4 million in 2010. In addition, income tax expense decreased \$8.7 million, from \$8.5 million in 2009 to a benefit of \$0.2 million in 2010. Equity in earnings of non-consolidated affiliates increased by \$0.9 million due to distributions in excess of the Company's carrying value of

one equity method investment of \$2.6 million, offset by the write-off of another equity method investment due to continued losses.

TABLE OF CONTENTS**Marketing Communications Group**

Revenues attributable to the Marketing Communications Group, which consists of two reportable segments Strategic Marketing Services and Performance Marketing Services, were \$697.8 million in the aggregate in 2010, compared to \$545.1 million in 2009, representing a year-over-year increase of 28%.

The components of the revenue for 2010 are shown in the following table:

	Revenue		
	\$000 s		%
Year ended December 31, 2009	\$ 545,141		
Acquisition	105,851	19.4	%
Organic	38,477	7.1	%
Foreign exchange impact	8,356	1.5	%
Year ended December 31, 2010	\$ 697,825	28.0	%

The geographic mix in revenues was relatively consistent between 2010 and 2009 and is demonstrated in the following table:

	2010		2009	
		%		%
US	84	%	83	%
Canada	14	%	15	%
Europe and other	2	%	2	%

The operating profit of the Marketing Communications Group increased by approximately 30.2% to \$51.6 million in 2010, from \$39.6 million in 2009. Operating margins increased to 7.4% for 2010 compared to 7.3% for 2009. The increase in operating margin is primarily attributable to increased revenues and a reduction in total staff costs as a percentage of revenues from 60.2% in 2009, to 55.3% in 2010. Direct costs (excluding staff costs) offset this increase as these costs increased as a percentage of revenues from 14.0% of revenue in 2009 to 20.6% of revenue in 2010 due to an increase in reimbursed client related direct costs. This increase in direct costs is due to the requirement that certain costs be included in both revenue and direct costs due to the Company acting as principle versus agent for certain client contracts. Office and general expenses as a percentage of revenue decreased from 21.7% in 2009, to 19.3% in 2010. This decrease was primarily a result of increased revenues on relatively fixed costs, offset by acquisition related costs and estimated deferred acquisition consideration adjustments of 0.3% in 2010 compared to minimal impact in 2009. Depreciation and amortization expenses decreased as a percentage of revenue from 6.2% in 2009, to 4.9% in 2010, due to these expenses being relatively flat at \$34.0 million.

Marketing Communications Businesses**Strategic Marketing Services**

Revenues attributable to Strategic Marketing Services in 2010 were \$438.9 million, compared to \$370.6 million in 2009. The year-over-year increase of \$68.3 million, or 18.4%, was attributable primarily to organic growth of \$43.2 million or 11.7%; acquisition growth of \$20.2 million or 5.4%; and a foreign exchange conversion of \$4.9 million due to the weakening of the US dollar compared to the Canadian dollar. This organic revenue growth was driven by net new business wins.

The operating profit of Strategic Marketing Services increased by approximately 11.5% to \$41.0 million in 2010, from \$36.8 million in 2009, while operating margins decreased to 9.3% in 2010 from 9.9% in 2009. The increase in operating profit was primarily due to the increased revenue. The decrease in operating margin was primarily related to an increase in direct costs (excluding staff costs) as a percentage of revenues from 11.0% of revenue in 2009, to 16.8% of revenue in 2010. In addition, margins were negatively impacted by acquisition related costs and estimated deferred acquisition consideration adjustments of 0.6% in 2010 compared to minimal impact in 2009. Total staff costs as a percentage of revenue decreased from 58.3% in 2009 to 55.8% in 2010, helping to offset increase in direct costs as a percentage of revenue despite the Company's investment in talent. Depreciation and amortization decreased as a percentage of revenue from 6.9% during 2009 to 4.1% during 2010.

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Performance Marketing Services

Performance Marketing Services generated revenues of \$258.9 million for 2010, an increase of \$84.4 million, or 48.3%, compared to revenues of \$174.5 million in 2009. The year-over-year increase was attributable primarily to acquisition growth of \$85.7 million and a foreign translation of \$3.4 million; offset by an organic revenue decline of \$4.8 million. Revenues declined due to customers reducing their outsourcing needs and reduced client project spending in 2010.

The operating profit of Performance Marketing Services increased by \$7.7 million to \$10.6 million in 2010, from an operating profit of \$2.9 million in 2009. Operating margins improved from 1.6% in 2009 compared to 4.1% in 2010.

The increase in operating profit dollars is primarily due to increased revenue. The increase in operating margin in 2010 was due primarily to a decrease in total staff costs as a percentage of revenue from 64.1% in 2009; to 54.5% in 2010. Offsetting this decrease was an increase in direct costs (excluding staff costs) as a percentage of revenue from 20.6% in 2009 to 27.0%. Office and general expenses as a percentage of revenue decreased from 17.7% in 2009 to 17.0% in 2010 due to relatively fixed costs compared to the increase in revenue. Depreciation and amortization increased due to amortization of acquired intangibles from 2010 acquisitions.

Corporate

Operating costs related to the Company's Corporate operations increased by \$4.1 million to \$22.7 million in 2010, compared to \$18.5 million in 2009. This increase of \$4.1 million was primarily related to increased compensation and related costs of \$1.9 million (\$1.4 million of which consisted of non-cash stock based compensation), travel, promotional and related costs of \$2.0 million and professional and other costs of \$0.2 million.

Other Expense, Net

Other expense, net, increased \$0.5 million in 2010 to income of \$0.4 million from an expense of \$0.1 million in 2009.

Foreign Exchange

The foreign exchange gain was \$0.1 million for 2010, compared to a loss of \$0.1 million recorded in 2009.

During 2010, the Company settled certain intercompany accounts to reduce its exposure to the continued foreign exchange fluctuations between the US dollar and Canadian dollar. As a result, the Company recorded a net minimal foreign exchange gain in 2010 compared to the loss incurred in 2009. In 2009, the Company recorded an unrealized loss that was offset by a \$1.3 million realized gain on foreign exchange transactions.

Net Interest Expense

Net interest expense for 2010 was \$33.3 million, an increase of \$11.5 million over the \$21.7 million net interest expense incurred during 2009. Interest expense increased \$11.4 million in 2010 due to the refinancing completed in October 2009 and the additional \$65 million 11% senior notes issued in May 2010. Interest expense also increased due to the higher debt outstanding and higher interest rates on the refinanced debt. Interest income was \$0.2 million for 2010, as compared to \$0.4 million in 2009.

Income Taxes

Income tax benefit in 2010 was \$0.2 million compared to expense of \$8.5 million for 2009. In 2010, the Company's effective tax rate was substantially lower than the statutory tax rate due to a decrease in the Company's valuation allowance, and noncontrolling interest charges. These amounts were offset in part by non-deductible stock based compensation and a reserve established for potential tax positions. The Company's effective tax rate was substantially higher than the statutory rate in 2010 due to non-deductible stock-based compensation and an increase in the Company's valuation allowance, offset in part by noncontrolling interest charges.

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

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Equity in Affiliates

Equity in affiliates represents the income loss attributable to equity-accounted affiliate operations. In 2010, the Company incurred income of \$0.9 million due to distributions in excess of the Company's carrying value of one equity method investment of \$2.6 million offset by the write-off of another equity method investment due to continued losses.

Noncontrolling Interests

Noncontrolling interest expense was \$10.1 million for 2010, an increase of \$4.5 million from the \$5.6 million of noncontrolling interest expense incurred during 2009. The increase was primarily due to increased profitability of subsidiaries within both operating segments, which are not 100% owned.

Discontinued Operations

The loss net of taxes from discontinued operations for 2010 was \$2.5 million and is comprised of the operating results of Zig (US) LLC (Zig US), Redscout's 007 venture; discontinued operations of Fearless Progression LLC in 2010; and Margeotes Fertitta Powell, LLC (MFP) discontinued in 2007.

The loss net of taxes from discontinued operations for 2009 was \$1.5 million and is comprised of the operating results of Zig US, Clifford/Bratskeir Public Relations LLC discontinued in 2009 and MFP.

Net Income

As a result of the foregoing, the net loss recorded for 2010 was \$15.4 million or loss of \$0.55 per diluted share, compared to a net loss of \$18.3 million or \$0.67 per diluted share reported for 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue was \$545.1 million for the year ended 2009, representing a decrease of \$38.2 million, or 6.5%, compared to revenue of \$583.3 million for the year ended 2008. This decrease relates primarily to a decrease in organic revenue of \$31.6 million. In addition, a weakening of the US Dollar, primarily versus the Canadian dollar during the year ended December 31, 2009, resulted in a further reduction of revenues of \$6.5 million.

Operating profit for the year ended 2009 was \$21.1 million compared to \$20.7 million in 2008. Operating profit increased \$8.7 million in the Strategic Marketing Services, which was offset by a decrease of \$7.8 million, within the Performance Marketing Services segment. Corporate operating expenses increased by \$0.5 million.

Income (loss) from continuing operations was a loss of \$11.2 million in 2009, compared to income of \$18.6 million in 2008. This decrease in income of \$29.8 million was primarily attributed to the result of an unrealized foreign exchange loss of \$3.2 million, offset by a realized foreign exchange gain of \$1.3 million in 2009, compared to an unrealized foreign exchange gain of \$13.3 million in 2008 and net interest expense increased by \$8.5 million primarily due to the termination fees and expenses, write-off of the remaining deferred financing costs and increased interest expense resulting from the refinancing of existing debt. Income tax expense increased \$6.1 million from \$2.4 million in 2008 to \$8.5 million in 2009. Equity in earnings of non-consolidated affiliates decreased by \$0.4 million.

Marketing Communications Group

Revenues in 2009 attributable to the Marketing Communications Group, which consists of two reportable segments Strategic Marketing Services and Performance Marketing Services, were \$545.1 million compared to \$583.3 million in 2008, representing a year-over-year decrease of 6.5%.

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The components of the revenue for 2009 are shown in the following table:

	Revenue	
	\$000 s	%
Year ended December 31, 2008	\$ 583,271	
Organic	(31,590)	(5.4)%
Foreign exchange impact	(6,540)	(1.1)%
Year ended December 31, 2009	\$ 545,141	(6.5)%

The geographic mix in revenues was relatively consistent between 2009 and 2008 and is demonstrated in the following table:

	2009		2008	
US	83	%	83	%
Canada	15	%	15	%
Europe and other	2	%	2	%

The operating profit of the Marketing Communications Group increased by approximately 2.3% to \$39.6 million from \$38.7 million. Operating margins increased to 7.3% for 2009 compared to 6.6% for 2008. The increase in operating margin is primarily attributable to a decrease in direct costs (excluding staff costs) as a percentage of revenues from 14.6% of revenue in 2008 to 14.0% of revenue in 2009 due to an increase in reimbursed client related direct costs. Total staff costs as a percentage of revenues was 60.2% in both 2008 and 2009 despite a reduction of staff cost dollars of \$23.2 million. Depreciation and amortization expenses increased as a percentage of revenue from 5.8% in 2008 to 6.3% in 2009 despite being relatively flat at \$34.0 million.

Marketing Communications Businesses

Strategic Marketing Services

Revenues attributable to Strategic Marketing Services in 2009 were \$370.6 million compared to \$362.2 million in 2008. The year-over-year increase of \$8.4 million, or 2.3%, was attributable primarily to organic growth of \$11.6 million or 3.2%. This organic growth was driven by net new business wins, offset by foreign exchange conversation of \$3.2 million due to the weakening of the US dollar compared to the Canadian dollar.

The operating profit of Strategic Marketing Services increased by approximately 31.2% to \$36.8 million in 2009, from \$28.0 million in 2008, while operating margins increased to 9.9% in 2009 from 7.7% in 2008. The increase in operating profit and margin is primarily related to a decreased in direct costs (excluding staff costs) as a percentage of revenues from 11.7% of revenue in 2008 to 11.0% of revenue in 2009, primarily due to a decrease in reimbursed client related direct costs. Total staff costs as a percentage of revenue decreased from 58.7% in 2008 to 58.3% in 2009. Depreciation and amortization represented 6.9% and 6.8% of revenues during 2009 and 2008, respectively.

Performance Marketing Services

Performance Marketing Services generated revenues of \$174.5 million for 2009, which was a decrease of \$46.5 million, or 21.1%, compared to revenues of \$221.1 million in 2008. The year-over-year increase was attributable primarily to organic revenue declines of \$43.2 million. Revenue declines were also attributable to a weakening of the US dollar versus the Canadian dollar and British pound in 2009 compared to 2008 resulted in a \$3.4 million decrease

in revenues from the division's Canadian and UK-based operations. Revenues declined due to customers reducing their outsourcing needs and reducing client project spending.

The operating profit of Performance Marketing Services decreased by \$7.8 million to \$2.9 million in 2009, from an operating profit of \$10.7 million in 2008, with operating margins of 1.6% in 2009 compared to 4.8% in 2008. The decrease in operating margin in 2009 was due primarily to an increase in total staff costs as a percentage of revenues from 62.7% in 2008 to 64.1% in 2009. Direct costs (excluding staff costs) as a percentage of revenue increased from 19.4% in 2008 to 20.6% in 2009. This increase is a result of the timing

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of when expected clients' projects were expected to begin, while maintaining the appropriate staffing levels to properly service those projects; however, staff costs did decrease by \$26.9 million. Margins were also impacted by an increase in office and general expenses as a percent of revenue, which increased from 16.2% in 2008 to 17.7% in 2009 and an increase in depreciation and amortization from 4.2% in 2008 to 4.9% in 2009. Office and general expenses costs decreased \$4.8 million; however, due to their relatively fixed nature, the decrease in revenue outpaced this decrease in costs.

Corporate

Operating costs related to the Company's Corporate operations increased by \$0.5 million to \$18.5 million in 2009 compared to \$18.0 million in 2008. Stock based compensation expense increased \$1.3 million, while cash staff costs decreased by \$0.5 million and other administrative costs decreased by \$0.03 million.

Other Expense, Net

Other expense, net increased to \$0.1 million in 2009 from almost nil in 2008.

Foreign Exchange

The foreign exchange loss was \$2.0 million for 2009 compared to a gain of \$13.3 million recorded in 2008, and was due primarily to an unrealized loss due to a weakening in the US dollar during 2009 compared to the Canadian dollar primarily on its US dollar denominated intercompany balances with its Canadian subsidiaries. During 2009, the Company recorded a \$1.3 million realized gain on foreign exchange transactions, which reduced the unrealized loss. At December 31, 2009, the exchange rate was 1.05 Canadian dollars to one US dollar, compared to 1.22 at the end of 2008 and 0.99 at the end of 2007.

Net Interest Expense

Net interest expense for 2009 was \$21.7 million, an increase of \$8.4 million over the \$13.3 million net interest expense incurred during 2008. Interest expense increased \$7.1 million in 2009 due to termination fees and expenses and the write-off of deferred financing costs of \$4.5 million as a result of the \$300 million refinancing completed in October 2009. Interest expense also increased due to the higher debt outstanding and higher interest rates on the refinanced debt. Interest income was \$0.4 million for 2009, as compared to \$1.7 million in 2008. This decrease was primarily due to the interest income recognized from the notes related to the sale of SPI, which was received in full in May 2009.

Income Taxes

Income tax expense in 2009 was \$8.5 million compared to \$2.4 million for 2008. The Company's effective tax rate was substantially higher than the statutory rate in 2009 due to non-deductible stock-based compensation and an increase in the Company's valuation allowance, offset in part by noncontrolling interest charges. In 2008, the Company's effective tax rate was substantially lower than the statutory tax rate due to a decrease in the Company's valuation allowance, a reversal of withholding taxes due to a change in the tax law, and noncontrolling interest charges. These amounts were offset in part by non-deductible stock based compensation.

The Company's US operating units are generally structured as limited liability companies, which are treated as

partnerships for tax purposes. The Company is only taxed on its share of profits, while noncontrolling holders are responsible for taxes on their share of the profits.

Equity in Affiliates

Equity in affiliates represents the income attributable to equity-accounted affiliate operations. For 2009 and 2008, a loss of almost nil and income of \$0.3 million was recorded, respectively.

Noncontrolling Interests

Noncontrolling interest expense was \$5.6 million for 2009, down \$2.7 million from the \$8.3 million of noncontrolling interest expense incurred during 2008. The decrease was primarily due to a decrease in profitability of subsidiaries within the Performance Marketing Service operating segment, which are not 100% owned.

TABLE OF CONTENTS**Discontinued Operations**

The loss net of taxes from discontinued operations for 2009 was \$1.5 million and is comprised of the operating results of Zig (US) LLC (Zig US), discontinued in 2010, Clifford/Bratskeir Public Relations LLC (Bratskeir), discontinued in 2008 and Margeotes Fertitta Powell, LLC (MFP) discontinued in 2007.

The loss net of taxes from discontinued operations for 2008 was \$10.2 million and is comprised of the operating results of Zig US, discontinued in 2010, Mobium, a division of Colle & McVoy, LLC (Colle), Bratskeir, The Ito Partnership (Ito) and MFP. MFP was previously discontinued in 2007; the other entities were discontinued in 2008.

Effective December 3, 2008, Colle completed the sale of certain assets of its Mobium division. The Company recorded a loss on sale of \$1.2 million (\$0.8 million net of taxes) and an operating loss of \$3.4 million (\$2.3 million net of taxes).

In December 2008, the Company entered into negotiations to sell certain remaining assets in Bratskeir to management. This transaction was completed in April 2009. As a result of this expected transaction, the Company recorded an impairment charge of \$1.9 million (\$1.3 million net of taxes). In addition, Bratskeir recorded an operating loss of \$3.8 million (\$2.5 million net of taxes) in 2008.

Effective June 30, 2008, the Company completed the sale of its interests in Ito. The sale resulted in a loss of \$0.8 million (\$0.5 million net of taxes.)

As a result, the Company has classified the MFP, Mobium, Bratskeir and Ito operations as discontinued.

Net Income

As a result of the foregoing, the net loss recorded for 2009 was \$18.3 million or loss of \$0.67 per diluted share, compared to net income of \$0.1 million or \$0.01 per diluted share reported for 2008.

Liquidity and Capital Resources

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

Liquidity	2010	2009	2008
	(In Thousands, Except for Long-Term Debt to Shareholders Equity Ratio)		
Cash and cash equivalents	\$ 10,949	\$ 51,926	\$ 41,331
Working capital (deficit)	\$ (102,547)	\$ (40,152)	\$ (12,091)
Cash from operations	\$ 37,297	\$ 67,687	\$ 69,095
Cash from investing	\$ (130,253)	\$ (66,199)	\$ (50,186)
Cash from financing	\$ 52,401	\$ 12,253	\$ 11,861
Ratio of long-term debt to shareholders' equity	3.11	2.31	1.42

As at December 31, 2010, 2009 and 2008, \$5.2 million, \$14.1 million and \$8.4 million, respectively, of the Company's consolidated cash position was held by subsidiaries. Although this amount is available for the subsidiaries' use, it does not represent cash that is distributable as earnings to MDC for use to reduce its indebtedness. It is the Company's intent through its cash management system to reduce outstanding borrowings under the WF Credit Facility by using

available cash.

Working Capital

At December 31, 2010, the Company had a working capital deficit of \$102.5 million, compared to a deficit of \$40.2 million at December 31, 2009. Working capital deficit increased by \$62.4 million of which \$4.3 million related to operations and an accrued working capital deficiency of \$58.1 million. The decrease in working capital was primarily due to accelerated timing in the amounts collected from clients, and paid to suppliers, primarily media outlets. The Company includes amounts due to noncontrolling interest holders, for their share of profits, in accrued and other liabilities. During 2010, 2009 and 2008, the Company made distributions to these noncontrolling interest holders of \$7.7 million, \$7.8 million and \$11.6 million, respectively. At December 31, 2010, \$8.6 million remains outstanding to be distributed to noncontrolling interest holders over the next twelve months.

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

Operating Activities

Cash flow provided by continuing operations for 2010 was \$39.8 million. This was attributable primarily to a loss from continuing operations of \$2.9 million, plus non-cash stock based compensation of \$16.5 million, depreciation and amortization of \$36.6 million, a decrease in expenditures billable to clients of \$23.7 million, and an increase in advance billings of \$2.4 million. This was partially offset by increases in accounts receivable of \$31.3 million, deferred income taxes of \$5.4 million, other non-current assets and liabilities of \$0.5 million, and a decrease in accounts payable, accruals and other liabilities of \$0.1 million. Discontinued operations used cash of \$2.5 million.

Cash flow provided by continuing operations for 2009 was \$69.3 million. This was attributable primarily to a loss from continuing operations of \$11.2 million, plus non-cash stock based compensation of \$15.4 million, depreciation and amortization of \$38.5 million, deferred income taxes of \$7.0 million, an increase in accounts payable, accruals and other liabilities of \$11.0 million, non current assets and liabilities of \$3.1 million, an increase in advance billings of \$15.8 million and foreign exchange translation of \$6.6 million. This was partially offset by increases in accounts receivable of \$11.4 million and expenditures billable to clients of \$7.1 million. Discontinued operations used cash of \$1.6 million.

Cash flow provided by continuing operations for 2008 was \$72.8 million. This was attributable primarily to income from continuing operations of \$18.6 million, plus non-cash stock based compensation of \$14.4 million, depreciation and amortization of \$35.5 million, a decrease in accounts receivable and expenditures billable to clients of \$26.6 million and a decrease in prepaid expenses and other current assets of \$1.4 million. This was partially offset by foreign exchange gains of \$14.6 million, deferred taxes of \$1.0 million, changes in other non-current assets and liabilities of \$1.9 million and decreases in accounts payable, accruals and other current liabilities of \$8.4 million. Discontinued operations used cash of \$3.7 million.

Investing Activities

Cash flows used in investing activities were \$130.3 million for 2010, compared with \$66.2 million for 2009, and \$50.2 million in 2008.

Cash used in acquisitions during 2010 was \$117.1 million, of which \$27.3 million related to earnout and deferred acquisition payments, \$78.3 million related to acquisition payments and \$11.5 million related to acquisition of additional equity interests pursuant to put/call option exercises.

Expenditures for capital assets in 2010 were equal to \$12.5 million. Of this amount, \$6.5 million was incurred by the Strategic Marketing Services segment, \$5.4 million was incurred by the Performance Marketing Services segment. These expenditures consisted primarily of computer equipment, leasehold improvements, furniture and fixtures, and \$0.6 million related to the purchase of Corporate assets.

Cash used in acquisitions during 2009 was \$60.0 million, of which \$54.0 million related to earnout and deferred acquisition payments, \$3.4 million related to acquisition payments and \$2.6 million related to acquisition of additional equity interests pursuant to put/call option exercises.

Expenditures for capital assets in 2009 were equal to \$6.2 million. Of this amount, \$3.6 million was incurred by the Strategic Marketing Services segment, \$2.4 million was incurred by the Performance Marketing Services segment, and \$0.2 million related to the purchase of Corporate assets. These expenditures consisted primarily of computer equipment, leasehold improvements and furniture and fixtures.

Cash used in acquisitions during 2008 was \$35.6 million. Of this amount, \$18.9 million was paid in the acquisition of equity interests in Crispin Porter & Bogusky, Texture Media, Clifford PR, Core Strategy Group, DMG Inc., Skinny NY, Source Marketing, Allard Johnson, and Accent Marketing. In addition, the Company paid \$16.7 million as contingent deferred payments from prior acquisitions.

Expenditures for capital assets in 2008 were \$14.4 million. Of this amount, \$9.2 million was incurred by the Strategic Marketing Services segment, \$5.1 million was incurred by the Performance Marketing Services

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segment, and \$0.1 million related to the purchase of corporate assets. These expenditures consisted primarily of computer equipment, leasehold improvements and furniture and fixtures.

The cash used in investing activities of \$0.2 million from dispositions in 2008 primarily relate to proceeds received from the sale of capital assets.

Profit distributions received from affiliates amounted to \$0.6 million in 2010, \$0.2 million in 2009, and \$0.4 million for 2008.

Discontinued operations used cash of \$0.7 million, nil, and \$0.8 million in 2010, 2009 and 2008, respectively, relating to expenditures for capital assets, and in 2010 such payments also related to acquisitions and earnout payments.

Financing Activities

During the year ended December 31, 2010, cash flows provided by financing activities amounted to \$52.4 million and primarily consisted of \$67.6 million of proceeds from the additional 11% senior notes issuance, proceeds from bank overdrafts of \$9.0 million, offset by \$2.1 million of deferred financing costs relating to the senior notes and new revolving WF Credit Facility. The proceeds of the 11% senior notes issuance were partially offset by dividends paid and payable of \$9.7 million, distributions to noncontrolling shareholders of \$7.7 million, purchase of treasury shares of \$3.5 million and repayment of long-term debt of \$1.5 million.

During the year ended December 31, 2009, cash flows provided by financing activities amounted to \$12.3 million and primarily consisted of \$225 million of proceeds from the 11% senior notes issuance, offset by the original issue discount of \$10.5 million and \$10.1 million of deferred financing costs relating to the senior notes and new revolving WF Credit Facility. The proceeds were offset by repayments of \$130.0 million term loans, \$42.5 million convertible notes, \$9.7 million relating to the old credit facility, and \$7.8 million for distributions to noncontrolling interests.

During the year ended December 31, 2008, cash flows provided by financing activities amounted to \$11.9 million, and primarily consisted of \$26.3 million of proceeds from borrowings under the Company's previous Financing Agreement. These proceeds were partially offset by \$1.9 million of net repayments of long-term debt, \$0.9 million relating to the repurchase of treasury shares for income tax withholding requirements, and \$11.6 million for distributions to noncontrolling interests.

Total Debt

11% Senior Notes Due 2016

On October 23, 2009, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold \$225 million aggregate principal amount of 11% Senior Notes due 2016 (the "11% Notes"). The 11% Notes bear interest at a rate of 11% per annum, accruing from October 23, 2009. Interest is payable semiannually in arrears in cash on May 1 and November 1 of each year, beginning on May 1, 2010. The 11% Notes will mature on November 1, 2016, unless earlier redeemed or repurchased. The Company received net proceeds before expenses of \$209 million which included an original issue discount of approximately 4.7% or \$10.5 million and underwriter fees of \$5.5 million. The 11% Notes were sold in a private placement in reliance on exemptions from registration under the Securities Act of 1933, as amended. The Company used the net proceeds of this offering to repay the outstanding balance and terminate its prior Fortress Financing Agreement consisting of repayments of \$130 million term loans, a \$70 million delayed draw term loan, and \$9.7 outstanding on the \$55 million revolving credit facility. The Company also used the net proceeds to

redeem its outstanding 8% C\$45 million convertible debentures.

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

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The Company may, at its option, redeem the 11% Notes in whole at any time or in part from time to time, on and after November 1, 2013 at a redemption price of 105.5% of the principal amount thereof. If redeemed during the twelve-month period beginning on November 1, 2014, the Company must pay a redemption price of 102.75% of the principal amount thereof. If redeemed during the twelve-month period beginning on November 1, 2015, the Company must pay a redemption price of 100% of the principal amount thereof. Prior to November 1, 2013, the Company may, at its option, redeem some or all of the 11% Notes at a price equal to 100% of the principal amount of the Notes plus a make whole premium and accrued and unpaid interest. The Company may also redeem, at its option, prior to November 1, 2012, up to 35% of the 11% Notes with the proceeds from one or more equity offerings at a redemption price of 111% of the principal amount thereof. If the Company experiences certain kinds of changes of control (as defined in the Indenture), holders of the 11% Notes may require the Company to repurchase any 11% Notes held by them at a price equal to 101% of the principal amount of the 11% Notes plus accrued and unpaid interest. The indenture governing the 11% Notes contains various covenants restricting our operations in certain respects. See Risk Factors.

Credit Agreement

On October 23, 2009, the Company and its subsidiaries entered into a \$75 million five year senior secured revolving WF Credit Facility (the "WF Credit Facility") with Wells Fargo Foothill, LLC, as agent, and the lenders from time to time party thereto. On November 22, 2010, the Company amended its facility to increase availability to \$100 million.

The WF Credit Facility replaced the Company's existing \$185 million senior secured financing agreement with Fortress Credit Corp., as collateral agent, Wells Fargo Foothill, Inc., as administrative agent. Advances under the WF Credit Facility will bear interest as follows: (a)(i) LIBOR Rate Loans bear interest at the LIBOR Rate and (ii) Base Rate Loans bear interest at the Base Rate, plus (b) an applicable margin. The initial applicable margin for borrowing is 3.00% in the case of Base Rate Loans and 3.25% in the case of LIBOR Rate Loans. The applicable margin may be reduced subject to the Company achieving certain trailing twelve month earning levels, as defined. In addition to paying interest on outstanding principal under the WF Credit Facility, the Company is required to pay an unused revolver fee to lender under the WF Credit Facility in respect of unused commitments thereunder.

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

Debt as of December 31, 2010 was \$286.2 million, which includes \$6.8 million for an original issue discount. Exclusive of the original issue discount, 2010 debt was \$293.0, an increase of \$64.8 million compared with the \$228.2 million outstanding at December 31, 2009, primarily as a result of proceeds from the May 2010 bond issuance of \$65 million to fund seasonal working capital requirements, earnout obligations, and acquisitions. At December 31, 2010, \$94 million is available under the WF Credit Facility to fund working capital requirements.

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

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

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Pursuant to the Credit Agreement, the Company must comply with certain financial covenants including, among other things, covenants for (i) senior leverage ratio (ii) total leverage ratio, (iii) fixed charges ratio, (iv) minimum earnings before interest, taxes and depreciation and amortization and (v) minimum accounts receivable level, in each case as such term is specifically defined in the WF Credit Facility. For the period ended December 31, 2010, the Company's calculation of certain of these covenants, and the specific requirements under the Credit Agreement, respectively, were as follows:

	December 31, 2010
Senior leverage ratio	0.07
Maximum per covenant	2.0
Fixed charges ratio	2.16
Minimum per covenant	1.25
Total leverage ratio	3.19
Maximum per covenant	3.50*
Earnings before interest, taxes, depreciation and amortization	\$ 91.7 million
Minimum per covenant	\$ 87.8 million

* Effective as of the twelve month period ending March 31, 2011, the maximum total leverage ratio will be 4.0x, and will then be 3.75x for the twelve month period ending on the last day of each calendar quarter thereafter.

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

Disclosure of Contractual Obligations and Other Commercial Commitments

The following table provides a payment schedule of present and future obligations. Management anticipates that the obligations outstanding at December 31, 2010 will be repaid with new financing, equity offerings and/or cash flow from operations (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Indebtedness	\$291,400	\$800	\$600	\$	\$290,000
Capital lease obligations	1,659	867	607	161	24
Operating leases	114,642	22,860	39,730	26,593	25,459
Interest on debt	191,601	32,023	63,865	63,813	31,900
Deferred acquisition consideration	107,991	30,887	50,006	23,392	3,706
Management services agreement	1,500	1,500			
Other	2,200	800	1,400		
Total contractual obligations	\$710,993	\$89,737	\$156,208	\$113,959	\$351,089

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The following table provides a summary of other commercial commitments (in thousands) at December 31, 2009:

Other Commercial Commitments	Payments Due by Period				
	Total	Less than 1 Year	1 3 Years	3 5 Years	After 5 Years
Lines of credit	\$	\$	\$	\$	\$
Letters of credit	\$ 6,018	\$ 6,018			
Total Other Commercial Commitments	\$ 6,018	\$ 6,018	\$	\$	\$

For further detail on MDC's long-term debt principal and interest payments, see Note 12 and Note 18 of the Company's consolidated financial statements included in this Form 10-K. See also *Deferred Acquisition and Contingent Consideration (Earnouts)* and *Other-Balance Sheet Commitments* below.

Capital Resources

At December 31, 2010, the Company had only utilized the Credit Agreement in the form of undrawn letters of credit of \$6.0 million. Cash and undrawn available bank credit facilities to support the Company's future cash requirements at December 31, 2010 was approximately \$94 million.

The Company expects to incur approximately \$17 million of capital expenditures in 2011. Such capital expenditures are expected to include leasehold improvements, furniture and fixtures, and computer equipment at certain of the Company's operating subsidiaries. The Company intends to maintain and expand its business using cash from operating activities, together with funds available under the Credit Agreement. Management believes that the Company's cash flow from operations and funds available under the Credit Agreement will be sufficient to meet its ongoing working capital, capital expenditures and other cash needs over the next eighteen months. If the Company continues to spend capital on future acquisitions, management expects that the Company may need to obtain additional financing in the form of debt and/or equity financing.

Deferred Acquisition and Contingent Consideration (Earnouts)

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

Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period and changes in estimated value are recorded in results of operations. At December 31, 2010, there was \$108.0 million of deferred consideration included in the Company's balance sheet.

Other-Balance Sheet Commitments

Put Rights of Subsidiaries Noncontrolling Shareholders

Owners of interests in certain of the Company's subsidiaries have the right in certain circumstances to require the Company to acquire either a portion of or all of the remaining ownership interests held by them. The owners' ability to

exercise any such put option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during the period 2011 to 2018. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

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

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Management estimates, assuming that the subsidiaries owned by the Company at December 31, 2010, perform over the relevant future periods at their 2010 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately \$33.0 million to the owners of such rights to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately \$3.1 million by the issuance of the Company's Class A subordinate voting shares. In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately \$48.8 million only upon termination of such owner's employment with the applicable subsidiary or death. The Company intends to finance the cash portion of these contingent payment obligations using available cash from operations, borrowings under the WF Credit Facility (and refinancings thereof) and, if necessary, through incurrence of additional debt. The ultimate amount payable and the incremental operating income in the future relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when these rights are exercised. Approximately \$2.9 million of the estimated \$33.0 million that the Company would be required to pay subsidiaries noncontrolling shareholders upon the exercise of outstanding put rights, relates to rights exercisable within the next twelve months. Upon the settlement of the total amount of such put options, the Company estimates that it would receive incremental operating income before depreciation and amortization of \$10.0 million that would be attributable to MDC Partners Inc.

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

Consideration ⁽⁴⁾	2011	2012	2013	2014	2015 & Thereafter	Total
	(\$ Millions)					
Cash	\$2.3	\$12.6	\$3.7	\$4.0	\$7.3	\$29.9
Shares	0.6	0.7	1.0	0.5	0.3	3.1
	\$2.9	\$13.3	\$4.7	\$4.5	\$7.6	\$33.0 ⁽¹⁾
Operating income before depreciation and amortization to be received ⁽²⁾	\$2.9	\$1.9	\$2.4	\$0.8	\$2.0	\$10.0
Cumulative operating income before depreciation and amortization ⁽³⁾	\$2.9	\$4.8	\$7.2	\$8.0	10.0	⁽⁵⁾

This amount in addition to put options only exercisable upon termination or death of \$48.8 million have been (1) recognized in Redeemable Noncontrolling Interests on the Company balance sheet in conjunction with the adoption of a new accounting pronouncement.

This financial measure is presented because it is the basis of the calculation used in the underlying agreements (2) relating to the put rights and is based on actual 2010 operating results. This amount represents additional amounts to be attributable to MDC Partners Inc., commencing in the year the put is exercised.

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

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

(5) Amounts are not presented as they would not be meaningful due to multiple periods included.

Guarantees

In connection with certain dispositions of assets and/or businesses in 2001 and 2003, as well as the 2006 sale of SPI, the Company has provided customary representations and warranties whose terms range in duration and may not be

explicitly defined. The Company has also retained certain liabilities for events occurring prior to sale, relating to tax, environmental, litigation and other matters. Generally, the Company has indemnified the purchasers in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for several years.

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Historically, the Company has not made any significant indemnification payments under such agreements and no provision has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

For guarantees and indemnities entered into after January 1, 2003, in connection with the sale of the Company's investment in CDI and the sale of SPI, the Company has estimated the fair value of its liability to be insignificant.

Transactions With Related Parties

CEO Services Agreement

On April 27, 2007, the Company entered into a Management Services Agreement (the "Services Agreement") with Miles Nadal and with Nadal Management, Inc. to set forth the terms and conditions on which Mr. Nadal would continue to provide services to the Company as its Chief Executive Officer. The Services Agreement renewed on April 27, 2010, in accordance with its terms and conditions. In addition, effective April 27, 2010, the annual retainer amount under the Services Agreement was increased to \$1,500,000. During both 2009 and 2010 and in accordance with this new Services Agreement, Mr. Nadal repaid an amount equal to \$0.1 million of loans due to the Company. At December 31, 2010, outstanding loans due from Nadal Management to the Company, with no stated maturity date, amounted to C\$6.1 million (\$6.1 million), which have been reserved for in the Company's accounts.

Trapeze Media

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

During 2010, 2009 and 2008, Trapeze provided services to certain partner firms of MDC, and the total amount of such services provided was \$0.1 million, \$0.1 million, and \$0.4 million, respectively. In addition, in 2010, 2009 and 2008, an MDC Partner firm provided services to Trapeze in exchange for fees equal to \$0.3 million, \$0.3 million and \$0.1 million, respectively.

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

Critical Accounting Policies

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

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

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Revenue Recognition. The Company's revenue recognition policies are as required by the Revenue Recognition topics of the FASB Accounting Standards Codification, and accordingly, revenue is generally recognized when services are provided or upon delivery of the products when ownership and risk of loss has transferred to the customer, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured.

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

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

Fees billed to clients in excess of fees recognized as revenue are classified as advance billings.

A small portion of the Company's contractual arrangements with clients includes performance incentive provisions, which allow the Company to earn additional revenues as a result of its performance relative to both quantitative and qualitative goals. The Company recognizes the incentive portion of revenue under these arrangements when specific quantitative goals are assured, or when the Company's clients determine performance against qualitative goals has been achieved. In all circumstances, revenue is only recognized when collection is reasonably assured.

The Company follows Reporting Revenue Gross as a Principal versus Net as an Agent topic of the FASB Accounting Standards Codification. This topic provides a summary on when revenue should be recorded at the gross amount billed because revenue has been earned from the sale of goods or services, or the net amount retained because a fee or commission has been earned. The Company's business at times acts as an agent and records revenue equal to the net amount retained, when the fee or commission is earned. The Company also follows the reimbursements received for out-of-pocket expenses. This topic of the FASB Accounting Standards Codification requires that reimbursements received for out-of-pocket expenses incurred should be characterized in the income statement as revenue.

Accordingly, the Company has included in revenue such reimbursed expenses.

Acquisitions, Goodwill and Other Intangibles. A fair value approach is used in testing goodwill for impairment to determine if an other than temporary impairment has occurred. One approach utilized to determine fair values is a discounted cash flow methodology. When available and as appropriate, comparative market multiples are used. Numerous estimates and assumptions necessarily have to be made when completing a discounted cash flow valuation, including estimates and assumptions regarding interest rates, appropriate discount rates and capital structure. Additionally, estimates must be made regarding revenue growth, operating margins, tax rates, working capital requirements and capital expenditures. Estimates and assumptions also need to be made when determining the appropriate comparative market multiples to be used. Actual results of operations, cash flows and other factors used in a discounted cash flow valuation will likely differ from the estimates used and it is possible that differences and changes could be material. As of December 31, 2010, there were no reporting units at risk of failing step one of the Company's annual goodwill impairment test.

The Company has historically made and expects to continue to make selective acquisitions of marketing communications businesses. In making acquisitions, the price paid is determined by various factors, including service

offerings, competitive position, reputation and geographic coverage, as well as prior experience and judgment. Due to the nature of advertising, marketing and corporate communications services companies; the companies acquired frequently have significant identifiable intangible assets, which primarily consist of

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customer relationships. The Company has determined that certain intangibles (trademarks) have an indefinite life, as there are no legal, regulatory, contractual, or economic factors that limit the useful life.

Business Combinations. Valuation of acquired companies are based on a number of factors, including specialized know-how, reputation, competitive position and service offerings. Our acquisition strategy has been to focus on acquiring the expertise of an assembled workforce in order to continue building upon the core capabilities of our various strategic business platforms to better serve our clients. Consistent with our acquisition strategy and past practice of acquiring a majority ownership position, most acquisitions completed in 2010 and 2009 include an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent payments for these transactions, as well as certain acquisitions completed in prior years, are derived using the performance of the acquired entity and are based on pre-determined formulas. Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period. Changes in estimated value are recorded in results of operations. For the year ended December 31, 2010 and 2009, \$778 and nil, respectively, related to changes in estimated value have been recorded as operating income. In addition, certain acquisitions also include put/call obligations for additional equity ownership interests. The estimated value of these interests are recorded as redeemable noncontrolling interests. As of January 1, 2009, the Company expenses acquisition related costs in accordance with the Accounting Standard s Codification s new guidance on acquisition accounting. The year ended December 31, 2010 and 2009, included \$2,940 and \$416 of acquisition related costs, respectively.

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

Redeemable Noncontrolling Interest. The minority interest shareholders of certain subsidiaries have the right to require the Company to acquire their ownership interest under certain circumstances pursuant to a contractual arrangement and the Company has similar call options under the same contractual terms. The amount of consideration under the put and call rights is not a fixed amount, but rather is dependent upon various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise, the growth rate of the earnings of the relevant subsidiary through the date of exercise, etc. as described in Note 18.

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

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

Interest Expense. Interest expense primarily consists of the cost of borrowing on the revolving WF Credit Facility and the 11% Senior Notes. The Company uses the effective interest method to amortize the original issue discount and original issue premium on the 11% Senior Notes. At December 31, 2010 and 2009, \$848 and \$204 was amortized, respectively, net of amortized premium of \$197 and nil, respectively. The Company

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amortizes deferred financing costs using the effective interest method over the life of the 11% Senior Notes and straight line over the life of the revolving WF Credit Facility. The total net deferred financing costs, included in Other Assets on the balance sheet, as of December 30, 2010 and 2009 were \$10,605 and \$9,790, respectively, net of accumulated amortization of \$1,583 and \$295, respectively. During 2010, the Company recorded \$2,103 of deferred financing costs primarily relating to the 2010 additional debt issuance.

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

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

New Accounting Pronouncements

In April 2010, the FASB issues ASU 2010-17, Revenue Recognition Milestone Method. ASU 2010-17 provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. The amendments in ASU 2010-17 are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The adoption will not have an impact on our financial statements.

In April 2010, the FASB issued ASU 2010-13, Compensation Stock Compensation Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. ASU 2010-13 provides amendments to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The adoption of this standard will not have an effect on our financial statements.

In February 2010, The FASB issued an additional Accounting Standards Update on Subsequent Events to clarify the updated guidance issued in May 2009. This Guidance clarifies that SEC filers must evaluate subsequent events through the date the financial statements are issued. However, an SEC filer is not required to disclose the date through which subsequent events have been evaluated. The amendment is effective June 15, 2010. The adoption did not have an impact on our financial statements.

In January 2010, the FASB issued an Accounts Standards Update on Consolidation Accounting and Reporting for Decreases in Ownership of a Subsidiary A Scope Clarification. This Guidance clarifies the scope of the decrease in ownership provisions and expands the disclosure requirements about deconsolidation of a subsidiary or de-recognition

of a group of assets. It is effective beginning in the first interim annual reporting period ending on or after December 15, 2009. The adoption did not have an impact on our financial statements.

In January 2010, the FASB issued Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements. This Guidance requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. It requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value

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measurements using significant unobservable inputs. This Guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. The adoption did not have a material effect on our financial statements.

In October 2009, the FASB issued revised guidance on the topic of Multiple Deliverable Revenue Arrangements. The revised guidance amends certain accounting for revenue with multiple deliverables. In particular when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, the revised guidance allows use of a best estimate of the selling price to allocate the arrangement consideration among them. This guidance is effective for the first quarter of 2011, with early adoption permitted. The Company is currently evaluating the impact on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Debt Instruments: At December 31, 2010, the Company's debt obligations consisted of amounts outstanding under its WF Credit Facility and the 11% notes. This facility bears interest at variable rates based upon the Eurodollar rate, US bank prime rate and, US base rate, at the Company's option. The 11% notes bear interest at a fixed rate. The Company's ability to obtain the required bank syndication commitments depends in part on conditions in the bank market at the time of syndication. As of December 31, 2010, the Company had a zero balance on the revolving WF Credit Facility.

Foreign Exchange: The Company conducts business in five currencies, the US dollar, the Canadian dollar, Jamaican dollar, the British Pound and the Swedish Krona. Our results of operations are subject to risk from the translation to the US dollar of the revenue and expenses of our non-US operations. The effects of currency exchange rate fluctuations on the translation of our results of operations are discussed in the Management's Discussion and Analysis of Financial Condition and Result of Operations and in Note 2 of our consolidated financial statements. For the most part, our revenues and expenses incurred related to our non-US operations are denominated in their functional currency. This minimizes the impact that fluctuations in exchange rates will have on profit margins. Intercompany debt which is not intended to be repaid is included in cumulative translation adjustments. Translation of intercompany debt, which is not intended to be repaid, is included in cumulative translation adjustments. Translation of current intercompany balances are included in net earnings. The Company generally does not enter into foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The Company is exposed to foreign currency fluctuations relating to its intercompany balances between the US and Canada. For every one cent change in the foreign exchange rate between the US and Canada, the Company will not incur a material impact to its financial statements.

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Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of MDC Partners Inc. as of December 31, 2010 and 2009 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MDC Partners Inc. at December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MDC Partners Inc. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2011 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

New York, New York
March 14, 2011

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MDC PARTNERS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Thousands of United States Dollars, Except Share and per Share Amounts)

	Years Ended December 31,		
	2010	2009	2008
Revenue:			
Services	\$697,825	\$545,141	\$583,271
Operating Expenses:			
Cost of services sold	477,491	353,011	391,015
Office and general expenses	156,924	136,622	137,418
Depreciation and amortization	34,481	34,412	34,140
	668,896	524,045	562,573
Operating Profit	28,929	21,096	20,698
Other Income (Expenses)			
Gain (loss) on sale of assets and other	381	(91)	(14)
Foreign exchange gain (loss)	69	(1,956)	13,257
Interest expense and finance charges	(33,487)	(22,098)	(14,998)
Interest income	205	354	1,743
	(32,832)	(23,791)	(12)
Income (loss) from continuing operations before income taxes and equity in affiliates	(3,903)	(2,695)	20,686
Income tax expense (recovery)	(165)	8,536	2,397
Income (loss) from continuing operations before equity in affiliates	(3,738)	(11,231)	18,289
Equity in earnings (loss) of non-consolidated affiliates	866	(8)	349
Income (loss) from continuing operations	(2,872)	(11,239)	18,638
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	(2,494)	(1,519)	(10,205)
Net income (loss)	(5,366)	(12,758)	8,433
Net income attributable to the non-controlling interests	(10,074)	(5,566)	(8,300)
Net income (loss) attributable to MDC Partners Inc.	\$(15,440)	\$(18,324)	\$133
Income (loss) Per Common Share:			
Basic			
Income (loss) from continuing operations attributable to MDC Partners Inc. common shareholders	\$(0.46)	\$(0.61)	\$0.39
Discontinued operations attributable to MDC Partners Inc. common shareholders	(0.09)	(0.06)	(0.38)
Net Income (loss) attributable to MDC Partners Inc. common shareholders	\$(0.55)	\$(0.67)	\$0.01
Income (loss) Per Common Share:			

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Diluted

Income (loss) from continuing operations attributable to MDC Partners Inc. common shareholders	\$ (0.46)	\$ (0.61)	\$ 0.38
Discontinued operations attributable to MDC Partners Inc. common shareholders	(0.09)	(0.06)	(0.37
Net income (loss) attributable to MDC Partners Inc. common shareholders	\$ (0.55)	\$ (0.67)	\$ 0.01

Weighted Average Number of Common Shares

Outstanding:

Basic	28,161,144	27,396,463	26,765,839
Diluted	28,161,144	27,396,463	27,430,162

Non cash stock based compensation expense is included in the following line items above:

Cost of services sold	\$ 4,427	\$ 4,919	\$ 7,494
Office and general expenses	12,080	10,525	6,943
Total	\$ 16,507	\$ 15,444	\$ 14,437

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

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MDC PARTNERS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Thousands of United States Dollars)

	December 31,	
	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,949	\$ 51,926
Accounts receivable, less allowance for doubtful accounts of \$1,990 and \$2,034	195,306	118,211
Expenditures billable to clients	30,414	24,003
Other current assets	13,455	8,105
Total Current Assets	250,124	202,245
Fixed assets, net	41,053	35,375
Investment in affiliates		1,547
Goodwill	514,488	301,632
Other intangible assets, net	67,133	34,715
Deferred tax assets	21,603	12,542
Other assets	19,947	16,463
Total Assets	\$ 914,348	\$ 604,519
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 131,074	\$ 77,450
Accrued and other liabilities	64,050	66,967
Advance billings, net	124,993	65,879
Current portion of long-term debt	1,667	1,456
Deferred acquisition consideration	30,887	30,645
Total Current Liabilities	352,671	242,397
Long-term debt	284,549	216,490
Long-term portion of deferred acquisition consideration	77,104	
Other liabilities	10,956	8,707
Deferred tax liabilities	19,642	9,051
Total Liabilities	744,922	476,645
Redeemable Noncontrolling Interests	77,560	33,728
Commitments, Contingencies and Guarantees (Note 18)		
Shareholders' Equity:		
Preferred shares, unlimited authorized, none issued		
Class A Shares, no par value, unlimited authorized, 28,758,734 and 27,566,815 shares issued and outstanding in 2010 and 2009, respectively	226,752	218,532
Class B Shares, no par value, unlimited authorized, 2,503 issued and outstanding in 2010 and 2009, respectively, convertible into one Class A share	1	1
Additional paid-in capital		9,174

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Charges in excess of capital	(16,809)	
Accumulated deficit	(146,600)	(131,160)
Stock subscription receivable	(135)	(341)
Accumulated other comprehensive loss	(4,148)	(5,880)
MDC Partners Inc. Shareholders' Equity	59,061	90,326
Noncontrolling Interests	32,805	3,820
Total Equity	91,866	94,146
Total Liabilities, Redeemable Noncontrolling Interests and Equity	\$914,348	\$604,519

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

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MDC PARTNERS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of United States Dollars)

	Years Ended December 31,		
	2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	\$ (5,366)	\$ (12,758)	\$ 8,433
Loss from discontinued operations	(2,494)	(1,519)	(10,205)
Income (loss) from continuing operations	(2,872)	(11,239)	18,638
Adjustments to reconcile loss from continuing operations to cash provided by operating activities:			
Non-cash stock-based compensation	16,507	15,444	14,437
Depreciation	16,764	16,275	16,746
Amortization primarily from intangibles	17,717	18,137	17,394
Amortization of deferred finance charges and debt discount	2,136	4,041	1,348
Adjustment to deferred acquisition consideration	142		
Deferred income taxes	(5,373)	6,972	(960)
(Gain) loss on disposition of assets	(17)	53	142
Loss (earnings) of non consolidated affiliates	(866)	8	(349)
Other non-current assets and liabilities	(509)	3,101	(1,891)
Foreign exchange	538	6,557	(14,567)
Increase/decrease in operating assets and liabilities			
Accounts receivable	(31,289)	(11,420)	26,555
Expenditures billable to clients	23,681	(7,054)	2,154
Prepaid expenses and other current assets	952	1,546	1,426
Accounts payable, accruals and other current liabilities	(119)	11,023	(8,368)
Advance billings	2,430	15,843	98
Cash flows provided by continuing operating activities	39,822	69,287	72,803
Discontinued operations	(2,525)	(1,600)	(3,708)
Net cash provided by operating activities	37,297	67,687	69,095
Cash flows from investing activities:			
Capital expenditures	(12,500)	(6,209)	(14,384)
Proceeds from sale of assets	96	20	242
Acquisitions, net of cash acquired	(117,060)	(60,042)	(35,641)
Profit distributions from affiliates	638	198	440
Other investments	(717)	(163)	(85)
Cash flows used in continuing investing activities	(129,543)	(66,196)	(49,428)
Discontinued operations	(710)	(3)	(758)
Net cash used in investing activities	(130,253)	(66,199)	(50,186)
Cash flows from financing activities:			
Proceeds from issuance of 11% Senior Note	67,600	214,506	
Repayments of revolving credit facility		(9,701)	

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Proceeds (repayment of) term loans		(130,000)	18,500
Repayment of convertible debt		(42,470)	
Proceeds from revolving credit facility			7,800
Proceeds from bank overdraft	9,026		
Distributions to noncontrolling interests	(7,685)	(7,784)	(11,649)
Proceeds from exercise of options	60	370	
Payments of dividends	(9,727)		
Repayment of long-term debt	(1,496)	(2,000)	(1,884)
Deferred financing costs	(2,103)	(10,085)	
Proceeds from stock subscription receivable	206	13	
Purchase of treasury shares	(3,480)	(596)	(906)
Cash flows provided by continuing financing activities	52,401	12,253	11,861
Discontinued operations			
Net cash provided by financing activities	52,401	12,253	11,861

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

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MDC PARTNERS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH

FLows (continued)

(Thousands of United States Dollars)

	Years Ended December 31,		
	2010	2009	2008
Effect of exchange rate changes on cash and cash equivalents	(422)	(3,146)	151
Increase (decrease) in cash and cash equivalents	(40,977)	10,595	30,921
Cash and cash equivalents at beginning of year	51,926	41,331	10,410
Cash and cash equivalents at end of year	\$ 10,949	\$ 51,926	\$ 41,331
Supplemental disclosures:			
Cash income taxes paid	\$ 1,128	\$ 384	\$ 1,037
Cash interest paid	\$ 29,581	\$ 14,243	\$ 13,196
Non-cash transactions:			
Share capital issued on acquisitions	\$	\$	\$ 1,889
Capital leases	\$ 656	\$ 340	\$ 349
Note receivable exchanged for shares of subsidiary	\$ 840	\$	\$ 1,872

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

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MDC PARTNERS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Thousands of United States Dollars Except Share and per Share Amounts)

	2010 Number of Shares	Amount	2009 Number of Shares	Amount	2008 Number of Shares	Amount
Class A Shares						
Balance at beginning of year	27,566,815	\$218,532	26,987,017	\$213,533	26,235,932	\$207,958
Stock appreciation rights exercised	101,107	239	68,261	202		
Share options exercised	6,495	60	47,625	370		
Shares acquired and cancelled	(282,954)	(3,480)	(156,481)	(596)	(124,492)	(1,009)
Shares issued as acquisition consideration					306,922	1,889
Shares issued as deferred acquisition consideration					27,545	214
Issuance of restricted stock	1,367,271	11,401	620,393	5,023	541,110	4,481
Balance at end of year	28,758,734	\$226,752	27,566,815	\$218,532	26,987,017	\$213,533
Class B Shares						
Balance at beginning of year	2,503	\$1	2,503	\$1	2,503	\$1
Shares converted to Class B shares						
Balance at end of year	2,503	\$1	2,503	\$1	2,503	\$1
Share Capital to Be Issued						
Balance at beginning of year		\$		\$		\$214
Shares to be issued as deferred acquisition consideration						
Shares issued as deferred acquisition consideration						(214)
Balance at end of year						\$
Additional Paid-In Capital						

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Balance at beginning of year	\$9,174	\$33,470	\$26,743
Stock-based compensation	14,954	13,720	10,129
Reclassification related to redeemable noncontrolling interests (Note 2)		(31,653)	
Changes in redemption value of redeemable noncontrolling interests	(11,500)	(58)	

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

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MDC PARTNERS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS

EQUITY

(Thousands of United States Dollars Except Share and

per Share Amounts)

	2010 Number of Amount Shares	2009 Number of Amount Shares	2008 Number of Amount Shares
Acquisition of noncontrolling interests	(7,761)	(923)	
Disposition of noncontrolling interests	158		
Dividends paid and to be paid	(10,194)		
Acquisition purchase price consideration			1,001
Issuance of restricted stock	(11,401)	(5,023)	(4,481)
Share appreciation rights exercised	(239)	(203)	
Other			
Transfer to charges in excess of capital	16,809	(156)	78
Balance at end of year	\$	\$9,174	\$33,470
Changes in Excess of Capital			
Balance at beginning of year	\$	\$	\$
Transfer from additional paid in capital	(16,809)		
Balance at end of year	\$(16,809)	\$	\$
Accumulated Deficit			
Balance at beginning of year	\$(131,160)	\$(112,836)	\$(112,969)
Income (Loss) for the year	(15,440)	(18,324)	133
Balance at end of year	\$(146,600)	\$(131,160)	\$(112,836)
Stock Subscription Receivable			
Balance at beginning of year	\$(341)	\$(354)	\$(357)
Receipts	206	13	3
Balance at end of year	\$(135)	\$(341)	\$(354)
Accumulated Other Comprehensive Income (Loss)			
Balance at beginning of year	\$(5,880)	(6,633)	\$6,343
Foreign currency translation adjustments	1,732	753	(12,976)
Balance at end of year	(4,148)	(5,880)	(6,633)
MDC Partners Inc. Shareholders Equity	\$59,061	\$90,326	\$127,181

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

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MDC PARTNERS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS

EQUITY

(Thousands of United States Dollars Except Share and

per Share Amounts)

	2010 Number of Amount Shares	2009 Number of Amount Shares	2008 Number of Amount Shares
Noncontrolling interests			
Balance at beginning of year	\$ 3,820	\$ 871	\$ 731
Acquisitions of noncontrolling interest	28,990	3,039	178
Decrease in noncontrolling interests from business combinations	(127)	(106)	
Increase in noncontrolling interests from business combinations	118		
Foreign currency translation	4	16	(38)
Balance at end of year	\$ 32,805	\$ 3,820	\$ 871
Total Equity	\$ 91,866	\$ 94,146	\$ 128,052

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

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

1. Basis of Presentation

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

Effective September 2010, one of the Companies' operating subsidiaries, Zig (USA) LLC has been deemed a discontinued operation. All periods have been restated to reflect the discontinued operation.

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. These reclassifications did not have any effect on the prior year net loss.

Nature of Operations

MDC Partners Inc., formerly MDC Corporation Inc., is incorporated under the laws of Canada. The Company commenced using the name MDC Partners Inc. on November 1, 2003 and legally changed its name through amalgamation with a wholly-owned subsidiary on January 1, 2004. The Company's operations are in primarily one business group Marketing Communications. The business group operates primarily in the United States (US), Canada, Europe, and in the United Kingdom. See Note 16, Segment Information, for further description of the one business group and MDC's reportable segments.

2. Significant Accounting Policies

The Company's significant accounting policies are summarized as follows:

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of MDC Partners Inc. its domestic and international controlled subsidiaries. Intercompany balances and transactions have been eliminated on consolidation.

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

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

Level 1 Quoted prices for identical instruments in active markets.

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

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

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

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

2. Significant Accounting Policies (continued)

Concentration of Credit Risk. The Company provides marketing communications services to clients who operate in most industry sectors. Credit is granted to qualified clients in the ordinary course of business. Due to the diversified nature of the Company's client base, the Company does not believe that it is exposed to a concentration of credit risk; however, no client accounted for more than 10% of the Company's consolidated accounts receivable as of December 31, 2010 and 2009. No clients accounted for 10% of revenue in the year ended December 31, 2010, and one client accounted for 16% and 19% of revenue for the years ended December 31, 2010, 2009 and 2008, respectively.

Cash and Cash Equivalents. The Company's cash equivalents are primarily comprised of investments in overnight interest-bearing deposits, commercial paper and money market instruments and other short-term investments with original maturity dates of three months or less at the time of purchase. The Company has a concentration of credit risk in that there are cash deposits in excess of federally insured amounts. Included in cash and cash equivalents at December 31, 2010 and 2009 is \$64 and \$67, respectively, of cash restricted as to withdrawal pursuant to a collateral agreement and a customer's contractual requirement.

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

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

Fixed Assets. Fixed assets are stated at cost, net of accumulated depreciation. Buildings are depreciated on a declining balance basis over the estimated useful lives of 20 to 25 years. Computers, furniture and fixtures are depreciated on a straight-line basis over periods of 3 to 7 years. Machinery and equipment are depreciated on a straight-line basis over periods of 3 to 10 years. Leasehold improvements are depreciated on a straight-line basis over the lesser of the term of the related lease or the estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred.

Impairment of Long-lived Assets. In accordance with the FASB Accounting Standards Codification topic, Accounting for the Impairment or Disposal of Long-lived Assets, a long-lived asset or asset group is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and

eventual disposition of the asset or asset group to the carrying amount of the long-lived asset or asset group. If this comparison indicates that there is an impairment, the amount of the impairment is typically calculated using discounted expected future cash flows where observable fair values are not readily determinable. The discount rate applied to these cash flows is based on the Company's weighted average cost of capital, risk adjusted where appropriate.

Equity Method Investments. The equity method is used to account for investments in entities in which the Company has an ownership interest of less than 50% and has significant influence, or joint control by contractual arrangement with all parties having an equity interest, over the operating and financial policies of the affiliate or has an ownership interest of greater than 50% however the substantive participating rights of the noncontrolling interest shareholders preclude the Company from exercising unilateral control over the operating and financial policies of the affiliate. The Company's investments accounted for using the equity method includes Adrenalina, 49.9% owned by the Company, and a 50% undivided interest in a real estate joint venture. In 2010, the Company recorded a distribution of \$3,519 from this real estate joint venture, of

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2. Significant Accounting Policies (continued)

which \$2,601 was in excess of the Company's carrying amount and has been recorded as a gain in equity in earnings of non-consolidated affiliates. The Company's management periodically evaluates these investments to determine if there has been a decline in value that is other than temporary. As of December 31, 2010, the Company has wrote off the amount of its investment in Adrenalina of \$1,636 representing advances previously made.

Cost Method Investments. The Company's cost-based investments at December 31, 2010 were primarily comprised of various interests in limited partnerships and companies where the Company does not exercise significant influence over the operating and financial policies of the investee. The total net cost basis of these investments, which are included in Other Assets on the balance sheet, as of December 31, 2010 and 2009 was \$4,650 and \$3,888, respectively. These investments are periodically evaluated to determine if there have been any other than temporary declines below book value. A variety of factors are considered when determining if a decline in fair value below book value is other than temporary, including, among others, the financial condition and prospects of the investee, as well as the Company's investment intent.

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

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

The Company has determined that each partner firm that has reported goodwill will be tested separately as each partner firm qualifies as a reporting unit under the Accounting Standards Codification guidance.

Impairment losses, where applicable, will be charged to operating profit. The Company identifies certain intangible assets (trademarks) as indefinite life if there are no legal, regulatory, contractual or economic factors that limit the

useful life. If the carrying amount of an indefinite life intangible exceeds its fair value, an impairment loss is recognized for the excess. As of December 31, 2010, there was no impairment of goodwill and no reporting units were at risk of failing step one of annual test.

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

Deferred Taxes. The Company uses the asset and liability method of accounting for income taxes. Deferred income taxes are provided for the temporary difference between the financial reporting basis and tax basis of the Company's assets and liabilities. Deferred tax benefits result principally from certain tax carryover benefits and from recording certain expenses in the financial statements that are not currently deductible for

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2. Significant Accounting Policies (continued)

tax purposes and from differences between the tax and book basis of assets and liabilities recorded in connection with acquisitions. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities result principally from deductions recorded for tax purposes in excess of that recorded in the financial statements or income for financial statement purposes in excess of the amount for tax purposes. The effect of changes in tax rates is recognized in the period the rate change is enacted.

Business Combinations. Valuation of acquired companies are based on a number of factors, including specialized know-how, reputation, competitive position and service offerings. The Company's acquisition strategy has been focused on acquiring the expertise of an assembled workforce in order to continue to build upon the core capabilities of its various strategic business platforms to better serve the Company's clients. Consistent with the acquisition strategy and past practice of acquiring a majority ownership position, most acquisitions completed in 2010 included an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent payments for these transactions, as well as certain acquisitions completed in prior years, are derived using the performance of the acquired entity and are based on pre-determined formulas. Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period and changes in estimated value are recorded in results of operations. For the year ended December 31, 2010 and 2009, income of \$778 and nil, respectively, related to changes in estimated value have been charged to operating income. In addition, certain acquisitions also include put/call obligations for additional equity ownership interests. The estimated value of these interests are recorded as Redeemable Noncontrolling Interests. As of January 1, 2009, the Company expenses acquisition related costs in accordance with the Accounting Standard's Codification's new guidance on acquisition accounting. For the year ended December 31, 2010 and 2009, \$2,940 and \$416 of acquisition related costs were charged to operations.

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

are typically shared across multiple agencies and regions.

Redeemable Noncontrolling Interest. The minority interest shareholders of certain subsidiaries have the right to require the Company to acquire their ownership interest under certain circumstances pursuant to a contractual arrangement and the Company has similar call options under the same contractual terms. The amount of consideration under the put and call rights is not a fixed amount, but rather is dependent upon various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise, the growth rate of the earnings of the relevant subsidiary through the date of exercise, etc. as described in Note 18.

The Company has recorded its put options as mezzanine equity at their current estimated redemption amounts. The Company accrues changes in the redemption amounts over the period from the date of issuance to the earliest redemption date of the put options. The Company accounts for the put options with a charge to noncontrolling interests to reflect the excess, if any, of the estimated exercise price over the estimated fair value of the noncontrolling interest shares at the date of the option being exercised. For the three years ended

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2. Significant Accounting Policies (continued)

December 31, 2010, 2009 and 2008, there has been no charges to noncontrolling interests. Changes in the estimated redemption amounts of the put options are adjusted at each reporting period with a corresponding adjustment to equity. These adjustments will not impact the calculation of earnings per share.

The following table presents changes in Redeemable Noncontrolling Interests.

	Years Ended December 31,		
	2010	2009	2008
Beginning Balance as of January 1,	\$33,728	\$ 21,751	\$ 24,187
Reclassification related to Redeemable Noncontrolling Interests		31,653	
Redemptions	(7,987)	(28,242)	(2,296)
Granted	40,567	6,441	
Changes in redemption value	10,075	58	
Other		107	156
Currency Translation Adjustments	1,177	1,960	(296)
Ending Balance as of December 31,	\$77,560	\$ 33,728	\$ 21,751

Guarantees. Guarantees issued or modified by the Company to third parties after January 1, 2003 are generally recognized, at the inception or modification of a guarantee, as a liability for the obligations it has undertaken in issuing the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. The initial measurement of that liability is the fair value of the guarantee. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee. The Company's liability associated with guarantees is not significant. (See Note 18.)

Revenue Recognition. The Company's revenue recognition policies are as required by the Revenue Recognition topics of the FASB Accounting Standards Codification, and accordingly, revenue is generally recognized as services are provided or upon delivery of the products when ownership and risk of loss has transferred to the customer, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured. The Company follows the Revenue Arrangements with Multiple Deliverables topic of the FASB Accounting Standards Codification issued.

This topic addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities and how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. The Company recognizes revenue based on the contracted value of each multiple deliverable when delivered. The Company also follows the topic of the FASB Accounting Standards Codification. Reporting Revenue Gross as a Principal versus Net as an Agent. This Issue summarized the EITF's views

on when revenue should be recorded at the gross amount billed because it has earned revenue from the sale of goods or services, or the net amount retained because it has earned a fee or commission. The Company also follows Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred, for reimbursements received for out-of-pocket expenses. This issue summarized the EITF's views that reimbursements received for out-of-pocket expenses incurred should be characterized in the income statement as revenue. Accordingly, the Company has included in revenue such reimbursed expenses.

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

Non refundable retainer fees are generally recognized on a straight line basis over the term of the specific customer arrangement. Commission revenue is earned and recognized upon the placement of advertisements in various media when the Company has no further performance obligations. Fixed fees for services are

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2. Significant Accounting Policies (continued)

recognized upon completion of the earnings process and acceptance by the client. Per diem fees are recognized upon the performance of the Company's services. In addition, for certain service transactions, which require delivery of a number of service acts, the Company uses the Proportional Performance model, which generally results in revenue being recognized based on the straight-line method due to the acts being non-similar and there being insufficient evidence of fair value for each service provided.

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

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

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

Interest Expense. Interest expense primarily consists of the cost of borrowing on the revolving WF Credit Facility and the 11% Senior Notes. The Company uses the effective interest method to amortize the original issue discount on the 11% Senior Notes. At December 31, 2010 and 2009, \$848 and \$204 was amortized, respectively, net of amortized premium of \$197 and nil, respectively. The Company amortizes deferred financing costs using the effective interest method over the life of the 11% senior notes and straightline over the life of the revolving WF Credit Facility. The total net deferred financing costs, included in Other Assets on the balance sheet, as of December 31, 2010 and 2009 was \$10,605, and \$9,790, net of accumulated amortization of \$1,583 and \$295, respectively. During 2010, the Company recorded \$2,103 of deferred financing costs primarily relating to the 2010 additional debt issuance.

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

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

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

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

The fair value of the stock options and similar awards at the grant date were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for each of the following years:

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2. Significant Accounting Policies (continued)

	Year Ended December 31, 2009
Expected dividend	\$0
Expected volatility	39.8% 44.5%
Risk-free interest rate	1.76% 2.49%
Expected option life in years	4
Weighted average fair value of options granted	\$1.18

For the years ended December 31, 2010 and 2008, the Company did not issue any stock options or similar awards.

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

The Company has adopted the straight-line attribution method for determining the compensation cost to be recorded during each accounting period. However, awards based on performance conditions are recorded as compensation expense when the performance conditions are expected to be met. The fair value at the grant date for performance based awards granted in 2010 and 2008 was \$6,649 and \$6,547, respectively. There were no performance based awards granted during 2009.

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

Pension Costs. Several of the Company's US and Canadian subsidiaries offer employees access to certain defined contribution pension programs. Under the defined contribution plans, these subsidiaries, in some cases, make annual contributions to participants' accounts which are subject to vesting. The Company's contribution expense pursuant to these plans was \$1,655, \$1,026 and \$2,736 for the years ended December 31, 2010, 2009 and 2008, respectively.

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

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

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

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2. Significant Accounting Policies (continued)

current intercompany balances are included in net earnings. The balance sheets of non-US dollar based subsidiaries are translated at the period end rate. The income statements of non-US dollar based subsidiaries are translated at average exchange rates for the period.

Gains and losses arising from the Company's foreign currency transactions are reflected in net earnings. Unrealized gains or losses arising on the translation of certain intercompany foreign currency transactions that are of a long-term nature (that is settlement is not planned or anticipated in the future) are included as cumulative translation adjustments in accumulated other comprehensive income.

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

3. Income (Loss) per Common Share

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

	2010	2009	2008
Numerator			
Numerator for diluted income (loss) per common share income (loss) from continuing operations	\$(2,872)	\$(11,239)	\$18,638
Net income attributable to the noncontrolling interests	(10,074)	(5,566)	(8,300)
Income (loss) attributable to MDC Partners Inc. common shareholders from continuing operations	(12,946)	(16,805)	10,338
Effect of dilutive securities			
Numerator for diluted income per common share income (loss) attributable to MDC Partners Inc. common shareholders from	\$(12,946)	\$(16,805)	\$10,338

continuing operations

Denominator

Denominator for basic income (loss) per common share — weighted average common shares	28,161,144	27,396,463	26,765,839
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Effect of dilutive securities:

Employee stock options, warrants, and stock appreciation rights			1,710
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Employee restricted stock units			662,613
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Dilutive potential common shares			664,323
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Denominator for diluted income (loss) per common share adjusted weighted shares and assumed conversions	28,161,144	27,396,463	27,430,162
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Basic income (loss) per common share from continuing operations	\$(0.46)) \$(0.61)) \$0.39
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Diluted income (loss) per common share from continuing operations	\$(0.46)) \$(0.61)) \$0.38
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3. Income (Loss) per Common Share (continued)

At December 31, 2010, 2009 and 2008 convertible notes, warrants, options and other rights to purchase, 4,665,293, 5,240,879 and 4,547,390 shares of common stock, respectively, were not included in the computation of diluted income (loss) per common share because doing so would have had an antidilutive effect.

4. Acquisitions

2010 Acquisitions

Fourth Quarter 2010 Acquisitions

Effective November 30, 2010, the Company, through a wholly-owned subsidiary, purchased 80% of the total outstanding equity interests in each of Kenna Communications LP, an Ontario limited partnership ("Kenna"), and Capital C Partners LP, an Ontario limited partnership ("Capital C"). Capital C is a full-service marketing agency providing services such as business strategy and consumer insights, shopper monitoring, and product innovation.

Kenna delivers sales and marketing solutions to make organizations more efficient, more productive and more effective. The aggregate purchase price was equal to \$26,300 and additional deferred acquisition consideration, the current estimated present value of which is \$12,360 that are based upon actual results from 2010 to 2015 with final payments due in 2016. In addition, performance payments of up to \$5,000 may be paid in the future based on these results. The Company recorded \$12,898 as the present value of redeemable noncontrolling interest in relation to the Kenna and Capital C put option rights triggered upon such owner's termination without cause, disability or death. Beginning in 2016, the Company has a call for the remaining 20% of each of Kenna and Capital C. If the Company does not exercise this call, the operating results of Kenna and Capital C will be allocated to the Company on a basis less than the Company's ownership basis as defined. In December 2010, the company recorded a present value adjustment of \$167 to deferred acquisition consideration. An initial estimated allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$10,441 (consisting of primarily customer lists and a covenant not to compete) and goodwill of \$40,103 representing the value of assembled workforce. The identified intangible assets will be amortized from a five to eight year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The intangibles and goodwill are not tax deductible. Accordingly, the Company recorded a deferred tax liability of \$3,188 representing the future benefits relating to the amortization of the identified intangibles.

The actual adjustments that the Company will ultimately make in analyzing the allocation of purchase price to fair value of the net assets acquired, will depend on a number of factors, including additional information such as changes in the unaudited financial statements.

During the quarter ended December 31, 2010, the Company also completed a number of other acquisitions. The Company purchased a 51% interest in 72andSunny Partners LLC (72andSunny). 72andSunny is full service agency that conceives and executes fully integrated campaigns across all media for top global brands. The Company also increased its ownership of Allard Johnson Communications Inc. (now known as Kbs+p Canada, Inc.,) (Kbs+p Canada) to 100%, and Company C LLC (Company C) to 100%. The aggregate purchase price paid for these other acquisitions was equal to \$35,859, and consisted of total closing cash payments of \$12,937, net of \$790 repayment of loans; a \$271 working capital adjustment; and additional contingent deferred acquisition consideration, that are based on actual financial results of the underlying business from 2010 to 2015 with final payments due in 2016 with a current estimated present value of \$21,861. In December, the Company recorded a present value adjustment of \$163 to deferred acquisition consideration. An allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$5,690, consisting primarily of customer lists and covenants not to compete, and goodwill of \$35,370 representing the value of assembled workforce. The identified intangibles will be amortized ranging from a five to seven-year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition,

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4. Acquisitions (continued)

the Company has recorded \$13,722, the present value of redeemable noncontrolling interest in relation to 72andSunny. 72andSunny has put option rights only upon such owner's termination without cause, disability or death.

The Company also recorded an entry to reduce redeemable noncontrolling interests by \$3,802 and additional paid-in-capital of \$3,123 in relation to the Kbs+p Canada step up. The amounts paid and to be paid will be tax deductible in relation to the 72andSunny acquisition. However, it will not be tax deductible in relation to the Kbs+p Canada transaction.

The actual adjustments that the Company will ultimately make in analyzing the allocation of purchase price to fair value of the net assets acquired, will depend on a number of factors, including additional information such as changes in the unaudited financial statements.

Third Quarter 2010 Acquisitions

During the quarter ended September 30, 2010, the Company completed a number of acquisitions. The Company purchased a 60% equity interest in Relevent Group, LLC (Relevent), a 60% equity interest in Kwittken & Company, LLC (Kwittken), and certain assets and liabilities of Think 360 Inc. (Think 360). Relevent is a full service marketing, special events, production and promotions company that builds brands with consumers through experiential lifestyle, entertainment and relationship marketing programs. Kwittken is a full service public relations and marketing agency.

Think 360 is an integrated marketing agency. The aggregate purchase price paid for these acquisitions consisted of total closing cash payments of \$15,085, plus additional contingent deferred acquisition consideration, that are based on the actual financial results of the underlying businesses from 2010 to 2014, with final payments due in 2015 with a current estimated present value of \$14,898. An allocation of the excess purchase consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of \$4,974, consisting primarily of customer lists and covenants not to compete, and goodwill of \$28,910 representing the value of the assembled workforce. The identified intangibles will be amortized ranging from a two to seven-year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The present value of the redeemable noncontrolling interest not acquired at the acquisition date was \$5,513. Relevent and Kwittken have put option rights upon an employee-owner's termination without cause, disability or death. The amounts paid and to be paid will be tax deductible.

The actual adjustments that the Company will ultimately make in analyzing the allocation of purchase price to the fair value of the net assets acquired, will depend on a number of factors, including additional information such as changes in the unaudited financial statements.

The Company has also increased ownership to 100% of Zig Inc. (now known as Crispin Porter + Bogusky Canada Inc. (CPB Canada)) and purchased an additional 25% of Bruce Mau Design Inc., increasing the Company's ownership to 75%. The aggregate purchase price paid for these step-ups consisted of total closing cash payments of \$3,115, plus additional deferred acquisition consideration of \$626. During the fourth quarter of 2010, the Company made payments of \$47 and recorded adjustments of \$33 to increase the deferred acquisition consideration. In relation to these step-ups, the Company recorded an entry to reduce redeemable noncontrolling interests by \$1,365 and an entry to reduce noncontrolling interests by \$144. The Company recorded a reduction of additional paid-in-capital of \$2,296 representing the difference between the fair value of the interest and the value of the redeemable noncontrolling interests. The amounts paid and to be paid will not be tax deductible.

Second Quarter 2010 Acquisitions

Effective May 6, 2010, the Company, through a wholly-owned subsidiary, purchased 75% of the total outstanding membership interests in Integrated Media Solutions, LLC (IMS), which expands the Company's direct response marketing capabilities. At closing, the Company paid cash of \$20,000 plus additional contingent deferred acquisition consideration, based on actual results from 2010 to 2015 with final payments due in 2016, with a current estimated present value of \$19,658 at the date of acquisition which

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4. Acquisitions (continued)

includes fixed payments of \$2,216. During 2010, the Company made payments of \$666 and recorded adjustments of \$1,329 to reduce the deferred acquisition consideration. An initial estimated allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$9,081 (consisting of primarily customer lists and a covenant not to compete) and goodwill of \$44,678 representing the value of the assembled workforce. The fair value of the noncontrolling interest not acquired at the acquisition date was \$13,219 based in the Company's evaluation of the Company being acquired and the purchase price paid by the Company. The identified intangibles will be amortized ranging from a five to seven-year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The intangibles and goodwill are tax deductible.

The actual adjustments that the Company will ultimately make in finalizing the allocation of the purchase price of IMS to the fair value of the net assets acquired at May 6, 2010 will depend on a number of factors, including additional information such as changes in the unaudited consolidated financial statements.

During the quarter ended June 30, 2010, the Company completed a number of acquisitions. The Company purchased a 51% equity interest in Allison & Partners LLC (Allison), a 75% equity interest in Sloane & Company LLC (Sloane), and certain assets and liabilities of CSC ADPLUS, LLC (d.b.a. Infolure) (Infolure). Allison is a full service public relations and corporate communications agency. Sloane is a communication firm focused on corporate positioning and communications, financial public relations and investor relations, and crisis and transactions communications. Infolure is a direct marketing firm. The purchase price paid for these acquisitions consisted of aggregate cash payments of \$17,632 plus additional contingent deferred acquisition consideration, that are based on actual results from 2010 to 2015 with final payments due in 2016 with a current estimated present value of \$15,797 which includes fixed payments of \$3,805. During 2010, the Company made payments of \$2,020 and recorded adjustment of \$2,198 to increase deferred acquisition consideration. An allocation of the excess purchase consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of \$9,431 consisting primarily of customer lists and covenants not to compete, and goodwill of \$27,697 representing the value of the assembled workforce. The identified intangibles will be amortized ranging from a five to seven-year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition, the Company has recorded \$6,024, the present value of redeemable noncontrolling interests in relation to Allison and Sloane. The Allison acquisition has put option rights upon termination of an employee-owner's employment by reason of death. The Sloane acquisition has put rights that could increase the Company's ownership to 100% in 2015. The amounts paid and to be paid will be tax deductible.

The actual adjustments that the Company will ultimately make in analyzing the allocation of purchase price to the fair value of the net assets acquired, will depend on a number of factors, including additional information such as changes

in the unaudited financial statements.

First Quarter 2010 Acquisitions

Effective March 1, 2010, the Company, through a wholly-owned subsidiary, purchased 60% of the total outstanding membership interests in Team Holdings LLC ("Team"), which expands the Company's experiential marketing capabilities. At closing, the Company paid cash of \$11,000 plus additional contingent deferred acquisition consideration, based on actual results from 2010 to 2012 with final payments in 2013, with a current estimated present value of \$12,656, and the Company paid a working capital true-up estimated at an additional \$569. During 2010, the Company recorded adjustments of \$1,711 to reduce the value of the deferred acquisition consideration. An initial estimated allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$5,220 (consisting of primarily customer lists and a covenant not to compete) and goodwill of \$32,993 representing the value of the assembled workforce. The fair value of the noncontrolling interest not acquired at the acquisition date was \$15,771 based in the Company's evaluation of the Company being acquired and the purchase price paid by the Company. The identified intangibles will be amortized up to a seven-year period in a manner represented

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by the pattern in which the economic benefits of the customer contracts/relationships are realized. During the second quarter of 2010, the Company amended the purchase agreement to include additional deferred acquisition consideration, with a current present value of \$3,071, with final payments due in 2012. During 2010, the Company made payments of \$986 and recorded adjustments to increase the deferred acquisition consideration by \$304. The additional deferred acquisition consideration resulted in additional intangibles of \$3,071. The intangibles and goodwill are tax deductible.

The actual adjustments that the Company will ultimately make in analyzing the allocation of purchase price to the fair value of the net assets acquired, will depend on a number of factors, including additional information such as changes in the unaudited financial statements.

During the three months ended March 31, 2010, the Company completed a number of other acquisitions and step-ups in ownership. The Company purchased a 76% equity interest in Communifx Partners LLC (Communifx), substantially all of the assets of Plaid Inc. (Plaid), an additional 15% equity interest in Fletcher Martin, LLC (Fletcher Martin), an additional 49% equity interest in Trend Core, LLC (Trend Core), and an additional 1% equity interest in HL Group Partners, LLC (HL Group). Communifx builds and manages large-scale customer database solutions to enable the planning, execution, and measurement of multi-channel marketing and advertising programs. Plaid is a marketing services business with a concentration in the digital communication and social media arena. The Company purchased the additional equity interests in Fletcher Martin and HL Group pursuant to the exercise of outstanding puts. The purchase price paid for these acquisitions and step-ups consisted of aggregate cash payments of \$4,921 plus additional contingent payments of \$576 that are based on actual results from 2010 to 2015 with final payments due in 2016. An allocation of the excess purchase consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of \$1,851 consisting primarily of customer lists and a covenant not to compete, and goodwill of \$2,426 representing the value of the assembled workforce. The identified intangibles will be amortized up to a seven-year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition, the Company has recorded \$710, the present value of redeemable noncontrolling interests in relation to Communifx. The Communifx acquisition has put/call rights that could increase the Company's ownership to 100% in 2013. In relation to the step up acquisitions, the Company recorded an entry to reduce Redeemable Noncontrolling Interests by \$1,116. The amount paid to the employee over fair value, \$608, was recorded as a stock-based compensation charge. The Company recorded a reduction of additional paid-in capital of \$1,623 representing the difference between the fair value of the shares and the value of the Redeemable Noncontrolling Interests. The amounts paid and to be paid will be tax deductible.

The actual adjustments that the Company will ultimately make in analyzing the allocation of purchase price to the fair value of the net assets acquired, will depend on a number of factors, including additional information such as changes

in the unaudited financial statements.

2009 Acquisitions

In December 2009, the Company paid an additional \$38,974 pursuant to the CPB purchase agreement originally entered into in November 2008 with the founders of Crispin Porter & Bogusky LLC (CPB). In connection with this transaction, the Company recorded \$14,067 as deferred acquisition consideration, \$1,450 was paid in January 2010, \$433 was reversed as an adjustment and the balance was paid in April 2010. This purchase price payment was pursuant to an accelerated exercise of a call option that was exercised by the Company in November 2008 (the Company increased its ownership from 77% to 94%). Because CPB was originally consolidated as a VIE, the Company reduced Redeemable Noncontrolling Interests by \$17,809. The Company recorded additional goodwill of \$31,253 and identifiable intangible backlog of \$3,979. The amount recorded related to the 17% step up from November 2008. The backlog was amortized over one month. In addition, the Company recorded a stock-based charge of \$3,074 for amounts paid by the former shareholder to CPB employees. The Goodwill will be tax deductible.

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On December 31, 2009, the Company acquired an additional 3% interest in VitroRobertson increasing its holdings from 79% to 82%. The purchase price totaled \$845 and was paid in cash. The Company recorded an entry to reduce Redeemable Noncontrolling Interests by \$266. The amount paid over fair value, \$370, was recorded as a stock-based compensation charge. The Company recorded a reduction of additional paid-in capital of \$209 representing the difference between the fair value of the shares and the value of the Redeemable Noncontrolling Interests. As this purchase was pursuant to the exercise of an existing put/call option, no additional intangibles have been recorded. The Goodwill will be tax deductible.

On December 1, 2009, the Company agreed to make an early payment to KBP Management Partners LLC originally due in March 2010 pursuant to the purchase agreement entered into in November 2007. The additional payment totaled \$14,870, of which \$10,140 was paid in cash in December 2009 and \$4,215 was paid in March 2010 with the balance potentially due in March 2011, recorded as deferred acquisition consideration. This additional payment was accounted for as additional goodwill. In addition, pursuant to an existing phantom stock arrangement, a stock-based compensation charge of \$3,028 has been recorded for amounts paid by KBP Management Partners to phantom equity holders. The Goodwill will be tax deductible.

On October 5, 2009, the Company purchased the remaining 6% outstanding interest in CPB for an estimated fixed and contingent purchase price. The estimated purchase price of \$9,818 is included in deferred acquisition consideration and includes \$518 of fixed payments to be paid in 2013. The Company recorded a reduction of \$8,596 to Redeemable Noncontrolling Interests and \$704 to additional paid in capital. The fixed payments of \$518 are allocated to identifiable intangibles and will be amortized over 3 years.

On August 31, 2009, the Company, through HL Group Partners LLC (HL Group), acquired a 51% interest in Attention Partners LLC (Attention), a social media agency that further expands HL Group's business capabilities. At closing, the HL Group paid \$1,000 and made a capital contribution of \$400 to Attention. In addition, HL Group recorded estimated contingent payments totaling \$1,313 due in 2010 and 2011 as deferred acquisition consideration. During 2010, the Company paid \$1,022 and recorded adjustments of \$113 to increase the deferred acquisition consideration to \$404 with the balance potentially due in March 2011. The allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$544 (consisting of primarily of customer lists and a covenant not to compete) and goodwill of \$3,057 representing the value of the assembled workforce. The fair value of the noncontrolling interests not acquired at the acquisition date was \$2,431 based on the Company's evaluation of the Company being acquired, the purchase paid by the Company. The identified intangibles will be amortized up to a three-year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The intangibles and goodwill are tax deductible.

On July 1, 2009, the Company, through Crispin Porter & Bogusky LLC (CPB), acquired 100% of the preferred shares and 52% of the common shares of Crispin Porter & Bogusky Europe AB (formerly known as daddy), a digital agency based in Sweden that has created a foothold in Europe for CPB. At closing, CPB paid \$3,052 plus an additional \$50 deferred payment. Also in December 2009, CPB called an additional 24% and made a payment of 80% of the purchase price of \$188. An additional amount of \$50 is recorded as deferred acquisition consideration. The Company has additional calls and the noncontrolling owners have reciprocal puts on the remaining 24% of the common shares, which are exercisable beginning January 2012. The current estimated cost of these puts and calls is approximately \$6,600 and has been recorded as Redeemable Noncontrolling Interests. The allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$650 (consisting primarily of customer lists and a covenant not to compete) and goodwill of \$8,533 representing the value of the assembled workforce. The identified intangibles will be amortized up to a three-year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The intangibles and goodwill are not tax deductible. Accordingly, CPB recorded a deferred tax liability of \$221 representing the future tax benefits relating to the amortization of the identified intangibles.

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Effective January 22, 2009, the Company acquired an additional 8.9% of equity interests in HL Group, thereby increasing MDC's ownership to 64.9%. The purchase price totaled \$1,100 and was paid in cash at closing. The Company recorded an entry to reduce Redeemable Noncontrolling Interests, as this purchase was pursuant to the early exercise of an existing put/call option. Accordingly, no additional intangibles have been recorded. However, the amount of the purchase price will be tax deductible.

2008 Acquisitions

Effective December 31, 2008, the Company acquired an additional 6.3% of equity interests in Accent Marketing LLC, increasing the Company's ownership to 100%. The aggregate purchase price totaled \$4,830 and was paid in cash of \$995 at closing and repayment of outstanding loans of \$1,830. The balance aggregate of \$2,005 was paid in 2009. In addition, an additional contingent performance payment of \$96 was paid in December 2009 based on Accent's 2009 financial results. The allocation of the excess purchase consideration of these step acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of \$1,900 (consisting of customer lists), goodwill of \$365 and a stock based compensation charge of \$2,285, relating to the amount paid in excess of the fair value of the equity purchase. The identified intangibles will be amortized over a seven year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. This payment was also classified as a stock-based compensation charge. The intangibles, goodwill and stock based compensation charge are tax deductible.

Effective December 1, 2008, the Company acquired an additional 3% of equity interests in Source Marketing LLC, increasing the Company's ownership to 83%. The purchase price totaled \$1,286 and was paid in cash less \$42 of outstanding loans. The allocation of the excess purchase consideration of this step acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$300 (consisting of customer lists), goodwill of \$504 and a stock based compensation charge of \$524, relating to the amount paid in excess of the fair value of the equity purchase. The identified intangibles will be amortized over a five year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The intangibles, goodwill and stock based compensation charge are tax deductible.

On November 24, 2008, the Company agreed to make an early payment to KBP Management Partners LLC of the contingent payment originally due in 2009 pursuant to the purchase agreement entered into in November 2007. The additional payment totaled \$16,005, of which \$14,124 was paid in cash in November 2008 and \$1,881 was paid in 2009. This additional payment was accounted for as additional goodwill. In addition, pursuant to an existing phantom stock arrangement a 2008 stock based compensation charge of \$3,548 has been recorded for amounts paid to the phantom equity holders. In December 2009, the Company determined the final earnout payment to be \$14,870 of

which \$10,140 was paid in December 2009 and the balance will be paid in 2010. This final amount was accounted for as additional goodwill. In addition, pursuant to an existing phantom stock arrangement, a 2009 stock based compensation charge of \$3,028 has been recorded for amounts paid to the phantom equity holders. The goodwill is tax deductible.

Effective November 10, 2008, the Company acquired an additional 17% of equity interests in Crispin Porter & Bogusky LLC (CPB), increasing the Company's ownership to 94%. The purchase price totaled \$6,823 plus a contingent payment in April of 2010 based on the financial performance of 2009. This contingent payment will be calculated in accordance with CPB's existing limited liability company agreement. The consideration was paid in cash of \$6,430 and the issuance of 105,000 newly-issued shares of the Company's Class A subordinated voting stock valued at \$393. For accounting purposes, the value of the Company's Class A shares issued as consideration was calculated based on the price of the Company's Class A shares over a period of two days before and after the November 10, 2008 announcement date. This acquisition represented an accelerated exercise of the Company's existing call option that was otherwise exercisable in April 2010. The allocation of the excess purchase consideration of this acquisition to the fair

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4. Acquisitions (continued)

value of the net assets acquired resulted in \$5,008 being allocated to identifiable intangibles, existing backlog. This intangible will be amortized over 14.5 month period. This intangible is tax deductible.

Effective October 10, 2008, MDC acquired an additional 8.56% of Zig Inc and an additional 13.17% of an affiliate of Zig Inc for cash of \$1,320. These transactions increased the Company's equity ownership in Zig Inc to 74.07%. The allocation of the excess purchase consideration of these step acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of \$176 (consisting of customer lists and existing backlog) and goodwill of \$1,196.

The identified intangibles will be amortized over 30 months in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. The tax deductible portion of these transactions amounts to \$253.

On June 16, 2008, CPB, acquired certain assets and assumed certain liabilities of Texture Media, Inc. Texture Media is a digital agency specializing in website development, and is based in Boulder, Colorado with approximately 50 employees. The purchase price consisted of \$2,500 in cash and a non-contingent cash payment of \$940 in one year, which \$400 is included in deferred acquisition consideration. The allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$150 (consisting of customer lists and covenants not to compete) and goodwill of \$3,111. The identified intangibles will be amortized up to a two year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationship are realized. The intangibles and goodwill are tax deductible.

On February 12, 2008, the Company's Bratskeir subsidiary purchased the net assets of Clifford PR for \$2,050 in cash and the issuance of 30,444 newly issued shares of the Company's Class A stock valued at \$249, plus a 10% membership interest in Clifford/Bratskeir. For accounting purposes, the value of the Company's Class A shares issued as consideration was calculated based on the price of the Company's Class A shares on the date of the acquisition. The accounting value of the 10% membership interest in Clifford/Bratskeir was valued at \$400. The allocation of the excess purchase consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of \$1,031 (consisting of customer lists, backlog and covenants not to compete) and goodwill of \$1,432. The identified intangibles will be amortized over a period of up to five years in a manner represented by the pattern in which the economic benefits of the customer contracts/relationship are realized. Effective December 31, 2008, the Company transferred the ownership of the Clifford PR assets to HL Group Partners, LLC. As part of this transfer, the Company issued 45,000 Class A Shares valued at \$137 which have been recorded as stock based compensation expense. In connection with that transaction, the Company purchased the 10% membership interest in Clifford/Bratskeir for \$400 less an adjustment for working capital of \$88. This net amount will be paid over a three-year period and is included in deferred acquisition consideration. The intangibles and goodwill are tax deductible.

In January 2008, the Company's 62% owned subsidiary at such time, Zyman Group, purchased certain assets of Core Strategy Group and DMG Inc. The aggregate purchase price paid at closing consisted at such time of \$1,000 paid in cash and the issuance of 126,478 newly issued shares of the Company's Class A stock valued at \$1,110. In addition, the principals of Core Strategy Group and DMG received 1,000,000 newly-issued Restricted Class C units of Zyman Group, which will entitle them to a profit interest of 15% of Zyman Group's pre-tax income in excess of a specified threshold amount. For accounting purposes, the value of the Company's Class A shares issued as consideration was calculated based on the price of the Company's Class A share on the date of the acquisitions. The accounting value of the Restricted Class C units of Zyman Group was determined based on a Black-Scholes value of \$1,001. The allocation of the excess purchase consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of \$497 (consisting of customer lists and covenants not to compete) and goodwill of \$2,626.

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identified intangibles will be amortized up to a five year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationship are realized. The intangibles and goodwill are tax deductible.

Throughout 2008, the Company completed 16 equity acquisitions with various shareholders of Allard Johnson Communications Inc. (Allard). The aggregate purchase price for the 16 transactions was cash equal to \$3,442. These transactions increased the Company's equity ownership in Allard to 75.06%, an increase of 14.8%. The allocation of the excess purchase consideration of these step acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of \$247 (consisting of customer lists and existing backlog), goodwill of \$2,752 and a stock based compensation charge of \$467, relating to amounts paid in excess of the fair value of the equity purchased. The identified intangibles will be amortized over a five year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationship are realized. The intangible and goodwill are not tax deductible.

Proforma Information

The following unaudited pro forma results of operations of the Company for the years ended December 31, 2010 and 2009 and 2008 assume that the acquisition of the operating assets of the significant businesses acquired during 2010 and 2008 had occurred on January 1st of the respective year in which the business was acquired and for the comparable period only (i.e., 2010 acquisitions are reflected in 2009). Acquisitions made in 2010 included below are Team, IMS, Kenna, Capital C, Sloane, Relevant and Think 360. During 2009, there were no significant businesses acquired. These unaudited pro forma results are not necessarily indicative of either the actual results of operations that would have been achieved had the companies been combined during these periods, or are they necessarily indicative of future results of operations.

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Liquidity			
Revenues	\$ 781,822	\$ 708,540	\$ 584,648
Net income (loss) attributable to MDC Partners Inc.	\$ (10,963)	\$ (17,880)	\$ 1,097
Income (loss) per common share:			
Basic net income (loss)	\$ (0.39)	\$ (0.65)	\$ 0.04
Diluted net income (loss)	\$ (0.39)	\$ (0.65)	\$ 0.04

Noncontrolling Interests

Changes in the Company's ownership interests in our less than 100% owned subsidiaries during the three years ended December 31, 2010 were as follows:

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

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Liquidity			
Net Loss attributable to MDC Partners Inc.	\$(15,440)	\$(18,324)	\$ 133
Transfers (to) from the noncontrolling interest			
Decrease in MDC Partners Inc. paid-in capital for purchase of equity interests in excess of Redeemable Noncontrolling Interests	(7,761)	(913)	
Net transfers (to) from noncontrolling interest	(7,761)	(913)	
Change from net income attributable to MDC Partners Inc. and transfers (to) from noncontrolling interest	\$(23,201)	\$(19,237)	\$ 133

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5. Fixed Assets

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

	2010		2009	
	Cost	Accumulated Depreciation	Net Book Value	
Computers, furniture and fixtures	\$94,268	\$(68,540)	\$25,728	\$79,036
Leasehold improvements	41,217	(25,892)	15,325	39,091
	\$135,485	\$(94,432)	\$41,053	\$118,127
				\$(60,090)
				\$18,946
				(22,662)
				16,429
				\$35,375

Included in fixed assets are assets under capital lease obligations with a cost of \$4,323, (2009 \$3,383) and accumulated depreciation of \$2,421 (2009 \$2,018). Depreciation expense for the years ended December 31, 2010, 2009 and 2008 was \$16,764, \$16,275 and \$16,747, respectively.

6. Accrued and Other Liabilities

At December 31, 2010 and 2009, accrued and other liabilities included amounts due to noncontrolling interest holders, for their share of profits, which will be distributed within the next twelve months of \$8,577 and \$4,058, respectively.

Changes in noncontrolling interest amounts included in accrued and other liabilities for the three years ended December 31, 2010 were as follows:

	Noncontrolling Interests
Balance, December 31, 2007	\$ 7,916
Income attributable to noncontrolling interests	8,300
Distributions made	(11,649)
Other ⁽¹⁾	289
Balance, December 31, 2008	\$ 4,856
Income attributable to noncontrolling interests	5,566
Distributions made	(7,784)
Other ⁽¹⁾	1,420
Balance, December 31, 2009	\$ 4,058
Income attributable to noncontrolling interests	10,074

Distributions made	(7,685)
Other ⁽²⁾	2,130
Balance, December 31, 2010	\$ 8,577

- (1) Other consists primarily of an adjustment of stock based compensation charges to additional paid-in capital relating to obligations assumed by the non-controlling shareholders and cumulative translation adjustments.
- (2) Other consists primarily of an adjustment to record distributions to be made as a result of an acquired company and cumulative translation adjustments.

7. Financial Instruments

Financial assets, which include cash and cash equivalents and accounts receivable, have carrying values which approximate fair value due to the short-term nature of these assets. Financial liabilities with carrying values approximating fair value due to short-term maturities include accounts payable, accrued and other liabilities, advance billings, and deferred acquisition consideration. Bank debt and long-term debt are variable

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rate debt, the carrying value of which approximates fair value. The Company's note payable is a fixed rate debt instrument, the carrying values of which approximates fair value. The fair value of financial commitments, guarantees and letters of credit, are based on the stated value of the underlying instruments. Guarantees have been issued in conjunction with the disposition of businesses in 2001 and 2003 and letters of credit have been issued in the normal course of business. The fair value for the 11% senior notes was approximately \$323,700 as of December 31, 2010.

8. Goodwill and Intangible Assets

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

Goodwill	Strategic Marketing Services	Performance Marketing Services	Total
Balance of December 31, 2008	\$ 186,053	\$ 52,161	\$ 238,214
Acquired goodwill	59,053		59,053
Goodwill impairment			
Foreign currency translation	3,008	1,357	4,365
Balance as of December 31, 2009	\$ 248,114	\$ 53,518	\$ 301,632
Acquired goodwill	78,147	132,497	210,644
Goodwill impairment	(942)		(942)
Foreign currency translation	1,658	1,496	3,154
Balance as of December 31, 2010	\$ 326,977	\$ 187,511	\$ 514,488

	For the Year Ended December 31, 2010	
Intangibles:	2010	2009
Trademarks (indefinite life)	\$ 17,780	\$ 17,780
Customer relationships gross	\$ 68,603	\$ 48,125
Less accumulated amortization	(26,517)	(35,843)
Customer relationships net	\$ 42,086	\$ 12,282
Other intangibles gross	\$ 16,926	\$ 19,352
Less accumulated amortization	(9,659)	(14,699)

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Other intangibles net	\$ 7,267	\$ 4,653
Total intangible assets	\$ 103,309	\$ 85,257
Less accumulated amortization	(36,176)	(50,542)
Total intangible assets net	\$ 67,133	\$ 34,715

See Note 4 for Accounting for Business Combinations.

During 2010, the Company recorded a goodwill impairment charge of \$710 relating to Fearless and \$232 relating to Zig US. Fearless was a start up company that the company discontinued in June 2010. Zig US's business operations have been treated as discontinued as of September 30, 2010.

During 2008, the Company recorded a goodwill impairment charge of \$1,590 relating to Clifford/Bratskeir Public Relations LLC (Bratskeir). Bratskeir's business operations have been treated as discontinued as of December 31, 2008. In addition, the Company completed the sale of certain assets of its Mobium division resulting in a \$1,137 reduction of goodwill.

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8. Goodwill and Intangible Assets (continued)

The weighted average amortization periods for customer relationships are 5 years and other intangible assets are 5 years. In total, the weighted average amortization period is 5 years. The amortization expense of amortizable intangible assets for the year ended December 31, 2010, was \$17,631 (2009 \$17,968; 2008 \$17,264) the estimated amortization expense for the five succeeding years is:

Year	Amortization
2011	\$ 17,281
2012	\$ 10,907
2013	\$ 6,766
2014	\$ 4,990
2015	\$ 2,468

9. Income Taxes

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

	2010	2009	2008
Income (loss):			
US	\$ (5,162)	\$ 2,254	\$ 13,779
Non-US	1,259	(4,949)	6,907
	\$ (3,903)	\$ (2,695)	\$ 20,686

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

	2010	2009	2008
Current tax provision			
US federal	\$	\$	\$ 4,948
US state and local	368	1,246	328
Non-US	4,840	318	(1,919)
	5,208	1,564	3,357
Deferred tax provision (benefit):			
US federal	428	8,681	(5,057)
US state and local	501	2,347	189

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Non-US	(6,302)	(4,056)	3,908
	(5,373)	6,972	(960)
Income tax provision	\$ (165)	\$ 8,536	\$ 2,397

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

9. Income Taxes (continued)

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

	2010	2009	2008
Income (loss) from continuing operations before income taxes, equity in affiliates and noncontrolling interest	\$(3,903)	\$(2,695)	\$20,686
Statutory income tax rate	31.0 %	33.0 %	33.5 %
Tax expense using statutory income tax rate	(1,210)	(889)	6,930
State and foreign taxes	1,909	3,045	(960)
Non-deductible stock-based compensation	4,941	5,160	2,796
Other non-deductible expense	890	732	876
Change to valuation allowance on items affecting taxable income	(7,986)	2,656	(4,149)
Additional tax reserve	4,100		
Noncontrolling interests	(3,123)	(1,767)	(2,726)
Other, net	314	(401)	(370)
Income tax expense	\$(165)	\$8,536	\$2,397
Effective income tax rate	4.2 %	316.7 %	11.6 %

(1) Included in the change in valuation allowance is \$3,188 relating to the reversal of the valuation allowance as a result of a non-taxable acquisition.

See Note 10 for income taxes for discontinued operations.

The 2010 effective income tax rate was significantly lower than the statutory rate due primarily to an additional tax reserve of \$4,100, non-deductible stock-based compensation of \$4,941, state and foreign income taxes of \$1,909 offset by a decrease in the Company's valuation allowance of \$7,986.

The 2009 effective income tax rate was significantly higher than the statutory rate due primarily from the increase in the Company's valuation allowance of \$2,656, non-deductible stock-based compensation of \$5,160 and State and foreign income taxes of \$1,564.

The 2008 effective income tax rate was significantly lower than the statutory rate due primarily from the reversal of Canadian withholding taxes due to a change in Canadian tax law of \$2,088 (included in other taxes above) and a decrease in the Company's valuation allowance of \$4,149, primarily due to utilization of net operating loss carry

forwards.

Income taxes receivable were \$712 and \$622 at December 31, 2010 and 2009, respectively, and were included in accounts receivable on the balance sheet. Income taxes payable were \$4,969 and \$1,215 at December 31, 2010 and 2009, respectively, and were included in accrued and other liabilities on the balance sheet. It is the Company's policy to classify interest and penalties arising in connection with the under payment of income taxes as a component of income tax expense. For the year ended 2010, \$1,093 is included in the current provision of income tax expense relating to interest and penalties as a result of an identified uncertain tax position. For the years ended 2010, 2009 and 2008, income tax expense does not include any amounts for interest and penalties.

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9. Income Taxes (continued)

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

	2010	2009
Deferred tax assets:		
Capital assets and other	\$ 7,292	\$ 5,296
Net operating loss carry forwards	41,313	45,292
Interest deductions	7,053	5,743
Stock compensation	896	970
Unrealized foreign exchange	268	227
Capital loss carry forwards	17,289	17,417
Accounting reserves	6,118	2,751
Gross deferred tax asset	80,229	77,696
Less: valuation allowance	(55,311)	(65,896)
Net deferred tax assets	24,918	11,800
Deferred tax liabilities:		
Deferred finance charges	(526)	(530)
Capital assets	(300)	
Goodwill amortization	(18,816)	(8,521)
Total deferred tax liabilities	(19,642)	(9,051)
Net deferred tax asset	\$ 5,276	\$ 2,749
Disclosed as:		
Deferred tax assets	\$ 24,966	14,950
Deferred tax liabilities	(19,690)	(12,201)
	\$ 5,276	\$ 2,749

Included in accrued and other liabilities at December 31, 2010 and 2009 is a deferred tax liability of \$48 and \$3,150, respectively. Included in other current assets at December 31, 2010 and 2009 is a deferred tax asset of \$3,363 and \$2,408, respectively.

The Company has US federal net operating loss carry forwards of \$41,892 and non-US net operating loss carry forwards of \$61,153, these carry forwards expire in years 2015 through 2030. The Company also has total indefinite loss carry forwards of \$131,661. These indefinite loss carry forwards consist of \$20,116 relating to the US and \$111,545 which are related to capital losses from the Canadian operations. In addition, the Company has net operating loss carry forwards for various state taxing jurisdictions of approximately \$150,366.

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

The valuation allowance has been recorded to reduce our deferred tax asset to an amount that is more likely than not to be realized, and is based upon the uncertainty of the realization of certain US, non-US and state deferred tax assets. The increase in the Company's valuation allowance charged to the statement of operations for each of the years ended December 31, 2009 and 2008 was \$2,656 and \$6,870, respectively. In 2010 and 2008, the Company reduced its valuation and recorded a benefit in the statement of operations of \$7,986 and \$4,149, respectively.

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9. Income Taxes (continued)

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

As of December 31, 2010, the Company recorded a liability for unrecognized tax benefits as well as applicable penalties and interest in the amount of \$4,717. The Company identified an uncertainty relating to the future tax deductability of certain intercompany interest and fees, to the extent that such future benefit will be established, the resolution of this position will have no effect with respect to the financial statements.

Changes in the Company's reserve is as follows:

Balance December 31, 2007	\$ 617
Charges to income tax expense	
Balance December 31, 2008	617
Charges to income tax expense	
Balance December 31, 2009	617
Charges to income tax expense	3,007
Balance December 31, 2010	\$ 3,624

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

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

10. Discontinued Operations

In December 2010, the Company discontinued a start-up division of Redscout, LLC called 007. As a result, the Company has classified this entity's results of operations as a loss of \$722 as discontinued operations.

Effective September 30, 2010, the Company ceased Zig US current operations and as a result incurred a goodwill impairment charge of \$232. Including the impairment charge Zig US's results of operations, net of income tax benefits, for the year ended 2010, there was a loss of \$1,046.

In June 2010, the Company discontinued a start up called Fearless Progression LLC (Fearless). As a result, the Company wrote off its investment in Fearless of \$710. Including the impairment charge, Fearless's results of operations net of income tax benefits for the year ended 2010, was a loss of \$743. The Company has classified this entity's results as discontinued operations.

In December 2010, the Company recorded net adjustments of \$21 to reduce a previously recorded liability relating to prior discontinued operations.

The loss net of taxes from discontinued operations for 2009 was \$1.5 million and is comprised of the operating results of Clifford/Bratskeir Public Relations LLC (Bratskeir) of \$361 and Margeotes Fertitta Powell, LLC (MFP) of \$515 and Zig US of \$643, relates to an adjustment to a previously recorded liability.

In December 2008, the Company entered into negotiations to sell certain remaining assets in Bratskeir to management. This transaction was completed in April 2009. As a result of this expected transaction, the Company recorded a goodwill and intangibles impairment charge of \$1,945. Including the impairment charge Bratskeir's results of operations, net of income tax benefits, for the years ended 2008 and 2007 were losses of \$3,815 and \$1,217, respectively.

Effective December 3, 2008, Colle & McVoy, LLC (Colle), completed the sale of certain assets of its Mobium division. The Company recorded a loss on sale of \$1,159 (\$765 net of taxes). Including the loss on

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10. Discontinued Operations (continued)

sale, Mobium's results of operations, net of income tax benefits for the year ended 2008 was a loss of \$3,022. The results of operations net of income taxes for Mobium for the year ended 2007 was income of \$283.

Effective June 30, 2008, the Company sold its 60% interest in The Ito Partnership (Ito), a start-up operation formed in 2006. The sale resulted in a loss of \$877, (\$579 net of taxes). Including the loss on sale, Ito's results of operations, net of income tax benefits for the year ended 2008 was a loss of \$533.

In December 2008, the Company ceased MFP current operations. As a result, the Company has classified these operations as discontinued. In addition, an additional intangible relating to an employment contract of \$629 was deemed impaired and written off. In 2008, the Company recorded a loss of \$2,645 net of income taxes resulting primarily from the accrual of lease abandonment costs and severance.

In December 2007, due to continued operating losses and the lack of new business wins the Company ceased Banjo Strategic Entertainment, LLC (Banjo) operations. The results of operations of Banjo, net of income tax benefits, was a loss of \$154 in 2007. MFP and Banjo had been previously included in the Company's Specialized Communication Service segment.

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

	Years Ended December 31,		
	2010	2009	2008
Revenue	\$ 487	\$ 1,264	\$ 7,077
Impairment charge	(942)		(1,945)
Operating loss	(2,883)	(2,000)	(12,164)
Other expense	(56)	(10)	(3,364)
Income tax recovery	343	270	5,159
Noncontrolling interest expense recovery	102	221	164
Net loss from discontinued operations	\$ (2,494)	\$ (1,519)	\$ (10,205)

Included in other expense is a loss on sale of assets of \$2,036 in 2008.

At December 31, 2008, \$408, \$323 and \$2,139 was included in current assets, other assets and accrual and other liabilities, respectively, which represent assets held for sale and related liabilities.

11. Comprehensive Income (Loss)

Total comprehensive income (loss) and its components for the years ended December 31, were:

	2010	2009	2008
Net income (loss) for the year	\$(5,366)	\$(12,758)	\$8,433
Other comprehensive income, net of tax:			
Foreign currency cumulative translation adjustment	1,736	769	(12,938)
Comprehensive loss for the year	(3,630)	(11,989)	(4,505)
Comprehensive loss attributable to the noncontrolling interest	(10,078)	(5,582)	(8,338)
Comprehensive loss attributable to MDC Partners Inc.	\$(13,708)	\$(17,571)	\$(12,843)

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

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

	2010	2009
Revolving credit facility	\$	\$
11% senior notes due 2016	290,000	225,000
Original issue discount	(6,843)	(10,291)
Note payable and other bank loans	1,400	1,800
	284,557	216,509
Obligations under capital leases	1,659	1,437
	286,216	217,946
Less:		
Current portion	1,667	1,456
	\$ 284,549	\$ 216,490

Interest expense related to long-term debt for the years ended December 31, 2010, 2009 and 2008 was \$30,429, \$18,057 and \$13,650, respectively. For the year ended December 31, 2010 and 2009, interest expense included \$848 and \$204 amortization of the original issue discount, respectively and \$922 and nil of present value adjustments for fixed deferred acquisition payments, respectively.

The amortization and write off of deferred finance costs included in interest expense were \$1,288, \$3,837 and \$1,348 for the years ended December 31, 2010, 2009, and 2008 respectively.

Issuance of 11% Senior Notes

On October 23, 2009, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold \$225,000 aggregate principal amount of 11% Senior Notes due 2016 (the "11% Notes"). The 11% Notes bear interest at a rate of 11% per annum, accruing from October 23, 2009. Interest is payable semiannually in arrears in cash on May 1 and November 1 of each year, beginning on May 1, 2010. The 11% Notes will mature on November 1, 2016, unless earlier redeemed or repurchased. The Company received net proceeds before expenses of \$208,881, which included an original issue discount of approximately 4.7% or \$10,494, and underwriter fees of \$5,624. The 11% Notes were sold in a private placement in reliance on exemptions from registration under the Securities Act of 1933, as amended. The Company used the net proceeds of this offering to repay the outstanding balance and terminate its prior Fortress Financing Agreement, and redeemed its outstanding 8% C\$45,000 convertible debentures on November 26, 2009.

The Company may, at its option, redeem the 11% Notes in whole at any time or in part from time to time, on and after November 1, 2013 at a redemption price of 105.500% of the principal amount thereof. If redeemed during the twelve-month period beginning on November 1, 2014, at a redemption price of 102.750% of the principal amount thereof if redeemed during the twelve-month period beginning on or after November 1, 2015 and equal to redemption price of 100% of the principal amount thereof. (Prior to November 1, 2013, the Company may, at its option, redeem some or all of the 11% Notes at a price equal to 100% of the principal amount of the Notes plus a make whole premium and accrued and unpaid interest.) The Company may also redeem, at its option, prior to November 1, 2012, up to 35% of the 11% Notes with the proceeds from one or more equity offerings at a redemption price of 11% of the principal amount thereof. If the Company experiences certain kinds of changes of control (as defined in the Indenture), holders of the 11% Notes may require the Company to repurchase any 11% Notes held by them at a price equal to 101% of the principal amount of the 11% Notes plus accrued and unpaid interest.

In connection with these transactions, the Company wrote-off \$323 of deferred financing costs relating to its prior convertible debentures.

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

On May 14, 2010, the Company and its wholly-owned subsidiaries, as guarantors, issued and sold \$65,000 aggregate principal amount of 11% Senior Notes due 2016. The additional notes were issued under the Indenture governing the 11% notes and treated as a single series with the original 11% notes. The additional notes were sold in a private placement in reliance on exemptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of \$67,208, which included an original issue premium of \$2,600, and underwriter fees of \$392. The Company used the net proceeds of the offering to repay the outstanding balance under the Company's revolving WF Credit Facility described elsewhere herein, and for general corporate purposes, including acquisitions.

At December 31, 2010, the Company had issued \$6,018 of undrawn outstanding Letters of Credit.

At December 31, 2010, accounts payable included \$9,026 of outstanding checks.

The fair value for the 11% Senior Notes was \$323,700 as of December 31, 2010.

WF Credit Facility

On October 23, 2009, the Company and its subsidiaries entered into a \$75,000 five year senior secured revolving WF Credit Facility (the "WF Credit Facility") with Wells Fargo Foothill, LLC, as agent, and the lenders from time to time party thereto. On November 22, 2010, this agreement was amended to increase the availability under the facility to \$100,000. The WF Credit Facility replaced the Company's existing \$185,000 senior secured financing agreement with Fortress Credit Corp., as collateral agent, Wells Fargo Foothill, Inc., as administrative agent. Advances under the WF Credit Facility will bear interest as follows: (a)(i) LIBOR Rate Loans bear interest at the LIBOR Rate and (ii) Base Rate Loans bear interest at the Base Rate, plus (b) an applicable margin. The initial applicable margin for borrowing is 3.00% in the case of Base Rate Loans and 3.25% in the case of LIBOR Rate Loans. The applicable margin may be reduced subject to the Company achieving certain trailing twelve month earning levels, as defined. In addition to paying interest on outstanding principal under the WF Credit Facility, the Company is required to pay an unused revolver fee to lenders under the WF Credit Facility in respect of unused commitments thereunder.

The WF Credit Facility is guaranteed by all of the Company's present and future subsidiaries, other than immaterial subsidiaries (as defined) and is secured by substantially all the assets of the Company. The WF Credit Facility includes covenants that, among other things, restrict the Company's ability and the ability of its subsidiaries to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain

types of investments; pay dividends; incur certain liens, sell or otherwise dispose of certain assets; enter into transactions with affiliates; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of the Company's assets to, another person. These covenants are subject to a number of important limitations and exceptions. The WF Credit Facility also contains financial covenants, including a senior leverage ratio, a total leverage ratio, a fixed charge coverage ratio and a minimum earnings level, as defined.

In connection with these transactions, the Company incurred a termination fee of \$1,850 and wrote-off \$2,240 of deferred financing costs relating to its prior Fortress Financing Agreement.

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

Prior Financing Agreement

The Prior Fortress Financing Agreement consisted of a \$55,000 revolving WF Credit Facility, a \$60,000 term loan and a \$70,000 delayed draw term loan. Interest payable under the Financing Agreement was as follows: (a) LIBOR Rate Loans bear interest at applicable interbank rates and Reference Rate Loans bear

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

interest at the rate of interest publicly announced by the Reference Bank in New York, New York, plus (b) a percentage spread ranging from 0% to a maximum of 4.75% depending on the type of loan and the Company's Senior Leverage Ratio.

Effective October 23, 2009, the Company repaid all outstanding amounts under the Fortress Financing Agreement.

8% Convertible Unsecured Subordinated Debentures

On June 28, 2005, the Company completed an offering in Canada of convertible unsecured subordinated debentures amounting to \$36,723 (C\$45,000) (the "Debentures"). The Debentures required interest at an annual rate of 8.00% payable semi-annually, in arrears, on June 30 and December 31 of each year.

The Company repaid the Debentures on November 26, 2009.

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

Period	Amount
2011	\$ 1,667
2012	1,020
2013	187
2014	103
2015	58
2016 and beyond	290,024
	\$ 293,059

Capital Leases

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

Period	Amount
2011	\$ 935

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2012	453
2013	203
2014	112
2015	62
2016 and thereafter	24
	1,789
Less: imputed interest	(130)
	1,659
Less: current portion	(867)
	\$ 792

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13. Share Capital

The authorized share capital of the Company is as follows:

(a) Authorized Share Capital

Class A Shares

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

Class B Shares

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

Preferred A Shares

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

The Company has not paid dividends on any class of shares during the three years ended December 31, 2009.

(b) 2010 Share Capital Transactions

During the year ended December 31, 2010, Class A share capital increased by \$8,220. The Company issued 1,367,271 relating to vested restricted stock, 6,495 shares related to the exercise of outstanding stock options and 101,107 shares related to the exercise of outstanding stock appreciation rights, increasing share capital by \$11,699.

During 2010, the Company's employees surrendered 282,954 Class A shares valued at \$3,479 in connection with the required tax withholding from the vesting of various equity awards. These shares were subsequently retired and no longer remain outstanding as of December 31, 2010.

Additional paid-in capital decreased by \$9,174, of which \$11,640 related to the vesting of restricted stock and stock appreciation rights, \$7,603 relating to transactions with noncontrolling interests, dividends paid and to be paid of \$10,194, changes in the redemption value of redeemable noncontrolling interests of \$11,500. These decreases were offset by \$14,954 relating to an increase from stock-based compensation and \$16,809 transferred to charges in excess

of capital.

(c) 2009 Share Capital Transactions

During the year ended December 31, 2009, Class A share capital increased by \$4,999. The Company issued 620,393 shares related to vested restricted stock, 47,625 shares related to the exercise of outstanding stock options and 68,261 shares related to the exercise of outstanding stock appreciation rights, increasing share capital by \$5,595.

During 2009, the Company's employees surrendered 156,481 Class A shares valued at \$596 in connection with the required tax withholding resulting from the vesting of various equity awards. These shares were subsequently retired and no longer remain outstanding as of December 31, 2009.

Additional paid-in capital decreased by \$24,296, of which \$31,653 related to the recording of existing put options (Note 2), \$5,226 related to the vesting of restricted stock and stock appreciation rights, \$923 related to acquisitions, and other charges of \$214. These decreases were offset by \$13,720 relating to increase from stock-based compensation.

(c) 2008 Share Capital Transactions

During the year ended December 31, 2008, Class A share capital increased by \$5,575. The Company issued 334,467 shares related to business acquisitions and 541,110 shares related to vested restricted stock increasing share capital by 6,584.

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13. Share Capital (continued)

During 2008, the Company's employees surrendered 112,146 Class A shares valued at \$909 in connection with the required tax withholding resulting from the vesting of restricted stock. In addition, during 2008, the Company received 12,346 Class A shares valued at \$100 in connection with a partial repayment of a note receivable. These 124,492 Class A shares were subsequently retired and no longer remain outstanding as of December 31, 2008.

Additional paid-in capital increased \$6,727, of which \$10,129 related to an increase from stock-based compensation that was expensed during 2008 and \$1,001 related to acquisition purchase price consideration and other changes of \$78 partially offset by \$4,481 related to the vested restricted stock.

(e) Employee Stock Incentive Plan

On May 26, 2005, the Company's shareholders approved the Company's 2005 Stock Incentive Plan (the 2005 Incentive Plan). The 2005 Incentive Plan authorizes the issuance of awards to employees, officers, directors and consultants of the Company with respect to 2,000,000 shares of MDC Partners' Class A Subordinate Voting Shares or any other security in to which such shares shall be exchanged. On June 1, 2007 and on June 2, 2009, the Company's shareholders approved a total additional authorized Class A Shares of 2,500,000 to be added to the 2005 Incentive Plan for a total of 4,500,000 authorized Class A Shares. On May 30, 2008, the Company's shareholders approved the 2008 Key Partner Incentive Plan, which provides for the issuance of 600,000 Class A Shares. As of December 31, 2010, the Company has granted 200,000 Director options (of which 100,000 were forfeited), which option grants were for a ten-year term and vests over five (5) years from the grant date under the 2005 Incentive Plan.

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

	Performance Based Awards		Time Based Awards	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2007	913,729	\$ 8.10	482,149	\$ 9.78
Granted	801,345	8.17	369,882	4.78
Vested	(531,610)	8.30	(9,500)	9.26
Forfeited	(45,601)	8.13	(13,000)	8.85
Balance at December 31, 2008	1,137,863	\$ 8.05	829,531	\$ 7.57

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Granted			179,927	7.15
Vested	(545,747)	7.95	(74,646)	9.19
Forfeited	(34,158)	7.88	(10,652)	10.04
Balance at December 31, 2009	557,958	\$ 8.17	924,160	\$ 7.33
Granted	753,209	8.83	258,223	10.28
Vested	(804,300)	8.37	(562,971)	8.60
Forfeited	(4,944)	8.88	(3,345)	8.13
Balance at December 31, 2010	501,923	\$ 8.83	616,067	\$ 7.40

The total fair value of restricted stock and restricted stock unit awards, which vested during the year ended December 31, 2010, 2009 and 2008 was \$14,976, \$5,022 and \$4,499, respectively. In connection with the vesting of these awards, the Company realized a tax deduction of \$3,431, \$414 and \$430 in 2010, 2009 and 2008, respectively. At December 31, 2010, the weighted average remaining contractual life for performance based awards is 2.2 years and for time based awards is 1.5 years. At December 31 2010, the fair value of all restricted stock and restricted stock unit awards is \$19,308. The term of these awards is three

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13. Share Capital (continued)

years with vesting up to three years. At December 31, 2010, the unrecognized compensation expense for these awards was \$6,085 and will be recognized through 2013. At December 31, 2010, there are 1,669 awards available to grant.

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

Prior to adoption of the 2005 Incentive Plan, the Company's Prior 2003 Plan provided for grants of up to 1,890,786 options to employees, officers, directors and consultants of the Company. All the options granted were for a term of five years from the date of the grant and vest 20% on the date of grant and a further 20% on each anniversary date. In addition, the Company granted 534,960 options, on the privatization of Maxxcom, with a term of no more than 10 years from initial date of grant by Maxxcom and vest 20% in each of the first two years with the balance vesting on the third anniversary of the initial grant.

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

	Options Outstanding		Options Exercisable		Non Vested Options
	Number Outstanding	Weighted Average Price per Share	Number Outstanding	Weighted Average Price per Share	
Balance, December 31, 2007	975,028	\$ 11.14	851,216	\$ 11.31	123,812
Vested					(53,812)
Granted					
Exercised					
Expired and cancelled	(516,193)	8.85			(5,000)
Balance, December 31, 2008	458,835	\$ 9.49	393,835	\$ 9.69	65,000
Vested					(20,000)
Granted					
Exercised	(47,625)	8.76			
Expired and cancelled	(171,218)	12.22			
Balance, December 31, 2009	239,992	\$ 9.55	194,992	\$ 9.64	45,000
Vested					(20,000)

Granted					
Exercised	(6,495)	9.19			
Expired and cancelled	(17,297)	17.08			
Balance, December 31, 2010	216,200	\$ 9.41	191,200	\$ 9.41	25,000

At December 31, 2010, the intrinsic value of vested options and the intrinsic value of all options was \$1,700. For options exercised during 2010 and 2009, the Company received cash proceeds of \$60 and \$370, respectively. The Company did not receive any windfall tax benefits. The intrinsic value of options exercised during 2010 and 2009 was \$20 and \$16, respectively. At December 31, 2010, the weighted average remaining contractual life of all outstanding options was 1.0 years and for all vested options was 0.8 years. At December 31, 2010, the unrecognized compensation expense of all options was \$68 and will be recognized through 2012.

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13. Share Capital (continued)

Share options outstanding as of December 31, 2010 are summarized as follows:

Range of Exercise Prices	Options Outstanding		Options Exercisable	
	Outstanding Number	Weighted Average Contractual Life	Exercisable Number	Weighted Average Contractual Life
\$5.28 \$7.91	8,326	1.55	8,326	1.55
\$7.92 \$9.85	186,679	1.06	161,679	0.78
\$9.86 \$13.32	21,195	0.34	21,195	0.34

(f) Stock Appreciation Rights

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

SARs granted and outstanding are as follows:

	SARs Outstanding		SARs Exercisable		
	Weighted Average Number Outstanding	Weighted Average Price per Share	Number Outstanding	Price per Share	Non Vested SARs
Balance at December 31, 2007	615,000	\$ 11.33	511,666	\$ 11.72	103,334
Vested					(96,668)
Granted					
Exercised					
Expired and cancelled	(370,000)	12.00			
Balance at December 31, 2008	245,000	\$ 9.74	238,334	\$ 9.80	6,666
Vested					(6,666)
Granted	3,744,686	3.76			3,744,686
Exercised	(172,759)	3.72			(172,759)

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Expired and cancelled	(298,158)	8.22			(83,158)
Balance at December 31, 2009	3,518,769	\$ 3.80	30,000	\$ 8.18	3,488,769
Vested					(1,747,034)
Granted					
Exercised	(187,666)	\$ 4.19			(187,666)
Expired and cancelled					
Balance at December 31, 2010	3,331,103	\$ 3.78	1,777,034	\$ 3.77	1,554,069

At December 31, 2010, the aggregate amount of shares to be issued on vested SAR s was 1,388,866 shares with an intrinsic value of \$23,808 and for all outstanding SAR s, the aggregate amount of shares to be issued was 2,597,808 with an intrinsic value of \$44,947. During 2010 and 2009, the aggregate value of SAR s exercised was \$1,147 and \$407, respectively. During 2010, the Company received a tax deduction of \$180. At December 31, 2010, the weighted average remaining contractual life of all outstanding SAR s was 3.2 years and for all vested SAR s was 3.2 years. At December 31, 2010, the unrecognized compensation expense of all SAR s was \$541 and will be recognized through 2012.

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13. Share Capital (continued)

Range of Exercise Prices	SAR s Outstanding			SAR s Exercisable		
	Outstanding Number	Weighted Average Contractual Life	Weighted Average Price per Share	Exercisable Number	Weighted Average Price per Share	Weighted Average Contractual Life
\$3.72 \$6.60	3,311,103	3.17	\$ 3.75	1,757,034	\$ 3.72	3.17
\$6.61 \$8.95	20,000	5.63	\$ 8.38	20,000	\$ 8.38	5.63

(h) Warrants

The Company measures the fair value of warrants using the Black-Scholes option pricing model on the date of grant.

There were no warrants outstanding as at December 31, 2010.

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

	Warrants Outstanding		Warrants Exercisable		Non Vested Warrants
	Number Outstanding	Weighted Average Price per Share	Number Outstanding	Weighted Average Price per Share	
Balance, December 31, 2007	728,907	\$ 16.67	680,873	\$ 16.61	48,034
Vested					(48,034)
Granted					
Expired and cancelled	(250,000)	12.70			
Balance, December 31, 2008	478,907	\$ 14.02	478,907	\$ 14.02	
Vested					
Granted					
Expired and cancelled	(478,907)	\$ 14.02		\$	
Balance, December 31, 2009					

The Company has reserved a total of 1,345,927 Class A shares in order to meet its obligations under various conversion rights, warrants and employee share related plans. At December 31, 2010 there were 1,668,919 shares available for future option and similar grants.

14. Fair Value Measurements

Effective January 1, 2008, the Company adopted guidance regarding accounting for Fair Value Measurements. This guidance defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The statement indicates, among other things, that a fair value measurement assumes a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

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

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

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

14. Fair Value Measurements (continued)

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

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

The following tables present certain information for our financial assets that is measured of fair value on a recurring basis at December 31, 2010 and 2009:

	Level 1 2010		Level 1 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
Long term debt	\$ 283.2	\$ 323.7	\$ 214.7	\$ 230.6

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

The following table presents changes in Deferred Acquisition Consideration.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2010	2009
Beginning Balance of contingent payments	\$ 29,928	\$ 3,986
Payments	(25,305)	(3,986)
Grants	97,930	29,928
Redemption value adjustments	(1,292)	
Foreign translation adjustment	561	
Ending Balance of contingent payments	\$ 101,822	\$ 29,928

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14. Fair Value Measurements (continued)

In addition to the above amounts, there are fixed payments of \$6,169 and \$717 for total deferred acquisition consideration of \$107,991 and \$30,645, which reconciles to the consolidating financial statements at December 31, 2010 and 2009, respectively.

Level 3 payments relate to payments made for deferred acquisition consideration. Level 3 grants relate to contingent purchase price obligations related to acquisitions. The Company records the initial liability of the estimated present value. The estimated liability is determined in accordance with various contractual valuation formulas that may be dependent on future events, such as the growth rate of the earning of the relevant subsidiary during the contractual period, and, in some cases, the currency exchange rate of the date of payment. Level 3 redemption value adjustments relate to the remeasurement and change in these various contractual valuation formulas as well as adjustments of present value.

15. Gain on Sale of Assets and Other

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

	2010	2009	2008
Other income (expense)	\$ 364	\$ (38)	\$ 128
Gain (loss) on disposition of assets	17	(53)	(142)
	\$ 381	\$ (91)	\$ (14)

16. Segmented Information

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

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

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

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

The *Performance Marketing Services* segment includes our firms that provide consumer insights to satisfy the growing need for targetable, measurable solutions or cost effective means of driving return on marketing investment. These services interface directly with the consumer of a client's product or service. Such services include the design, development, research and implementation of consumer service and direct marketing initiatives. Each of the entities within the Performance Marketing Services Group share similar economic characteristics specifically related to the nature of

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16. Segmented Information (continued)

their respective services, the manner in which the services are provided, and the similarity of their respective customers. Due to the similarities in these businesses, the services provided to the customer and they exhibit similar long term financial performance and have been aggregated together.

The significant accounting policies of these segments are the same as those described in the summary of significant accounting policies included in the notes to the consolidated financial statements. The Company continues to evaluate its Corporate Group and the services provided by the Corporate Group to the operating segments. The Company has determined that additional amounts should be allocated to the operating segments based on additional services provided in 2009. The Company will continue to evaluate the services and amount of time spent directly on the operating segments business operations, and adjust accordingly.

	For the Year Ended December 31, 2010			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	\$438,941	\$ 258,884	\$	\$ 697,825
Cost of services sold	289,409	188,082		477,491
Office and general expenses	90,622	44,011	22,291	156,924
Depreciation and amortization	17,917	16,196	368	34,481
Operating profit (Loss)	40,993	10,595	(22,659)	28,929
Other income (Expense):				
Other income, net				381
Foreign exchange gain				69
Interest expense, net				(33,282)
Loss from continuing operations before income taxes, equity in affiliates and noncontrolling interest				(3,903)
Income tax recovery				165
Loss from continuing operations before equity in affiliates and noncontrolling interests				(3,738)
Equity in earnings of affiliates				866
Loss from continuing operations				(2,872)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(2,494)
Net loss				(5,366)
Net income attributable to noncontrolling interests	(7,211)	(2,863)		(10,074)

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Net (loss) attributable to MDC Partners Inc.				\$(15,440)
Stock-based compensation	\$7,282	\$1,992	\$7,233	\$16,507
Capital expenditures from continuing operations	\$6,476	\$5,414	\$610	\$12,500
Goodwill and intangibles	\$367,856	\$213,765	\$	\$581,621
Total assets	\$552,383	\$322,520	\$39,445	\$914,348

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

16. Segmented Information (continued)

	For the Year Ended December 31, 2009			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	\$370,615	\$ 174,526	\$	\$ 545,141
Cost of services sold	220,714	132,297		353,011
Office and general expenses	87,633	30,898	18,091	136,622
Depreciation and amortization	25,518	8,466	428	34,412
Operating Profit (Loss)	36,750	2,865	(18,519)	21,096
Other Income (Expense):				
Other expense, net				(91)
Foreign exchange loss				(1,956)
Interest expense, net				(21,744)
Loss from continuing operations before income taxes, equity in affiliates and noncontrolling interest				(2,695)
Income tax expense				(8,536)
Loss from continuing operations before equity in affiliates and noncontrolling interests				(11,231)
Equity loss in earnings of affiliates				(8)
Loss from continuing operations				(11,239)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(1,519)
Net loss				(12,758)
Net income attributable to noncontrolling interests	(4,851)	(715)		(5,566)
Net (loss) attributable to MDC Partners Inc.				\$ (18,324)
Stock-based compensation	\$8,742	\$ 868	\$ 5,834	\$ 15,444
Capital expenditures from continuing operations	\$3,617	\$ 2,353	\$ 239	\$ 6,209
Goodwill and intangibles	\$277,992	\$ 58,355	\$	\$ 336,347
Total assets	\$430,959	\$ 112,780	\$ 60,780	\$ 604,519

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

16. Segmented Information (continued)

	For the Year Ended December 31, 2008			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	\$362,203	\$ 221,068	\$	\$ 583,271
Cost of services sold	225,569	165,446		391,015
Office and general expenses	84,071	35,725	17,622	137,418
Depreciation and amortization	24,550	9,189	401	34,140
Operating Profit (Loss)	28,013	10,708	(18,023)	20,698
Other Income (Expense):				
Other expense, net				(14)
Foreign exchange gain				13,257
Interest expense, net				(13,255)
Income from continuing operations before income taxes and equity in affiliates				20,686
Income tax expense				(2,397)
Income from continuing operations before equity in affiliates and noncontrolling interests				18,289
Equity in earnings of affiliates				349
Income from continuing operations				18,638
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(10,205)
Net Income				8,433
Net income attributable to the non-controlling interests	(5,466)	(2,834)		(8,300)
Net income attributable to MDC Partners Inc.				\$ 133
Stock-based compensation from continuing operations	\$6,162	\$ 3,697	\$ 4,578	\$ 14,437
Capital expenditures from continuing operations	\$9,181	\$ 5,094	\$ 109	\$ 14,384
Goodwill and intangibles	\$224,793	\$ 60,273	\$	\$ 285,066
Total assets	\$358,834	\$ 132,609	\$ 37,796	\$ 529,239
A summary of the Company's long-lived assets, comprised of fixed assets, goodwill and intangibles, net, as at December 31, is set forth in the following table.				

	United States	Canada	Other	Total
Long-lived Assets				
2010	\$ 32,354	\$ 7,606	\$ 1,093	\$ 41,053
2009	\$ 30,322	\$ 3,788	\$ 1,265	\$ 35,375
Goodwill and Intangible Assets				
2010	\$ 495,133	\$ 86,488	\$	\$ 581,621
2009	\$ 303,290	\$ 33,057	\$	\$ 336,347

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16. Segmented Information (continued)

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

	United States	Canada	Other	Total
Revenue:				
2010	\$ 582,722	\$ 97,452	\$ 17,651	\$ 697,825
2009	\$ 455,976	\$ 80,124	\$ 9,041	\$ 545,141
2008	\$ 481,745	\$ 89,230	\$ 12,296	\$ 583,271

17. Related Party Transactions

The Company incurred fees and paid cash incentive awards totaling \$1,343, \$3,945 and \$3,413 in 2010, 2009 and (a) 2008, respectively, relating to companies controlled by the Chairman and Chief Executive Officer (CEO) of the Company in respect of services rendered pursuant to a management services agreement and incentive plans. On April 27, 2007, the Company entered into a new Management Services Agreement (the Services Agreement) with Miles Nadal and with Nadal Management, Inc. to set forth the terms and conditions on which Mr. Nadal continues to provide services to the Company as its Chief Executive Officer. The Services Agreement has a three-year term with automatic one-year extensions. Pursuant to the Services Agreement, the annual base compensation for Mr. Nadal's services was increased to \$1,500, effective April 27, 2010. The Services Agreement also provides for an annual bonus with a targeted payout of up to 250% of the base compensation. The Company also makes an annual cash payment of \$500 in respect of retirement benefits, employee health benefits and perquisites. In addition, in the discretion of the Compensation Committee, the Company may grant long term equity incentives with a grant-date value of up to 300% of the then current base retainer. In addition during 2010, 2009 and 2008, in accordance with the Services Agreement, Mr. Nadal repaid to the Company an additional \$95, \$95 and \$83, respectively, of loans due to the Company.

Pursuant to the amended Services Agreement, the Company agreed to provide to its CEO, Miles S. Nadal a special bonus of C\$10,000 (\$10,088) upon the first to occur of (i) the average market price of the Company's Class A subordinate voting shares is C\$30 (\$30) per share or more for more than 20 consecutive trading days (measured as of the close of trading on each applicable date) or (ii) a change of control of the Company. This bonus is payable (b) until the date that is three years after the date on which Mr. Nadal is no longer employed by the Company for any reason. The after-tax proceeds of such bonus are to be applied first as repayment of any outstanding loans due to the Company from this officer and his related companies in the amount of C\$6,053 (US\$6,086), as at December 31, 2010, which has been reserved for in the Company's accounts. These loans have no stated maturity date. (c) In 2000, the Company purchased 1,600,000 shares in Trapeze Media Limited (Trapeze) for \$215. At the same time, the Company's CEO purchased 4,280,000 shares of Trapeze for \$576, the Company's former Chief Financial Officer and a Managing Director of the Company each purchased 50,000 Trapeze shares for \$7 and a Board Member of the

Company purchased 75,000 shares of Trapeze for \$10. In 2001, the Company purchased an additional 1,250,000 shares for \$161, and the Company's CEO purchased 500,000 shares for \$64. In 2002, the Company's CEO purchased 3,691,930 shares of Trapeze for \$470. All of these purchases were made at identical prices (C\$.20/share). In 2003, the Company and the CEO exchanged their units in Trapeze for non-voting shares and entered into a voting trust agreement.

During 2010, 2009 and 2008, Trapeze provided services to certain subsidiaries, the total amount of such services provided were \$70, \$105 and \$371, respectively. In addition, in 2010, 2009 and 2008, a subsidiary provided Trapeze with \$300, \$304 and \$144 of services, respectively.

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18. Commitments, Contingencies and Guarantees

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

Put Options. Owners of interests in certain subsidiaries have the right in certain circumstances to require the Company to acquire either a portion of or all of the remaining ownership interests held by them. The owners' ability to exercise any such put option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during the period 2010 to 2018. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

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

Management estimates, assuming that the subsidiaries owned by the Company at December 31, 2010, perform over the relevant future periods at their 2010 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately \$32,985 to the owners of such rights to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately \$3,136 by the issuance of share capital. In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately \$48,836 only upon termination of such owner's employment with the applicable subsidiary or death. The ultimate amount payable relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when and if these rights are exercised. The aggregate amount of these options is \$81,821, of which \$77,560 has been recorded on the balance sheet at December 31, 2010 and is included in Redeemable Noncontrolling Interests.

Natural Disasters. Certain of the Company's operations are located in regions of the United States and Caribbean which typically are subject to hurricanes. During the year ended December 31, 2010, 2009 and 2008, these operations did not incur any costs related to damages resulting from hurricanes.

Guarantees. In connection with certain dispositions of assets and/or businesses in 2001 and 2003, the Company has provided customary representations and warranties whose terms range in duration and may not be explicitly defined. The Company has also retained certain liabilities for events occurring prior to sale, relating to tax, environmental,

litigation and other matters. Generally, the Company has indemnified the purchasers in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for a number of years.

In connection with the sale of the Company's investment in CDI, the amounts of indemnification guarantees were limited to the total sale price of approximately \$84,000. For the remainder, the Company's potential liability for these indemnifications are not subject to a limit as the underlying agreements do not always specify a maximum amount and the amounts are dependent upon the outcome of future contingent events.

Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

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18. Commitments, Contingencies and Guarantees (continued)

For guarantees and indemnifications entered into after January 1, 2003, in connection with the sale of the Company's investment in CDI, the Company has estimated the fair value of its liability, which was insignificant.

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

Commitments. At December 31, 2010, the Company has \$6,018 of undrawn outstanding letters of credit. In addition, the Company has commitments to fund investments in an aggregate amount of \$2,200.

Leases. The Company and its subsidiaries lease certain facilities and equipment. Gross premises rental expense amounted to \$18,334 for 2010, \$16,004 for 2009 and \$16,684 for 2008, which was reduced by sublease income of \$277 in 2010, \$59 in 2009 and \$31 in 2008. Where leases contain escalation clauses or other concessions, the impact of such adjustments is recognized on a straight-line basis over the minimum lease period.

Minimum rental commitments for the rental of office and production premises and equipment under non-cancellable leases net of sublease income, some of which provide for rental adjustments due to increased property taxes and operating costs for 2010 and thereafter, are as follows:

Period	Amount
2011	\$ 22,860
2012	21,695
2013	18,035
2014	14,160
2015	12,434
2016 and thereafter	25,459
	\$ 114,643

At December 31, 2010, the total future cash to be received on sublease income is \$877.

19. New Accounting Pronouncements

In April 2010, the FASB issues ASU 2010-17, Revenue Recognition-Milestone Method. ASU 2010-17 provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is

appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. The amendments in ASU 2010-17 are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. The adoption will not have an impact on our financial statements.

In April 2010, the FASB issued ASU 2010-13, Compensation – Stock Compensation Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades. ASU 2010-13 provides amendments to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in ASU 2010-13 are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The adoption of this standard will not have an effect on our financial statements.

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19. New Accounting Pronouncements (continued)

In February 2010, The FASB issued an additional Accounting Standards Update on Subsequent Events to clarify the updated guidance issued in May 2009. This Guidance clarifies that SEC filers must evaluate subsequent events through the date the financial statements are issued. However, an SEC filer is not required to disclose the date through which subsequent events have been evaluated. The amendment is effective June 15, 2010. The adoption did not have an impact on our financial statements.

In January 2010, the FASB issued an Accounts Standards Update on Consolidation Accounting and Reporting for Decreases in Ownership of a Subsidiary A Scope Clarification. This Guidance clarifies the scope of the decrease in ownership provisions and expands the disclosure requirements about deconsolidation of a subsidiary or de-recognition of a group of assets. It is effective beginning in the first interim annual reporting period ending on or after December 15, 2009. The adoption did not have an impact on our financial statements.

In January 2010, the FASB issued Fair Value Measurements and Disclosures Improving Disclosures about Fair Value Measurements. This Guidance requires new disclosures and clarifies certain existing disclosure requirements about fair value measurements. It requires a reporting entity to disclose significant transfers in and out of Level 1 and Level 2 fair value measurements, to describe the reasons for the transfers and to present separately information about purchases, sales, issuances and settlements for fair value measurements using significant unobservable inputs. This Guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements, which is effective for interim and annual reporting periods beginning after December 15, 2010; early adoption is permitted. The adoption did not have a material effect on our financial statements.

In October 2009, the FASB issued revised guidance on the topic of Multiple Deliverable Revenue Arrangements. The revised guidance amends certain accounting for revenue with multiple deliverables. In particular when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, the revised guidance allows use of a best estimate of the selling price to allocate the arrangement consideration among them. This guidance is effective for the first quarter of 2011, with early adoption permitted. The Company is currently evaluating the impact on our financial statements.

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20. Quarterly Results of Operations (Unaudited) (Restated for Discontinued Operations)

The following table sets forth a summary of the Company's consolidated unaudited quarterly results of operations for the years ended December 31, 2010 and 2009, in thousands of dollars, except per share amounts.

	Quarters First	Second	Third	Fourth
Revenue:				
2010	\$ 135,915	\$ 169,890	\$ 178,597	\$ 213,423
2009	\$ 126,516	\$ 134,669	\$ 134,421	\$ 149,534
Cost of services sold:				
2010	\$ 96,571	\$ 116,364	\$ 122,721	\$ 141,835
2009	\$ 85,494	\$ 87,910	\$ 85,228	\$ 94,379
Income from continuing operations:				
2010	\$(8,858)	\$(2,669)	\$(8,733)	\$ 17,387
2009	\$ 913	\$ 1,360	\$ 2,434	\$(15,945)
Net income (loss) attributable to MDC Partners Inc.:				
2010	\$(10,186)	\$(5,805)	\$(10,918)	\$ 11,469
2009	\$ 29	\$ 79	\$ 36	\$(18,468)
Income (loss) per common share:				
Basic				
Continuing operations:				
2010	\$(0.36)	\$(0.17)	\$(0.36)	\$ 0.41
2009	\$ 0.02	\$ 0.01	\$ 0.01	\$(0.65)
Net income (loss):				
2010	\$(0.37)	\$(0.21)	\$(0.38)	\$ 0.40
2009	\$ 0.00	\$ 0.01	\$ 0.00	\$(0.67)
Diluted				
Continuing operations:				
2010	\$(0.36)	\$(0.17)	\$(0.36)	\$ 0.37
2009	\$ 0.02	\$ 0.01	\$ 0.01	\$(0.65)
Net income (loss):				
2010	\$(0.37)	\$(0.21)	\$(0.38)	\$ 0.36
2009	\$ 0.00	\$ 0.01	\$ 0.00	\$(0.67)

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

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

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

The fourth quarter of 2010 includes non-cash stock based compensation charges of \$3,203.

The fourth quarter of 2009 includes non-cash stock based compensation charges of \$6,472 and additional amortization of \$3,979 relating to acquisitions. See Note 4.

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

**20. Quarterly Results of Operations (Unaudited) (Restated for
Discontinued Operations) (continued)**

The third quarter of 2009 includes an unrealized foreign exchange loss of \$3,079.

The fourth quarter of 2009 interest expense includes termination fees of \$1,850 and the write off of \$2,564 deferred financing fees relating to the termination of the old financing agreement, and \$4,870 of interest expense relating to the 11% Notes.

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

Not Applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

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

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

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

We evaluated the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, we used the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of acquisitions made after the first quarter (1Q) 2010, which are included in the consolidated balance sheets of the Company, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. Post 1Q acquisitions constituted 13% of total assets, as of December 31, 2010, and 10% of revenues for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of the post 1Q acquisitions, because of the timing of the acquisitions.

Based on our assessment, we believe that, as of December 31, 2010, we maintained effective internal control over financial reporting based on these criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2010, has been independently audited by BDO USA LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2010, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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(d) Report of Independent Registered Public Accounting Firm

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

We have audited MDC Partners Inc. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). MDC Partners Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of acquisitions made after March 31, 2010, which are included in the consolidated balance sheets of the Company, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. Post March 31, 2010 acquisitions constituted 13% of total assets, as of December 31, 2010, and 10% of revenues for the year then ended. Management did not assess the effectiveness of internal control over financial reporting of the post March 31, 2010 acquisitions because of the timing of the acquisitions. Our audit of internal control over financial reporting of MDC Partners Inc. and subsidiaries did not include an evaluation of the

internal control over financial reporting of the post March 31, 2010 acquisitions.

In our opinion, MDC Partners Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of MDC Partners Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2010 and our report dated March 14, 2011 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

New York, New York
March 14, 2011

Item 9B. Other Information

On March 7, 2011, the Company and each of its subsidiaries party thereto entered into an amendment (the Amendment) to the WF Credit Facility. The Amendment provides, among other things, that the Company's total leverage ratio (as defined), measured on a quarter-end basis, must be no greater than (i) 4.0x, for the twelve month period ending March 31, 2011, and (ii) 3.75x, for the twelve month period ending on the last day of each calendar quarter thereafter. In addition, the Amendment provides greater flexibility for the Company to make restricted junior payments (as defined), including dividends.

The foregoing summary description of the Amendment is qualified in its entirety by reference to the full text of the Amendment and the WF Credit Facility, each of which are filed as exhibits to this Annual Report on Form 10-K.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Reference is made to the sections captioned "Nomination of Directors," "Information Concerning Nominees for Election as Directors," "Information Concerning Executive Officers," "Audit Committee," "Ethical Conduct" and "Compliance with Section 16(a) of the Exchange Act" in our Proxy Statement for the 2010 Annual General Meeting of Stockholders, which will be filed with the Commission within 120 days of the close of our fiscal year ended December 31, 2010, which sections are incorporated herein by reference.

Executive Officers of MDC Partners

The executive officers of MDC Partners as of March 1, 2011 are:

Name	Age	Office
Miles S. Nadal ⁽¹⁾	53	Chairman of the Board, Chief Executive Officer and President
Stephen Pustil ⁽¹⁾	67	Vice Chairman
David B. Doft	39	Chief Financial Officer
Robert E. Dickson	52	Managing Director
Mitchell S. Gendel	45	General Counsel & Corporate Secretary
Michael C. Sabatino	46	Senior Vice President, Chief Accounting Officer
Gavin Swartzman	46	Managing Director

(1) Also a director

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

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

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

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

Mr. Dickson has been a Managing Director of the Company since September 2003. Mr. Dickson joined Maxxcom Inc., a subsidiary of MDC Partners, in November 2000 as Executive Vice President, Corporate Development. He is

responsible for corporate development for MDC and its operating companies. Prior to joining Maxxcom, Mr. Dickson was a partner of Fraser Milner Casgrain, a Canadian business law firm, where he practiced law for 17 years. Mr. Dickson is a trustee of H&R Real Estate Investment Trust.

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

Mr. Sabatino joined MDC Partners in April 2005 as Senior Vice President and Chief Accounting Officer. Prior to joining MDC Partners, he was an audit partner with the accounting firm of Eisner LLP from April 2004. Prior to that, from December 2001 to March 2004, he was the Co-CFO/Senior Vice President

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Finance of JAKKs Pacific, Inc., a publicly-held toy company. Before that, Mr. Sabatino was an audit partner at BDO Seidman, LLP, a public accounting firm.

Mr. Swartzman has been a Managing Director of the Company since October 2004. He is responsible for corporate development and real estate for MDC and its operating companies. Mr. Swartzman served as an officer in a similar capacity for the Company from September 2002 until February 2003. Prior thereto, Mr. Swartzman joined Amadeus Capital Corporation in 2000 as Senior Vice President where he was responsible for various corporate development activities of that company and its affiliates, including serving as the Vice President, Corporate Development from February 2003 to October 2004 for First Asset Management Inc., a Toronto based asset management company. Prior thereto, he was Executive Vice President of Pet Valu International Inc., a retail chain.

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

Code of Conduct

The Company has adopted a Code of Conduct, which applies to all directors, officers (including the Company's Chief Executive Officer and Chief Financial Officer) and employees of the Company and its subsidiaries. The Company's policy is to not permit any waiver of the Code of Conduct for any director or executive officer, except in extremely limited circumstances. Any waiver of this Code of Conduct for directors or officers of the Company must be approved by the Company's Board of Directors. Amendments to and waivers of the Code of Conduct will be publicly disclosed as required by applicable laws, rules and regulations. The Code of Conduct is available free of charge on the Company's website at <http://www.mdc-partners.com>, or by writing to MDC Partners Inc., 950 Third Avenue, New York, NY, 10022, Attention: Investor Relations.

Item 11. Executive Compensation

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

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

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

Item 13. Certain Relationships and Related Transactions

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

Item 14. Principal Accountant Fees and Services

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

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PART IV

Item 15. Exhibits and Financial Statements Schedules

Report of Independent Registered Public Accounting Firm

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

The audits referred to in our report dated March 14, 2011 relating to the consolidated financial statements of MDC Partners Inc. and subsidiaries, which is contained in Item 8 of this Form 10-K also included the audit of the financial statement Schedule II for years ended 2010, 2009 and 2008. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

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

/s/ BDO USA, LLP

New York, New York

March 14, 2011

TABLE OF CONTENTS**(a) Financial Statements and Schedules**

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

Schedule II 1 of 2**MDC PARTNERS INC. & SUBSIDIARIES****SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**

**For the Three Years Ended December 31, 2010
(Dollars in Thousands)**

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Removal of Uncollectable Receivables	Translation Adjustments Increase (Decrease)	Balance at the End of Period
Valuation accounts deducted from assets to which they apply allowance for doubtful accounts:					
December 31, 2010	\$ 2,034	\$ 765	\$ (824)	\$ 15	\$ 1,990
December 31, 2009	\$ 2,179	\$ 946	\$ (1,154)	\$ 63	\$ 2,034
December 31, 2008	\$ 1,357	\$ 1,891	\$ (962)	\$ (107)	\$ 2,179

Schedule II 2 of 2**MDC PARTNERS INC. & SUBSIDIARIES****SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS**

**For the Three Years Ended December 31, 2010
(Dollars in Thousands)**

Column A	Column B	Column C	Column D	Column E	Column F
Description			Other		

	Balance at Beginning of Period	Charged to Costs and Expenses		Translation Adjustments Increase (Decrease)	Balance at the End of Period
Valuation accounts deducted from assets to which they apply valuation allowance for deferred income taxes:					
December 31, 2010	\$ 65,896	\$ (7,986)	\$ (3,908) ⁽¹⁾	\$ 1,309	\$ 55,311
December 31, 2009	\$ 59,781	\$ 2,656	\$ (2,705) ⁽¹⁾	\$ 6,164	\$ 65,896
December 31, 2008	\$ 86,125	\$ (4,149)	\$ (8,250) ⁽¹⁾	\$ (13,945)	\$ 59,781

Adjustment to reconcile actual net operating loss carry forwards to prior year tax accrued, utilization of net

(1) operating loss carry forwards, which were fully reserved and adjustment for net operating loss relating to sale of business.

(b) Exhibits

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

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SIGNATURES

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

MDC PARTNERS INC.

By:

Date: March 14, 2011

/s/ Miles S. Nadal

Name: Miles S. Nadal

Title: Chairman, Chief Executive Officer and President

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

Signature	Title	Date
/s/		
Miles S. Nadal	Chairman, Chief Executive Officer and President	March 14, 2011
Miles S. Nadal		
/s/		
Robert Kamerschen	Presiding Director	March 14, 2011
Robert Kamerschen		
/s/		
Clare Copeland	Director	March 14, 2011
Clare Copeland		
/s/		
Thomas N. Davidson	Director	March 14, 2011
Thomas N. Davidson		
/s/		
Scott Kauffman	Director	March 14, 2011
Scott Kauffman		
/s/		
Michael J. Kirby		

Michael J. Kirby
/s/

Stephen M. Pustil Director, Vice Chairman March 14, 2011

Stephen M. Pustil
/s/

David Doft Chief Financial Officer March 14, 2011

David Doft
/s/

Michael Sabatino Senior Vice President and Chief Accounting Officer March 14, 2011

Michael Sabatino

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amalgamation, dated January 1, 2004 (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on May 10, 2004);
3.1.1	Articles of Continuance, dated June 28, 2004 (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q filed on August 4, 2004);
3.1.2	Articles of Amalgamation, dated July 1, 2010 (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on July 30, 2010);
3.2	General By-law No. 1, as amended on April 29, 2005 (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K filed on March 16, 2007);
4.1	Indenture, dated as of October 23, 2009, by and between the Company, the Note Guarantors, and The Bank of New York Mellon, as trustee, relating to the issuance of the Company's 11% Senior Notes due 2016 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on October 26, 2009);
4.1.1	First Supplemental Indenture, dated as of May 14, 2010, to the Indenture, dated as of October 23, 2009, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee, including the form of 11% Senior Notes due 2016 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on May 14, 2010);
4.1.2	Second Supplemental Indenture, dated as of October 23, 2010, to the Indenture, dated as of October 23, 2009, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q filed on October 29, 2010);
10.1	Purchase Agreement, dated October 20, 2009, by and among the Company and Goldman, Sachs & Co., as representative of the initial purchasers, relating to the issuance of the Company's 11% Senior Notes due 2016 (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed on October 26, 2009);
10.1.1	Exchange and Registration Rights Agreement, dated as of October 23, 2009, by and among the Company, and Goldman, Sachs & Co., as representative of the initial purchasers, relating to the issuance of the Company's 11% Senior Notes due 2016 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 26, 2009);
10.1.2	Purchase Agreement, dated as of May 11, 2010, among the Company, the Note Guarantors and Goldman, Sachs & Co., as representative of the initial purchasers named therein (incorporated by reference to Exhibit 1.1 to the Company's Form 8-K filed on May 14, 2010);
10.1.3	Exchange and Registration Rights Agreement, dated as of May 14, 2010, among the Company, the Note Guarantors and Goldman, Sachs & Co., as representative of the initial purchasers named therein (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 14, 2010);
10.2	Credit Agreement, dated as of October 23, 2009 by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC, as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on October 26, 2009);
10.2.1	First Amendment, dated March 19, 2010, to Credit Agreement, dated as of October 23, 2009 by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC (now Wells Fargo Capital Finance, LLC), as agent,

and the lenders party thereto (incorporated by reference to Exhibit 10.1.1 to the Company's Form 10-Q filed on May 7, 2010);

- 10.2.2 Consent and Second Amendment, dated May 6, 2010, to Credit Agreement, dated as of October 23, 2009 by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC (now Wells Fargo Capital Finance, LLC), as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1.2 to the Company's Form 10-Q filed on May 7, 2010);

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Exhibit No.	Description
10.2.3	Third Amendment, dated November 22, 2010, to Credit Agreement, dated as of October 23, 2009 by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Capital Finance, LLC (formerly Wells Fargo Foothill, LLC), as agent, and the lenders party thereto*;
10.2.4	Fourth Amendment, dated March 7, 2011, to Credit Agreement, dated as of October 23, 2009 by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Capital Finance, LLC (formerly Wells Fargo Foothill, LLC), as agent, and the lenders party thereto*;
10.3	Management Services Agreement relating to the employment of Miles Nadal as Chief Executive Officer, dated April 27, 2007 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on May 8, 2007);
10.3.1	Letter Agreement between the Company and Miles Nadal dated April 11, 2005 (incorporated by reference to Exhibit 10.6.1 to the Company's Form 10-K filed on April 18, 2005);
10.3.2	Letter Agreement between the Company and Miles Nadal dated April 1, 2008 (incorporated by reference to Exhibit 10.3.2 to the Company's Form 10-K filed on March 9, 2009);
10.3.3	Amendment to Management Services Agreement relating to the employment of Miles Nadal as Chief Executive Officer, dated July 30, 2010 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on July 30, 2010);
10.4	Employment Agreement between the Company and Stephen M. Pustil, dated as of August 20, 2007 (incorporated by reference to Exhibit 10.1 to the Company's 10-Q filed on November 8, 2007);
10.4.1	Amendment No. 1 dated August 5, 2010, to the Employment Agreement made as of August 20, 2007, by and between MDC Partners Inc. and Stephen Pustil (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on October 29, 2010);
10.5	Employment Agreement between the Company and David Doft, dated as of July 19, 2007 (effective August 10, 2007) (incorporated by reference to Exhibit 10.7 to the Company's Form 10-Q filed on August 7, 2007);
10.6	Employment Agreement between the Company and Gavin Swartzman, dated as of September 5, 2007 (incorporated by reference to Exhibit 10.2 to the Company's 10-Q filed on November 8, 2007);
10.7	Employment Agreement between the Company and Robert Dickson, dated July 26, 2002 (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on May 10, 2004);
10.7.1	Amendment to Employment Agreement between the Company and Robert Dickson, dated November 20, 2007 (incorporated by reference to Exhibit 10.8.1 to the Company's Form 10-K filed on March 10, 2008);
10.8	Amended and Restated Employment Agreement between the Company and Mitchell Gendel, dated as of July 6, 2007 (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 7, 2007);
10.9	Amended and Restated Employment Agreement between the Company and Michael Sabatino, dated as of July 6, 2007 (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed on August 7, 2007);
10.10	Agreement of Separation and Release between the Company and Graham Rosenberg, dated August 31, 2009 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-K filed on November 2, 2009);

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- 10.11 Amended and Restated Stock Appreciation Rights Plan, as adopted by the shareholders of the Company at the 2009 Annual and Special Meeting of Shareholders on June 2, 2009 (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on June 5, 2009);
- 10.11.1 Form of Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's 10-Q filed on May 5, 2006);
- 10.12 Amended 2005 Stock Incentive Plan of the Company, as approved and adopted by the shareholders of the Company at the 2009 Annual and Special Meeting of Shareholders on June 2, 2009 (incorporated by reference to Exhibit 10.1 to the Company's 8-K filed on June 5, 2009);

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Exhibit No.	Description
10.12.1	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on November 9, 2005);
10.12.2	Form of Financial Performance-Based Restricted Stock Grant Agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 2, 2006);
10.12.3	Form of Financial Performance-Based Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on March 2, 2006);
10.12.4	Form of Service-Based and Financial Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q filed on November 8, 2007);
10.12.5	Form of Restricted Stock Grant Agreement (2010) (incorporated by reference to Exhibit 10.12.5 to the Company's Form 10-K filed on March 10, 2010);
10.12.6	Form of Restricted Stock Unit (RSU) Grant Agreement (2010) (incorporated by reference to Exhibit 10.12.6 to the Company's Form 10-K filed on March 10, 2010);
10.12.7	Form of EVAR Grant Agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 27, 2011);
10.12.8	Form of EVAR Letter Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on January 27, 2011);
10.12.9	Form of Restricted Stock Grant Agreement (2011)*;
10.12.10	Form of Restricted Stock Unit (RSU) Grant Agreement (2011)*;
10.13	2008 Key Partner Incentive Plan, as approved and adopted by the shareholders of the Company at the 2008 Annual and Special Meeting of Shareholders on May 30, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on July 31, 2008);
10.14	Membership Interest Purchase Agreement (17%) dated November 10, 2008, among the Company, CPB Acquisition Inc., MDC Acquisition Inc., and Crispin Porter & Bogusky LLC (CPB), Crispin & Porter Advertising Inc., and certain employees of CPB (incorporated by reference to Exhibit 10.15 of the Company's Form 10-K filed on March 9, 2009);
10.14.1	Amendment No. 1, dated October 5, 2009, to Membership Interest Purchase Agreement dated November 10, 2008 (incorporated by reference to Exhibit 10.14.1 to the Company's Form 10-K filed on March 10, 2010);
10.14.2	Amendment No. 2, dated December 1, 2009, to Membership Interest Purchase Agreement dated November 10, 2008 (incorporated by reference to Exhibit 10.14.2 to the Company's Form 10-K filed on March 10, 2010);
10.15.1	Membership Interest Purchase Agreement by and among MDC Acquisition Inc., WWG, LLC, a Florida limited liability company, Todd Graham, Kevin Berg, Vincent Parinello, Daniel K. Gregory, Stephen Groth, and Sean M. O Toole, dated as of March 1, 2010 (incorporated by reference to Exhibit 10.2.1 to the Company's Form 10-Q filed on May 7, 2010);
10.15.2	Amended and Restated Limited Liability Company Agreement of The Arsenal LLC (f/k/a Team Holdings LLC) by and among MDC Acquisition Inc., WWG, LLC, and WWG2, LLC, dated as of March 1, 2010 (incorporated by reference to Exhibit 10.2.2 to the Company's Form 10-Q filed on May 7, 2010);
10.15.3	Amendment No. 1, dated July 29, 2010, to the Membership Interest Purchase Agreement dated as of March 1, 2010 by and among MDC Acquisition Inc., WWG, LLC, Todd Graham, Kevin Berg, Vincent Parinello, Daniel K. Gregory, Stephen Groth and Sean M. O Toole (incorporated by reference to Exhibit 10.2.1 to the Company's Form 10-Q filed on July 30, 2010);
10.15.4	

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Amendment No. 1, dated July 29, 2010, to the Amended and Restated Limited Liability Company Agreement of The Arsenal LLC (f/k/a Team Holdings LLC) dated as of March 1, 2010 by and among The Arsenal LLC, MDC Acquisition Inc., WWG, LLC and WWG2, LLC (incorporated by reference to Exhibit 10.2.2 to the Company's Form 10-Q filed on July 30, 2010);

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Exhibit No.	Description
10.16.1	Membership Unit Purchase Agreement by and among MF+P Acquisition Co., Integrated Media Solutions, LLC, a New York limited liability company, Robert Ingram, Desiree Du Mont and Ron Corvino, dated as of April 30, 2010 (incorporated by reference to Exhibit 10.3.1 to the Company's Form 10-Q filed on May 7, 2010);
10.16.2	Amended and Restated Limited Liability Company Agreement of Integrated Media Solutions Partners LLC by and among MF+P Acquisition Co. and Integrated Media Solutions, LLC, dated as of April 30, 2010 (incorporated by reference to Exhibit 10.3.2 to the Company's Form 10-Q filed on May 7, 2010);
10.16.3	Amendment No. 1, dated July 29, 2010, to the Membership Unit Purchase Agreement dated as of April 30, 2010 by and among MF+P Acquisition Co., Integrated Media Solutions, LLC, Robert Ingram, Desiree DuMont and Ron Corvino (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on July 30, 2010);
10.17.1	Limited Partnership Unit Purchase Agreement dated as of November 30, 2010, by and among MDC Partners Inc., a Canadian corporation, Newport Partners Holdings LP, an Ontario limited partnership, Cap C LP Holdco Inc., an Ontario corporation, 2265174 Ontario Limited, an Ontario corporation, Glenn Chilton and Paul Quigley*;
10.17.2	Limited Partnership Unit Purchase Agreement dated as of November 30, 2010, by and among MDC Partners Inc., a Canadian corporation, 2265174 Ontario Limited, Glenn Chilton and Paul Quigley*;
10.18.1	Limited Partnership Unit Purchase Agreement dated as of November 30, 2010, by and among MDC Partners Inc., a Canadian corporation, Newport Partners Holdings LP, an Ontario limited partnership, Cap C LP Holdco Inc., an Ontario corporation, 2265178 Ontario Limited, an Ontario corporation, Tony Chapman and Victoria Calverley*;
10.18.2	Limited Partnership Unit Purchase Agreement dated as of November 30, 2010, by and among MDC Partners Inc., a Canadian corporation, 2265178 Ontario Limited, and Tony Chapman, Victoria Calverley, Bennett Klein and Tom Clune*;
12	Statement of computation of ratio of earnings to fixed charges*;
14	Code of Conduct of MDC Partners Inc. (incorporated by reference to Exhibit 14 to the Company's Form 10-K filed on March 10, 2008);
14.1	MDC Partners' Corporate Governance Guidelines, amended in May 2009 (incorporated by reference to Exhibit 14.1 to the Company's Form 10-K filed on March 10, 2010);
21	Subsidiaries of Registrant*;
23	Consent of Independent Registered Public Accounting Firm BDO Seidman LLP*;
31.1	Certification by Chief Executive Officer pursuant to Rules 13a 14(a) and 15d 14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002*;
31.2	Certification by Chief Financial Officer pursuant to Rules 13a 14(a) and 15d 14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002*;
32.1	Certification by Chief Executive Officer pursuant to 18 USC. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*;
32.2	Certification by Chief Financial Officer pursuant to 18 USC. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*.

*

Filed electronically herewith.