

MDC PARTNERS INC
Form 8-K/A
February 10, 2011

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

FORM 8-K/A
(Amendment No. 1)

Current Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date Earliest Event reported) – February 10, 2011 (November 30, 2010)

MDC PARTNERS INC.
(Exact name of registrant as specified in its charter)

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

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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EXPLANATORY NOTE

This Current Report on Form 8-K/A amends the Current Report on Form 8-K filed by MDC Partners Inc. (the “Company”) on December 6, 2010, concerning the acquisition of a majority equity interest in each of Kenna Communications LP, an Ontario limited partnership (“Kenna”), and Capital C Partners LP, an Ontario limited partnership (“Capital C”). Kenna and Capital C were formerly operated as Capital C Communications LP. Immediately prior to the acquisition, the businesses were demerged into Kenna and Capital C. This Current Report on Form 8-K/A includes the historical financial information of Capital C Communications LP and the required pro forma financial information of the Company giving effect to the acquisition, each as required by Item 9.01 of Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of businesses acquired.

Audited financial statements of Capital C Communications LP for the eleven months ended November 30, 2010 and for the year ended December 31, 2009, and the related notes thereto.

The required historical financial information of Capital C Communications LP included in this Form 8-K shall be deemed filed for purposes of the Securities Exchange Act of 1934, as amended. Capital C Communications LP’s historical financial results set forth below should not be viewed as indicative of the contribution by Kenna and Capital C to the Company’s future operating results.

Capital C Communications LP

Financial Statements
For the eleven months period ended November 30, 2010
(in US dollars)

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Independent Accountants' Report

Partners of Capital C Communications LP

We have audited the accompanying balance sheets of Capital C Communications LP as of November 30, 2010 and December 31, 2009, and the related statements of income, partners' equity, accumulated other comprehensive income, and cash flows for the eleven months ended November 30, 2010 and twelve months ended December 31, 2009. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 financial statements referred to above present fairly, in all material respects, the financial position of Capital C Communications LP at November 30, 2010 and December 31, 2009, and the results of its operations and its cash flows for the eleven months ended November 30, 2010 and twelve months ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
February 4, 2011

Capital C Communications LP

Balance Sheets

	November 30, 2010	December 31, 2009
	in US dollars	
Assets		
Current Assets		
Cash	\$ 1,852,957	\$ 2,834,879
Accounts receivable	6,803,223	7,315,087
Receivable from employees	29,497	256,084
Unbilled work in progress	2,259,118	2,985,625
Prepaid expenses	790,243	637,992
Due from related parties (Note 5)	33,727	24,868
	11,768,765	14,054,535
Property and Equipment, net (Note 1)	3,296,092	3,172,919
Intangible Assets, net (Note 2)	203,590	360,585
Goodwill	6,774,438	6,528,132
	\$ 22,042,885	\$ 24,116,171
Liabilities and Partners' Equity		
Current Liabilities		
Accounts payable	\$ 2,679,868	\$ 1,630,203
Accrued liabilities	1,252,157	751,126
Deferred revenue	4,333,916	4,816,480
Loan payable to related party (Note 3)	-	2,774,919
Current portion of obligations under capital leases (Note 4)	109,157	82,215
Due to related parties (Note 5)	1,866,094	2,848,830
	10,241,192	12,903,773
Obligations under capital leases (Note 4)	131,203	178,433
Deferred rent	435,478	463,846
	10,807,873	13,546,052
Partners' Equity		
Accumulated other comprehensive income	1,434,563	1,030,768
Partners' Equity (Note 6)	9,800,449	9,539,351

11,235,012	10,570,119
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\$ 22,042,885	\$ 24,116,171
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See accompanying independent accountants' report and notes to financial statements.

Capital C Communications LP

Statements of Income, Partners' Equity and
Accumulated Other Comprehensive Income

	11 months ended November 30, 2010	Year ended December 31, 2009 in US dollars
Statement of Income		
Revenue	\$ 48,738,073	\$ 44,334,985
Cost of services provided	35,381,713	30,863,875
Operating Expenses		
Amortization of intangible assets	167,404	164,924
Amortization of property and equipment	873,777	727,227
General and administrative	6,544,126	6,040,464
Income from operations before loss on investment and interest expense	5,771,053	6,538,495
Loss on sale of investment in P2P	-	(70,044)
Interest expense, net (Note 5)	(89,066)	(116,456)
Net Income	5,681,987	6,351,995
Other comprehensive income	403,795	1,589,248
Comprehensive income	\$ 6,085,782	\$ 7,941,243
Statement of Partners' Equity		
Partners' equity – beginning of period	\$ 9,539,351	\$ 9,734,320
Net income	5,681,987	6,351,995
Distributions	(5,420,889)	(6,546,964)
Partners' equity – end of period	\$ 9,800,449	\$ 9,539,351
Statement of Accumulated Other Comprehensive Income		
Balance – beginning of period	\$ 1,030,768	\$ (558,480)
Other comprehensive income	403,795	1,589,248
Balance – end of period	\$ 1,434,563	\$ 1,030,768

See accompanying independent accountants' report and notes to financial statements.

Capital C Communications LP

Statements of Cash Flows

	November 30, 2010	December 31, 2009
	in US dollars	
Operating Activities		
Net income	\$ 5,681,987	\$ 6,351,995
Adjustments to reconcile net income to net cash from (for) operating activities:		
Amortization of Intangible assets	167,404	164,924
Amortization of property and equipment	873,777	727,227
Loss on sale of investment in P2P Proximate Marketing Inc.	-	70,044
Changes in operating assets and liabilities:		
Accounts receivable	773,098	1,240,031
Receivable from employees	231,822	(228,352)
Unbilled work in progress	823,432	(663,072)
Prepaid expenses	(125,778)	(248,506)
Accounts payable	969,644	88,367
Accrued liabilities	463,835	(1,070,237)
Deferred revenue	(651,843)	789,297
Deferred rent	(45,009)	14,410
Net cash from operating activities	9,162,369	7,236,128
Investing Activities		
Proceeds on disposal of investment in P2P Proximate Marking Inc.	-	175,392
Due from related parties	(7,772)	(22,869)
Purchase of property and equipment	(816,991)	(589,956)
Net cash used for investing activities	(824,763)	(437,433)
Financing Activities		
Advance (repayment) of loan payable	(2,879,617)	240,616
Capital lease repayments	(89,737)	(116,094)
Distributions to partners	(6,490,685)	(5,931,539)
Net cash used for financing activities	(9,460,039)	(5,807,017)
Effect on exchange rate changes in cash	140,511	347,682
Net change in cash	(981,922)	1,339,360
Cash, beginning of period	2,834,879	1,495,519
Cash, end of period	\$ 1,852,957	\$ 2,834,879
Supplemental Information		
Cash paid for interest	\$ 91,272	\$ 121,048

Non-cash Transactions			
Distributions to partners	\$	1,913,502	\$ 2,848,830
Purchase of capital assets with capital leases	\$	60,178	\$ -

See accompanying independent accountants' report and notes to financial statements.

Capital C Communications LP

Summary of Significant Accounting Policies

Nature of Business

Capital C Communications LP is a limited partnership registered in Ontario, Canada and operating under its general partner Capital C GP Corp. The Partnership provides integrated marketing services to clients in Canada and the U.S. These financial statements do not include any assets, liabilities, revenues and expenses of the partners.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Foreign Currency Translation

Transactions denominated in currencies other than the Canadian functional currency result in transactions gains and losses based on the exchange rate changes.

For reporting purposes, assets and liabilities are translated into US dollars at the period-end exchange rates, and the results of its operations are translated at the average rate of exchange for the period. The resulting translation adjustments are recorded in accumulated other comprehensive income.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of trade receivables recorded at original invoice amounts, less an estimated allowance for uncollectible accounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest. Trade receivables are periodically evaluated for collectibility based on past credit histories with customers and their current financial conditions. Changes in the estimated collectibility of trade receivables are recorded in the results of operations for the period in which the estimates are revised. Trade receivables that are deemed uncollectible are offset against the allowance for uncollectible accounts. The Partnership generally does not require collateral for trade receivables. As at November 30, 2010 and December 31, 2009, no accounts receivable were considered at risk and the allowance for doubtful accounts was consequently nil.

Unbilled Work In Progress

Amount represents fees earned and unbilled to clients. For amounts determined not collectible, an allowance is provided.

Capital C Communications LP

Summary of Significant Accounting Policies

Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is provided over the estimated useful lives using the half-year convention as follows:

Computer hardware and software	straight line over 3-4 years
Office equipment	straight line over 5-10 years
Leasehold improvements	straight line over the lease term

Impairment of Long-lived Assets

In accordance with the FASB Accounting Standards Codification (“ASC”) topic, Property, Plant and Equipment, 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 Partnership 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 Partnership’s weighted average cost of capital, risk adjusted where appropriate. If the discounted cash flows are less than the carrying value of the assets, this amount is recorded as an impairment charge.

Definite Lived Intangible Assets

Intangible asset represents customer relationships acquired during a business acquisition in 2007. 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. Straight-line amortization method over the estimated useful life of 5 years is used. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. As of November 30, 2010 and December 31, 2009, there was no impairment of intangible assets.

Capital C Communications LP

Summary of Significant Accounting Policies

Goodwill

Goodwill relates to a business acquisition in 2005. There have been no additions or impairment to the goodwill since inception. Changes in the goodwill balance arise due to foreign exchange differences on the conversion from functional currency to reporting currency.

In accordance with the FASB Accounting Standards Codification (“ASC”) topic, Goodwill and Other Intangible Assets, goodwill acquired as a result of a business combination which is 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 Partnership determines the fair value of a reporting unit and compares it to its carrying amount. 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, and the market approach, which incorporates the use of earnings and revenue multiples based on market data.

Impairment losses, where applicable, will be charged to operating profit. As of November 30, 2010 and December 31, 2009, there was no impairment of goodwill.

Accounts payable

Accounts payable generally represents supplier payables and other unpaid costs incurred in the ordinary course of business.

Deferred rent

The Partnership accounts for operating leases with scheduled rent increases during the lease term in accordance with ASC 840, “Leases” which requires that rental payments that are not made on a straight-line basis be recognized on a straight-line basis. Any rent escalations, concessions and holidays in the Partnership’s operating leases are recognized on a straight-line basis over the lease term with the difference recorded as deferred rent.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income represents the cumulative effect of foreign currency translation adjustments recorded as other comprehensive income.

Capital C Communications LP

Summary of Significant Accounting Policies

Revenue Recognition

The Partnership's revenue recognition policies are in compliance with the SEC Staff Accounting Bulletin 104, "Revenue Recognition" ("SAB 104"), and accordingly, revenue is generally recognized as services are provided, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured.

The Partnership earns revenue from agency arrangements in the form of retainer fees, 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 and licensing contracts are generally recognized on a straight line basis over the term of the specific customer contract. Fixed fees for services are recognized using proportional performance model, where revenue is recognized as performance occurs, based on the relative value of the performance that has occurred to that point in time. Per diem fees are recognized upon the performance of the Partnership's services. A small portion of the Partnership's contractual arrangements with customers includes performance incentive provisions, which allows the Partnership to earn additional revenues as a result of its performance relative to both quantitative and qualitative goals. The Partnership recognizes the incentive portion of revenue under these arrangements when specific quantitative goals are achieved, or when the Partnership's clients determine performance against qualitative goals has been achieved. In all circumstances, revenue is only recognized when collection is reasonably assured.

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

The Partnership follows Accounting ASC 605-45 "Principle Agent Considerations – Reporting Revenue Gross or Net". This standard addresses 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 Partnership reports revenue on a gross basis.

Cost of Services Provided.

Costs of services provided do not include amortization charges for property and equipment.

Interest Expense

Interest expense primarily consists of interest paid on capital lease obligations and loan payable to related party.

Capital C Communications LP

Summary of Significant Accounting Policies

Financial Instruments

ASC 825 (formerly SFAS 107, Disclosures about Fair Value of Financial Instruments) defines financial instruments and requires disclosure of the fair value of those instruments. ASC 820 (formerly SFAS 157, Fair Value Measurements), defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheets for current receivables and payables, including short-term loans, qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments, their expected realization and, if applicable, the stated rate of interest is equivalent to rates currently available. The three levels are defined as follows: Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instruments. Level 3: inputs to the valuation methodology are unobservable and significant to the fair value. The Company did not identify any assets or liabilities that are required to be presented on the balance sheet at fair value in accordance with ASC 820 (formerly SFAS 157).

New Accounting Pronouncements

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. We do not expect that the adoption will have a material impact on our financial statements.

In June 2009, the FASB introduced the FASB Accounting Standards Codification and issued the revised guidance on Hierarchy of Generally Accepted Accounting Principles, which is effective for the Company July 1, 2009. This standard does not alter current U.S. GAAP, but rather integrates existing accounting standards with other authoritative guidance. Under this standard there is a single source of authoritative U.S. GAAP for nongovernmental entities and which superseded all other previously issued non-SEC accounting and reporting guidance.

Capital C Communications LP

Notes to Financial Statements

1. Property and Equipment, net

	30, 2010	November Accumulated Amortization	31, 2009	December Accumulated Amortization
	Cost		Cost	
Computer hardware and software	\$ 3,859,234	\$ 2,415,511	\$ 3,001,788	\$ 1,803,552
Computer hardware under capital lease	83,669	83,669	80,627	70,549
Office equipment	1,092,219	612,045	972,102	472,612
Office equipment under capital leases	462,987	144,419	387,057	90,859
Leasehold improvements	1,510,256	529,129	1,450,564	344,988
Leasehold improvements under capital leases	101,361	28,861	83,690	20,349
	7,109,726	3,813,634	5,975,828	2,802,909
		\$ 3,296,092		\$ 3,172,919

During 2010 fiscal year, the Partnership acquired office equipment of \$60,178 by means of a capital lease and therefore pledged as security for the lease obligations.

2. Intangible Assets

	30, 2010	November Accumulated Amortization	31, 2009	December Accumulated Amortization
	Cost		Cost	
Intangible assets	\$ 932,518	\$ 728,928	\$ 898,614	\$ 538,029
		\$ 203,590		\$ 360,585

3. Loan payable to Related Party

Loan payable is due to Newport Partners with 67% ownership of the Partnership. The loan payable is due on demand, unsecured and interest bearing at prime plus 1%. The loan was fully repaid during the year.

Capital C Communications LP

Notes to Financial Statements

4. Obligations under Capital Leases

	November 30, 2010	December 31, 2009
Due March 2015, repayable in blended quarterly instalments of Cdn\$3,705, secured by office equipment under capital lease	\$ 55,195	\$ -
Due September 2012, repayable in blended monthly instalments of Cdn\$7,456, secured by office equipment and leasehold improvements under capital leases	144,627	203,585
Due September 2012, repayable in blended monthly instalments of Cdn\$2,090, secured by office equipment and leasehold improvements under capital leases	40,538	57,063
	240,360	260,648
Less current portion	109,157	82,215
	\$ 131,203	\$ 178,433

The future minimum lease payments over the next five years are as follows:

Year ending November 30,

2011	\$ 127,742
2012	108,890
2013	14,633
2014	14,633
2015	7,317
	273,215
Less: imputed interest	32,855
	\$ 240,360

Capital C Communications LP

Notes to Financial Statements

5. Due from / to Related Parties

Amounts due from / to related parties noted below are unsecured, non-interest bearing with no fixed terms of repayment.

Due from related parties

	November 30, 2010	December 31, 2009
Capital C GP Corp, general partner	\$ 33,727	\$ 249
Capital C LP Holdco Inc., 32.86% ownership of Partnership	-	24,619
	\$ 33,727	\$ 24,868

Due to related parties

	November 30, 2010	December 31, 2009
Distribution to Newport Partners, 67.13% ownership of Partnership	\$ 403,163	\$ 1,538,702
Distribution payable to Capital C LP Holdco, 32.86% ownership of Partnership	1,462,931	1,310,128
	\$ 1,866,094	\$ 2,848,830

During the period, transactions with related parties were as follows:

	November 30, 2010	December 31, 2009
Interest expense		
Newport Partners (see Note 3)	\$ 66,282	\$ 88,379
Capital C LP Holdco	\$ -	\$ 9,181

Capital C Communications LP

Notes to Financial Statements

6. Partner' Equity

	Authorized	Issued
Class A	1	1
Class B	Unlimited	7,999
Class C	Unlimited	2,000
Class D	Unlimited	7,500

Each issued and outstanding unit has right to one vote.

Capital C GP Corp., general partner, holds 1 unit of Class A and 1 unit of Class D.

Capital CEK LP, limited partner, holds 7,999 units of Class B, 2,000 units of Class C and 7,499 units of Class D. In turn, the following entities own the respective partnership interest in Capital CEK LP; Newport Partners with 67.13%, Capital C LP Holdco Inc. with 32.86% and Kenna Group GP Corp with 0.01% ownership interest.

Income and loss of the Partnership is allocated among the holders of the units in accordance with their respective partnership interests.

7. Lease Commitments

The Partnership leases three office facilities for its business locations in Winnipeg and Toronto under long-term, non-cancelable operating lease agreements and contain provisions for future rent increases. The total amount of rental payments due over the terms of each lease are being charged to rent expense on the straight-line method over the terms of each lease. The leases expire between January 2012 and February 2019.

Approximate minimum future rental commitments under non-cancellable leases are payable as follows:

Year ending November 30,

2011	\$ 917,000
2012	897,000
2013	882,000
2014	818,000
2015	720,000
Thereafter	2,516,000
	\$ 6,750,000

8. Concentration of Customers

Customer A accounts for approximately 18% (2009 – 20%) of total sales and Customer B accounts for approximately 19% (2009 – 20%) of total sales. Total accounts receivable from four customers (2009 – three) accounted for approximately 64% (2009 – 44%) of total accounts receivable, of which Customer A accounts for 17% (2009 – 19%).

Capital C Communications LP

Notes to Financial Statements

9. Financial Instruments

The Partnership's financial instruments consist primarily of cash, accounts receivable, due from related parties, accounts payable, accrued liabilities, loan payable and due to related parties. The carrying values of financial instruments are representative of their fair values due to their short-term maturities.

10. Subsequent Event

On November 30, 2010, MDC Partners Inc. ("MDC" or the "Company") acquired a majority equity interest in each of Kenna Communications LP, an Ontario limited partnership ("Kenna"), and Capital C Partners LP, an Ontario limited partnership ("Capital C"). The aggregate purchase price was equal to CDN \$27,000,000 paid to Newport Partners Holdings LP ("Newport"), plus contingent payments due to the management equity holders based on future financial performance. Kenna and Capital C were formerly operated by Capital C Communications LP and owned 67.13% by Newport and the remainder by management held under Capital C LP Holdco. Immediately prior to the transaction, the businesses were demerged into Kenna and Capital C, respectively. Management retained ownership of the remaining limited partnership interests in each business following the transaction. In addition, MDC has a priority return on profits from each new limited partnership, and call rights with respect to the remaining partnership interests in each of Kenna and Capital C that could ultimately increase MDC's economic ownership to 100%.

Subsequent events have been evaluated up to February 4, 2011 which is the day financial statements were available to be issued.

(b) Pro forma financial information.

Unaudited pro forma consolidated financial statements of the Company and subsidiaries as of September 30, 2010 and for the nine months then ended and unaudited pro forma consolidated financial statements for the year ended December 31, 2009, and the related notes thereto.

The pro forma financial information of the Company giving effect to the Kenna and Capital C acquisition is intended to be furnished pursuant to Item 9.01(b) of Form 8-K and such information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing. The unaudited pro forma consolidated financial information is presented below for informational purposes only. The pro forma data is not necessarily indicative of what the Company’s financial position or results of operations actually would have been had the Kenna and Capital C acquisition been completed at and as of the dates indicated. In addition, the unaudited pro forma financial information does not purport to project the future financial position or operating results of the Company.

MDC PARTNERS INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

YEAR ENDED DECEMBER 31, 2009

	Historical MDC Partners Inc.	Historical Capital C Communications, LP	Pro forma Adjustments	Notes	Pro forma Statements of Operations
Revenue:					
Services	\$ 545,924	\$ 44,335	\$ —		\$ 590,259
Operating Expenses:					
Cost of services sold	354,312	30,864	—		385,176
Office and general expenses	136,897	6,040	663	4(b)(ii)	143,600
Depreciation and amortization	34,471	892	1,937	4(b)(i)	37,300
	525,680	37,796	2,600		566,076
Operating profit (loss)	20,244	6,539	(2,600)		24,183
Other Income (Expense):					
Other expense	(2,038)	-	—		(2,038)
Interest expense	(22,098)	(116)	(2,317)	4(b)(iii)	(24,531)
Interest income	344	-	—		344
	(23,792)	(116)	(2,317)		(26,225)
Income (loss) from continuing operations before income taxes, equity in affiliates	(3,548)	6,423	(4,917)		(2,042)
Income tax expense	(8,536)	-	—	4(b)(iv)	(8,536)
Income (loss) from continuing operations before equity in affiliates	(12,084)	6,423	(4,917)		(10,578)
Equity in earnings (loss) of non-consolidated affiliates	(8)	(70)	70	4(b)(v)	(8)
Income (loss) from continuing operations	(12,092)	6,353	(4,847)		(10,586)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	(876)	—	—		(876)
Net income (loss)	(12,968)	6,353	(4,847)		(11,462)
Net income attributable to the noncontrolling interests	(5,356)	—	—		(5,356)
Net income (loss) attributable to MDC Partners Inc.	\$ (18,324)	\$ 6,353	\$ (4,847)		\$ (16,818)
Income (loss) Per Common Share:					
Basic and Diluted:					
Net income (loss) from continuing operations	\$ (0.64)	\$			\$ (0.58)

attributable to MDC Partners
Inc. common shareholders

Loss from discontinued operations attributable to MDC Partners Inc. common shareholders	(0.03)	(0.03)
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Net income (loss) attributable to MDC Partners Inc.

common shareholders	\$ (0.67)	\$ (0.61)
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Weighted Average Number of
Common Shares Outstanding:

Basic	27,396,463	27,396,463
Diluted	27,396,463	27,396,463

The accompanying notes are an integral part of the pro forma consolidated statement of operations.

MDC PARTNERS INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

NINE MONTHS ENDED SEPTEMBER 30, 2010

	Historical MDC Partners Inc.	Historical Capital C Communications, LP	Pro forma Adjustments	Notes	Pro forma Statements of Operations
Revenue:					
Services	\$ 484,401	\$ 36,783	\$ —		\$ 521,184
Operating Expenses:					
Cost of services sold	336,056	25,659	—		361,715
Office and general expenses	118,690	6,012	549	4(c)(ii)	125,251
Depreciation and amortization	23,196	814	1,603	4(c)(i)	25,613
	477,942	32,485	2,152		512,579
Operating profit (loss)	6,459	4,298	(2,152)		8,605
Other Income (Expense):					
Other income (expense)	(423)	-	—		(423)
Interest expense	(24,340)	(78)	71	4(c)(iii)	(24,347)
Interest income	155	-	—		155
	(24,608)	(78)	71		(24,615)
Income (loss) from continuing operations before income taxes, equity in affiliates	(18,149)	4,220	(2,081)		(16,010)
Income tax expense	(1,208)	-	—	4(c)(iv)	(1,208)
Income (loss) from continuing operations before equity in affiliates	(19,357)	4,220	(2,081)		(17,218)
Equity in earnings (loss) of non-consolidated affiliates	(1,639)	—	—		(1,639)
Income (loss) from continuing operations	(20,996)	4,220	(2,081)		(18,857)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	(1,410)	—	—		(1,410)
Net income (loss)	(22,406)	4,220	(2,081)		(20,267)
Net income attributable to the noncontrolling interests	(4,503)	—	—		(4,503)
Net income (loss) attributable to MDC Partners Inc.	\$ (26,909)	\$ 4,220	\$ (2,081)		\$ (24,770)
Income (loss) Per Common Share:					
Basic and Diluted:					
Net income (loss) from continuing operations attributable to MDC Partners	\$ (0.91)	\$			\$ (0.83)

Inc. common shareholders

Loss from discontinued operations attributable to MDC Partners Inc. common shareholders	(0.05)	(0.05)
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Net income (loss) attributable to MDC Partners Inc. common shareholders	\$ (0.96)	\$ (0.88)
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Weighted Average Number of Common Shares Outstanding:

Basic	27,980,895	27,980,895
Diluted	27,980,895	27,980,895

The accompanying notes are an integral part of the pro forma consolidated statement of operations.

MDC PARTNERS INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
(in thousands)

AS AT SEPTEMBER 30, 2010

	Historical MDC Partners Inc.		Historical Capital C Communications, LP		Pro forma Adjustments	Notes	Pro forma Balance Sheets
Current Assets:							
Cash	\$	40,995	\$	4,178	\$ (30,071)	3,4(a)(i)	