MDC Partners
Where Great Talent Lives

2017 ANNUAL REPORT

Dear Shareholder,

MDC Partners is a different kind of marketing communications organization, one that was born out of a desire to lead creatively, to find innovative ways to connect brands and consumers, and to empower the most entrepreneurial and innovative talent to do their best work. Time and again, we have disrupted our industry and our competition, to partner with some of the best clients in the world and help them navigate — and measurably succeed in — a landscape that is ever-changing. We have always been a progressive alternative to traditional holding companies, and our perpetual partnership model continues to attract our industry's best agencies and talent.

The strategic investments we made in creativity, data innovation and talent continue to pay off. At a time when competitors are reactively tearing down walls within their organizations, we are building momentum toward the future.

With this year's letter, I am pleased to report that in 2017 we delivered on our promise and more. It was a pivotal year, marked by superior execution and a strengthened financial position that firmly reestablished our standing as the industry's most disruptive growth story. Our achievements this year reflect the relevancy of our modern agency model, the boldness of our clients, and the resiliency of our people. The MDC Partners portfolio of today is significantly stronger and more diversified than ever before.

Delivering Strong Financial Performance

In 2017, MDC Partners delivered strong results across the business, enabling us to achieve our financial targets, in many cases with industry leading metrics.

Our revenue reached a record $1.51 billion, a 9% increase, primarily driven by organic revenue growth of 7.0%. This was several times the average for the big, legacy agency holding companies. We generated Adjusted EBITDA of $203.5 million, an increase of over 15%, with margins expanding by 60 basis points. Excluding pass-through revenue, our underlying margins expanded by 120 basis points. Net income attributable to MDC Partners common shareholders increased to $29.5 million, excluding net benefits from tax reform and the release of our valuation allowance.

This year we also significantly strengthened our financial position. We began the year with a $95 million equity investment from Goldman Sachs, further validating the asset value and strategic positioning of our world-class agency portfolio. We passed a significant milestone by funding $129 million of acquisition-related payments, reducing our deferred acquisition consideration and noncontrolling interest to a six-and-a-half-year low. At the same time, we brought down our reported net debt-to-EBITDA ratio to 4.2x, a full turn lower than year-end 2016, and consistent with our commitment to de-leverage. All in all, we de-levered the company by a turn and a half which transfers meaningful value to our shareholders.

Gaining Market Share and Recognition for our Work

There is no better measure of our ongoing success than our ability to gain market share — and 2017 was no exception. This year we won approximately $87 million of net new business.

We gained meaningful traction with consumer packaged goods companies, with double-digit organic growth in this vertical, becoming a key beneficiary of clients seeking agencies who are able to disrupt traditional segments. Just as importantly, we are increasingly the go-to partner for many of the major tech players and cutting-edge disruptors and innovators of their respective industries.

Geographically, a number of our partners continued to expand overseas in order to meet client needs, including recent office openings in Berlin, Singapore and Sydney. Our modern global model, characterized by regional hubs and lean physical infrastructure, is a source of great competitive advantage. We have now increased our revenue from outside of North America to 14% in 2017 from 11% in the prior year, and continue to view global expansion as one of our largest opportunities.

At the same time, the industry continues to honor our agency partners for their state-of-the-art work. We are especially proud that *Advertising Age* named Assembly as ‘‘Media Agency of the Year’’, that Anomaly and 72andSunny earned two of the top ten spots on the annual A-List, and that Crispin Porter + Bogusky was recognized as an ‘‘Agency Standout.’’

The fact that our partners continue to gain market share while consistently punching above their weight in terms of industry recognition is further validation of the quality and competitiveness of the MDC Partners portfolio.

Innovating with Progressive, Collaborative Solutions

While we are proud of our achievements, we never take our success for granted. This is why we have continued to drive innovation and collaboration across the network to redefine what it means to be creative in a digital world. This past year we added additional firepower to strategic initiatives around data analytics, consumer insights, strategic consulting, and technology solutions. These initiatives go hand in hand with our previous investments in mobile and interaction strategy and development.

Most notably, we incubated Zero & One, a data-at-the-center platform and consultancy. This captive agency empowers our agency partners to better harness customer data, understand the customer journey, and activate business and communications strategies on behalf of their clients. Zero & One will continue to scale as a resource to our agency partners as they address the CMO’s toughest business challenges, which increasingly revolve around interpreting and leveraging massive amounts of newly-available customer data.

We are also adding to our digital product and design expertise as client investment dollars are increasingly allocated toward connected experiences across digital channels. We are scaling and expanding the geographic footprint of our production capabilities to meet the client needs of more cost-efficient content and the rising importance of earned media. And we are making additional investments to scale our healthcare marketing capabilities to better serve the full continuum of expanding opportunities in this area of significant disruption.

Looking Ahead

There is no question that the industry has its share of near-term challenges. But we are confident that we have the optimal structure, strategy and culture to empower our world-class talent to deliver effective creative solutions for our clients. More than ever, today’s CMOs are looking for partners that can help them transform their business in response to the pervasive shifts in consumer behavior, new technologies and the resulting disruption in the marketplace. We have been building a company that thrives in this environment. In that regard, I truly believe that MDC Partners is better positioned for the changing landscape than we have been at any time in our company’s history.

We believe that the strength of our model will be demonstrated by increasing free cash flow, which at the end of the day is the most compelling metric of all for driving value to our shareholders. We are fully-committed to creating long-term shareholder value.

And apart from driving financial performance, we think it is critically important to foster a culture of diversity and inclusion that is fully reflective of the multi-cultural world in which we live and in which our clients operate. Look for us to continue to reflect these values through enhanced disclosure and progress on key performance metrics, up through the highest levels of our organization.

Thank You For Your Support

On behalf of MDC Partners and our more than 6,200 employees, I would like to thank you, our shareholders, for your ongoing support and confidence in our future. I could not be more excited about where we are headed, or more proud of what we have accomplished over the past year.

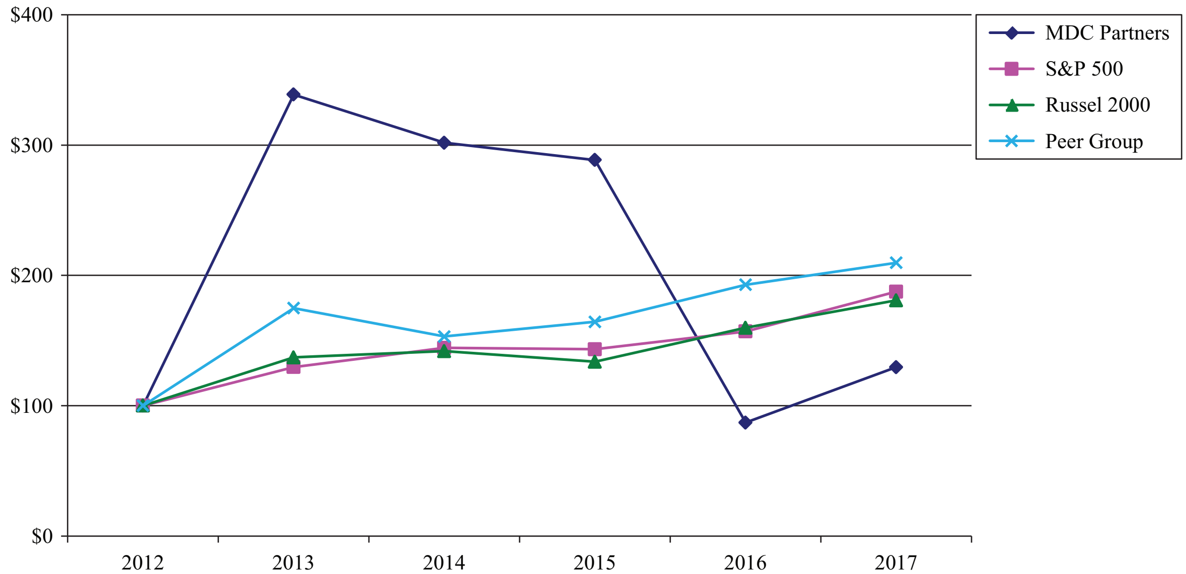
Warm regards,

Scott L. Kauffman

Comparison of 5 Years' Cumulative Total Return among MDC Partners, S&P 500 Index, the Russell 2000 Index and Peer Group

Set forth below is a line graph comparing the cumulative total shareholder return of MDC Partners common stock for the last five years to that of the Standard & Poor's 500 Stock Index, Russell 2000 Index and a peer group of publicly held media, corporate communications and marketing service companies. The graph assumes that, on December 31, 2012, $100 was invested in each of the following: MDC Partners common stock, the S&P 500 Stock Index, the Russell 2000 Index, and the peer group (and that all dividends were reinvested).

The peer group consists of Arbitron, Central European Media, Dreamworks Animation, John Wiley & Sons, Lee Enterprises, Morningstar, Scholastic Corporation, EW Scripps, The New York Times Co., Belo Corp., Cumulus Media, Harte-Hanks, Lamar Advertising, Meredith Corporation, National CineMedia, Sinclair Broadcast Group, The McClatchy Company and Valassis Communications. Total shareholder return for the peer group is weighted according to market capitalization at the beginning of each annual period. Note that certain companies within this peer group (including Arbitron, Belo Corp., Dreamworks Animation and Valassis Communications) have been acquired during this five-year period and their stock is no longer publicly traded. Accordingly, these acquired entities are included in the peer group but only up through the closing date of the respective acquisition.



	2012	2013	2014	2015	2016	2017
MDC Partners	100.00	338.78	301.73	288.45	86.99	129.48
S&P 500 Index.	100.00	129.60	144.36	143.31	156.98	187.47
Russel 2000 Index . .	100.00	137.00	141.84	133.74	159.78	180.79
Peer Group	100.00	174.91	153.06	164.38	192.83	209.69

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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, 2017

Commission File Number 001-13718

MDC PARTNERS INC.

(Exact Name of Registrant as Specified in Its Charter)

Canada	**98-0364441**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

745 Fifth Avenue, 19th Floor,
New York, New York, 10151
(646) 429-1800
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Subordinate Voting Shares, no par value	NASDAQ

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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer (do not check if a smaller reporting company) ☐
Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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, 2017 was approximately $559.3 million, computed upon the basis of the closing sales price ($9.90/share) of the Class A subordinate voting shares on that date.

As of February 21, 2018, there were 58,432,677 outstanding shares of Class A subordinate voting shares without par value, and 3,755 outstanding shares of Class B multiple voting shares without par value, of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement relating to the 2018 Annual General Meeting of Stockholders are incorporated by reference in Part III of this report.

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MDC PARTNERS INC.

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

All dollar amounts are stated in U.S. dollars unless otherwise stated.

DOCUMENTS INCORPORATED BY REFERENCE

The following sections of the Proxy Statement for the Annual Meeting of Stockholders to be held on June 6, 2018, 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 and Compensation Committee on Executive Compensation,'' ''Outstanding Shares,'' ''Appointment of Auditors,'' and ''Certain Relationships and Related Transactions.''

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, and estimates of amounts for redeemable noncontrolling interests and deferred acquisition consideration, constitute forward-looking statements. These statements are based on current plans, estimates and projections, and are subject to change based on a number of factors, including those outlined in this section. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events, if any.

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

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

The Company's business strategy includes ongoing efforts to engage in acquisitions of ownership interests in entities in the marketing communications services industry. The Company intends to finance these acquisitions by using available cash from operations, from borrowings under the Credit Agreement (as defined below) 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 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 Item 1A, 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 of the United States of America (''U.S. GAAP''). However, the Company has included certain non-U.S. GAAP financial measures and ratios, which it believes, provide useful information to both management and readers of this report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by U.S. GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other titled measures determined in accordance with U.S. GAAP.

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PART I

Item 1. Business

MDC PARTNERS INC.

MDC was formed by Certificate of Amalgamation effective December 19, 1986, pursuant to the Business Corporations Act (Ontario). Effective December 19, 1986, MDC amalgamated with Branbury Explorations Limited, and thereby became a public company operating under the name of MDC Corporation. On January 1, 2004, MDC changed its name to its current name, MDC Partners Inc., and on June 28, 2004, MDC was continued under Section 187 of the Canada Business Corporations Act. MDC's registered address is located at 33 Draper Street, Toronto, Ontario, M5V 2M3, and its head office address is located at 745 Fifth Avenue, 19th Floor, New York, New York 10151.

About Us

MDC is a leading global provider of marketing, advertising, activation, communications and strategic consulting solutions. Through its network of Partner Firms (as defined below), MDC delivers a broad range of customized services, including (1) global advertising and marketing, (2) media buying, planning and optimization, (3) interactive and mobile marketing, (4) direct marketing, (5) database and customer relationship management, (6) sales promotion, (7) corporate communications, (8) market research, (9) data analytics and insights, (10) corporate identity, design and branding services, (11) social media communications, (12) product and service innovation, (13) e-commerce management, and (14) technology services.

Market Strategy

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

The MDC model is driven by three key elements:

Perpetual Partnership. The perpetual partnership model creates ongoing alignment of interests between MDC and its Partner Firms to drive the Company's overall performance by (1) identifying the ''right'' Partner Firms with a sustainable differentiated position in the marketplace, (2) creating the ''right'' partnership structure 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 succession planning support and compensation models to incentivize future leaders and second-generation executives, (4) leveraging the network's scale to provide access to strategic resources and best practices and (5) focusing on delivering financial results.

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

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

Financial Reporting Segments

MDC has four reportable segments, plus an All Other category, all of which form the Advertising and Communications Group. The Partner Firms provide a wide range of service offerings both domestically and globally. While in some cases the firms provide the same or similar service offerings, the core or principal service offering is the key factor that distinguishes the Partner Firms from one another.

The following discussion provides additional detailed disclosure for the four reportable segments and the All Other category:

Global Integrated Agencies — This segment is comprised of the Company's six global, integrated Partner Firms with broad marketing communication capabilities, including advertising, branding, digital, social media, design and production services, serving multinational clients around the world.

Domestic Creative Agencies — This segment is comprised of four Partner Firms that are national advertising agencies leveraging creative capabilities at their core.

Specialist Communications — This segment is comprised of seven Partner Firms that are each communications agencies with core service offerings in public relations and related communications services.

Media Services — This segment is comprised of a single operating segment with media buying and planning as its core competency.

All Other — This category consists of the Company's remaining Partner Firms that provide a range of diverse marketing communication services, but are not eligible for aggregation with the reportable segments. Each of the Partner Firms in the All Other category represent less than 10% of consolidated revenue and do not meet the criteria to be a separate reportable segment.

Corporate — In addition, MDC reports its corporate office expenses incurred in connection with the strategic resources provided to the Partner Firms, as well as certain other centrally managed expenses that are not fully allocated to the Partner Firms as Corporate. Corporate provides client and business development support to the Partner Firms as well as certain strategic resources, including accounting, administrative, financial, real estate, human resource and legal functions. Additional expenses managed by the corporate office that are directly related to the Partner Firms are allocated to the appropriate reportable segment and the All Other category.

For further information relating to the Company's segments, including financial information, refer to Note 15 (Segment Information) of the Notes to the Consolidated Financial Statements and to "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations."

Ownership Information

MDC maintains a majority or 100% ownership position in substantially all of its Partner Firms with management of the partner companies owning the remaining equity. MDC generally has rights to increase ownership of non-wholly owned subsidiaries to 100% over a defined period of time. MDC's effective economic interest in each Partner Firm may vary from its voting ownership interest due to certain factors, such as the existence of contingent deferred acquisition payments and/or cash distribution hurdles related to noncontrolling interest holders.

The table below sets forth MDC's voting ownership percentage of each listed Partner Firm as of December 31, 2017. The table does not display all agencies or components within each Partner Firm for which MDC may or may not maintain the same ownership percentage. See Note 4 of the Notes to the Consolidated Financial Statements for more information regarding the Company's contingent purchase price obligations and noncontrolling interests.

MDC PARTNERS INC.

SCHEDULE OF ADVERTISING AND COMMUNICATIONS COMPANIES

Company	Year of Initial Investment	Locations	Ownership %
Consolidated:			
Global Integrated Agencies:			
72andSunny	2010	Los Angeles, New York, Netherlands, Australia, Singapore	100.0%
Anomaly	2011	New York, Los Angeles, Netherlands, Canada, UK, China, Germany	100.0%
Crispin Porter + Bogusky	2001	Miami, Boulder, Los Angeles, UK, Denmark, Brazil, China	100.0%
Doner	2012	Detroit, Cleveland, Los Angeles, UK	65%/85%*
Forsman & Bodenfors	2016	Sweden	100.0%
kbs	2004	New York, Canada, China, UK, Los Angeles	100.0%
Domestic Creative Agencies:			
Colle + McVoy	1999	Minneapolis	100.0%
Laird + Partners	2011	New York	65.0%
Mono Advertising	2004	Minneapolis, San Francisco	70.0%
Union	2013	Canada	75.0%
Specialist Communications:			
Allison & Partners	2010	San Francisco, Los Angeles, New York and other US Locations, China, France, Singapore, UK, Japan, Germany	75.5%
Luntz Global	2014	Washington, D.C.	100.0%
Sloane & Company	2010	New York	100.0%
HL Group Partners	2007	New York, Los Angeles, China	100.0%
Hunter PR	2014	New York, UK	65.0%
Kwittken	2010	New York, UK, Canada	77.5%
Veritas	1993	Canada	95.0%
Media Services:			
MDC Media Partners	2010	New York, Detroit, Los Angeles, Austin	100.0%
All Other:			
6degrees Communications	1993	Canada	74.9%
Bruce Mau Design	2004	Canada	100.0%
Concentric Partners	2011	New York, UK	72.8%
Gale Partners	2014	Canada, New York, India	60.0%
Hello Design	2004	Los Angeles	49.0%
Kenna	2010	Canada	100.0%
Kingsdale	2014	Canada, New York	65.0%
Northstar Research Partners	1998	Canada, New York, UK	100.0%
Redscout	2007	New York, San Francisco, UK	100.0%
Relevent	2010	New York	100.0%
Source Marketing	1998	Norwalk, Pittsburgh	97.0%
TEAM	2010	Ft. Lauderdale	100.0%
Vitro	2004	San Diego, Austin	81.6%
Yamamoto	2000	Minneapolis	100.0%
Civilian	2000	Chicago	100.0%
Y Media Labs	2015	Redwood City, New York, India, Atlanta, Indianapolis	60.0%

* The Company has 65% voting interest and convertible preferred interests that allow the Company to increase ordinary voting ownership to 85% at the Company's option.

Competition

MDC operates in a highly competitive and fragmented industry. Our Partner Firms compete for business and talent with the operating subsidiaries of large global holding companies such as Omnicom Group Inc., Interpublic Group of Companies, Inc., WPP plc, Publicis Groupe SA, Dentsu Inc. and Havas SA, as well as with numerous independent agencies that operate in multiple markets. Our firms also face competition from consultancies, tech platforms, media companies and other services firms that have begun to offer related services. MDC's Partner Firms must compete with all of these other companies to maintain existing client relationships and to obtain new clients and assignments.

MDC's Partner Firms compete at this level by providing clients with progressive advertising and marketing ideas and solutions that are focused on increasing clients' revenues and profits. MDC also benefits from cooperation among its entrepreneurial Partner Firms through referrals and the sharing of both services and expertise, which enables MDC to service clients' varied marketing needs around the world by crafting custom integrated solutions. Additionally, MDC's consistent maintenance of separate, independent operating companies enables MDC to effectively manage potential conflicts of interest by representing competing clients across its network.

Industry Trends

There are several recent economic and industry trends that affect or may be expected to affect the Company's results of operations. 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 these changes in the way consumers interact with media is increasing the demand for a broader range of non-advertising marketing communications services (i.e., direct marketing, sales promotion, interactive, mobile, strategic communications and public relations), which we expect could have a positive impact on our results of operations. In addition, the rise of technology and data solutions have rendered scale less crucial as it once was in areas such as media buying, creating significant opportunities for agile and modern players. Global marketers now demand breakthrough and integrated creative ideas, and no longer require traditional brick-and-mortar communications partners in every market to optimize the effectiveness of their marketing efforts. Combined with the fragmentation of the media landscape, these factors provide new opportunities for small to mid-sized communications companies like those in the MDC network. In addition, marketers now require ever greater speed-to-market to drive financial returns on their marketing and media investment, causing them to turn to more nimble, entrepreneurial and collaborative communications firms like MDC Partner Firms.

As client procurement departments have focused increasingly on marketing services company fees in recent years, the Company has invested in resources to work with client procurement departments to ensure that we are able to deliver against client goals in a mutually beneficial way. For example, the Company has explored new compensation models, such as performance-based incentive payments and equity, in order to greater align our success with our clients. These incentive payments may offset negative pricing pressure from client procurement departments.

Clients

MDC serves a large base of clients across the full spectrum of industry verticals. In many cases, we serve the same clients in various geographic locations, across multiple disciplines, and through multiple Partner Firms. Representation of a client rarely means that MDC handles marketing communications for all brands or product lines of the client in every geographical location. During 2017, 2016 and 2015, the Company did not have a client that accounted for 5% or more of revenues. In addition, MDC's ten largest clients (measured by revenue generated) accounted for 23%, 23% and 24% of 2017, 2016 and 2015 revenues, respectively.

MDC's agencies have written contracts with many of their clients. As is customary in the industry, these contracts generally provide for termination by either party on relatively short notice, usually 90 days. See ''Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Overview'' for a further discussion of MDC's arrangements with its clients.

For further information regarding revenues and long-lived assets on a geographical basis for each of the last three years, see Note 15 of the Notes to the Consolidated Financial Statements.

Employees

As of December 31, 2017, we employed approximately 6,200 people worldwide. The following table provides a breakdown of employees across MDC's four reportable segments, the All Other category, and Corporate:

Segment	Total
Global Integrated Agencies	3,077
Domestic Creative Agencies	452
Specialist Communications	638
Media Services	484
All Other	1,467
Corporate	82
Total	6,200

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

Available Information

Information regarding the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, will be made available, free of charge, at the Company's website at *http://www.mdc-partners.com*, as soon as reasonably practicable after the Company electronically files such reports with or furnishes them to the Securities and Exchange Commission (the "SEC"). The information found on, or otherwise accessible through, the Company's website is not incorporated into, and does not form a part of, this Annual Report or Form 10-K. Any document that the Company files with the SEC may also be read and copied at the SEC's Public Reference Room located at 100 F. Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of 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 and Compensation Committee and Nominating and Corporate Governance Committee, are available free of charge on the Company's website at *http://www.mdc-partners.com* or by writing to MDC Partners Inc., 745 Fifth Avenue, 19th Floor, New York, New York 10151, Attention: Investor Relations.

Item 1A. Risk Factors

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

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

Advertising, marketing and communications expenditures are sensitive to global, national and regional macroeconomic conditions, as well as specific budgeting levels and buying patterns. Adverse developments including heightened uncertainty could reduce the demand for our services, which could adversely affect our revenue, results of operations, and financial position in 2018.

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

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

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

We have a diverse client base, and at any given time, one or more of our clients may experience financial difficulty, file for bankruptcy protection or go out of business. The unfavorable economic and financial conditions that have impacted many sectors of the global economy could result in an increase in client financial difficulties that affect us. The direct impact on us could include reduced revenues and write offs of accounts receivable. If these effects were severe, the indirect impact could include impairments of goodwill, covenant violations relating to MDC's senior secured revolving credit agreement (the ''Credit Agreement'') or the $900 million aggregate principal amount of 6.50% notes due 2024 (the ''6.50% Notes''), or reduced liquidity. Our ten largest clients (measured by revenue generated) accounted for 23% of our revenue in 2017.

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

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

MDC competes for clients in highly competitive industries.

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

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

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

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

The Company is currently in compliance with all of the terms and conditions of the Credit Agreement. If, however, events were to occur, which result in MDC losing all or a substantial portion of its available credit under the Credit Agreement, or if MDC was prevented from accessing such lines of credit due to other restrictions such as those in the indenture governing the 6.50% Notes, MDC could be required to seek other sources of liquidity. In addition, if MDC were unable to replace this source of liquidity, then MDC's ability to fund its working capital needs and any contingent obligations with respect to put options or contingent deferred acquisition payments would be materially adversely affected.

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

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

The Company records liabilities on its balance sheet for deferred acquisition payments at their estimated value based on the current performance of the business, which are remeasured each quarter. At December 31, 2017, these aggregate liabilities were $122.4 million, of which $50.2 million, $29.6 million, $24.9 million and $17.7 million would be payable in 2018, 2019, 2020 and thereafter, respectively.

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

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

The Company recorded $62.9 million on its December 31, 2017 balance sheet as redeemable noncontrolling interests for its estimated obligations in respect of noncontrolling shareholder put and call rights based on the current performance of the subsidiaries, $15.9 million of which related to put rights for which, if exercised, the payments are due at specified dates, with the remainder of redeemable noncontrolling interests attributable to put or call rights exercisable only upon termination of employment or death. No estimated obligation is recorded on the balance sheet for noncontrolling interests for which the Company has a call right but the noncontrolling holder has no put right.

Payments to be made by the Company in respect of deferred acquisition consideration and noncontrolling shareholder put rights may be significantly higher than the estimated amounts described above because the actual obligation adjusts based on the performance of the acquired businesses over time, including future growth in earnings from the calculations made at December 31, 2017. Similarly, the payments made by the Company under call rights would increase with growth in earnings of the acquired businesses. The Company expects that deferred contingent consideration and noncontrolling interests for managers may be features of future acquisitions that it may undertake and that it may also grant similar noncontrolling interests to managers of its subsidiaries unrelated to acquisitions.

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

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

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

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

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

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

MDC's strategy has been to acquire ownership stakes in diverse marketing communications businesses to minimize the effects that might arise from the loss of any one client or executive. The loss of one or more clients could materially affect the results of the individual Partner Firms 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 conditions, 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, technology development, account and practice group specialists, and their skills and relationships with clients, are among MDC's most important assets. An important aspect of MDC's competitiveness is its ability to retain key employee and management personnel.

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

MDC is exposed to the risk of client defaults.

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

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

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

Goodwill and intangible assets may become impaired.

We have recorded a significant amount of goodwill and intangible assets in our consolidated financial statements in accordance with U.S. GAAP resulting from our acquisition activities, which principally represents the specialized know-how of the workforce at the agencies we have acquired. We test, at least annually, the carrying value of goodwill for impairment, as discussed in Note 2 of the Notes to the Consolidated Financial Statements included herein. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. As discussed in Note 2 and Note 8 of the Notes to the Consolidated Financial Statements included herein, for the year ended December 31, 2017, we have recorded goodwill impairment of $3.2 million. For the year ended December 31, 2017 there was a reduction in goodwill of $17.6 million relating to the sale of certain subsidiaries. As a result of the these transactions, the Company performed interim goodwill testing on two reporting units and determined that there was no impairment charge in respect to the impacted reporting units.

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

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

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

In addition, laws and regulations related to user privacy, use of personal information and Internet tracking technologies have been proposed or enacted in the United States and certain international markets (including the European Union's recently enacted General Data Protection Regulation, or "GDPR"). These laws and regulations could affect the acceptance of the Internet as an advertising medium. These actions could affect our business and reduce demand for certain of our services, which could have a material adverse effect on our results of operations and financial position.

We rely extensively on information technology systems.

We rely on information technologies and infrastructure to manage our business, including digital storage of client marketing and advertising information, developing new business opportunities and processing business transactions. Our information technology systems are potentially vulnerable to system failures and network disruptions, malicious intrusion and random attack. While we have taken what we believe are prudent measures to protect our data and information technology systems, we cannot assure you that our efforts will prevent system failures or network disruptions or breaches in our systems. Any such breakdowns or breaches in our systems or data-protection policies could adversely affect our reputation or business.

The Company is subject to an ongoing securities class action litigation claim and a government investigation.

The Company remains subject to an ongoing securities class action litigation claim in Canada, although the U.S. securities class action was dismissed, with prejudice. We maintain insurance for a lawsuit of this nature; however, our insurance coverage does not apply in all circumstances. Moreover, adverse publicity associated with this litigation claim could decrease client demand for our partner agencies' services.

In addition, in 2016 one of the Company's subsidiary agencies received a subpoena from the U.S. Department of Justice Antitrust Division concerning its ongoing investigation of production practices in the advertising industry. The Company and its subsidiary are continuing to fully cooperate with this confidential investigation. Although the ultimate effect of this investigation is inherently uncertain, we do not at this time believe that the investigation will have a material adverse effect on our results of operations or financial position. However, the ultimate resolution of this investigation could be materially different from our current assessment.

Future issuances of equity securities, which may include securities that would rank senior to our Class A shares, may cause dilution to our existing shareholders and adversely affect the market price of our Class A shares.

The market price of our Class A shares could decline as a result of sales of a large number of our Class A shares in the market, or the sale of securities convertible into a large number of our Class A shares. The perception that these sales could occur may also depress the market price of our Class A shares. On March 7, 2017, we issued 95,000 Series 4 convertible preference shares with an initial aggregate liquidation preference of $95.0 million, which will be convertible into Class A shares or our Series 5 convertible preference shares at an initial conversion price of $10.00 per share. The terms of the Preference Shares provide that the conversion price may be reduced, which would result in the Preference Shares being convertible into additional Class A shares, upon certain events including distributions on our Class A shares or issuances of additional Class A shares or equity-linked securities at a price less than the then-applicable conversion price. The conversion of the Preference Shares may adversely affect the market price of our Class A shares, and the market price of our Class A shares may be affected by factors, such as whether the market price is near or above the conversion price, that could make conversion of the Preference Shares more likely. In addition, the Preference Shares rank senior to the Class A shares, which could affect the value of the Class A shares on liquidation or, as a result of contractual provisions, on a change in control transaction. For example, pursuant to the Purchase Agreement related to the issuance of the Preference Shares, the Company has agreed with the Purchaser, with certain exceptions, not to become party to certain change in control transactions that are approved by the Board other than a qualifying transaction in which holders of Preference Shares are entitled to receive cash or qualifying listed securities with a value equal to the then-applicable liquidation preference plus accrued and unpaid dividends. See Note 12 of the Notes to the Consolidated Financial Statements for more information regarding the terms of the Preference Shares.

Additionally, any convertible or exchangeable securities that we issue may have rights, preferences and privileges more favorable than those of our Class A shares, and may result in dilution to owners of our Class A shares. Because our decision to issue additional debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future issuances. Also, we cannot predict the effect, if any, of future issuances of our Class A shares on the market price of our Class A shares.

The indenture governing the 6.50% Notes and the Credit Agreement governing our secured line of credit contain various covenants that limit our discretion in the operation of our business.

The indenture governing the 6.50% Notes and the Credit Agreement governing our lines of credit contain various provisions that limit our discretion in the operation of our business by restricting our ability to:

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

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

Our substantial indebtedness could adversely affect our cash flow and prevent us from fulfilling our obligations, including the 6.50% Notes.

As of December 31, 2017, MDC had $883.1 million, net of debt issuance costs, of indebtedness. In addition, we expect to make additional drawings under the Credit Agreement from time to time. Our ability to pay principal and interest on our indebtedness is dependent on the generation of cash flow by our subsidiaries. Our subsidiaries' business may not generate sufficient cash flow from operations to meet MDC's debt service and other obligations. If we are unable to meet our expenses and debt service obligations, we may need to obtain additional debt, refinance all or a portion of our indebtedness on or before maturity, sell assets or raise equity. We may not be able to obtain additional debt, refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations, to obtain additional debt or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business, financial condition and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable; the lenders under the Credit Agreement could terminate their commitments to loan us money and foreclose against the assets securing our borrowings; and we could be forced into bankruptcy or liquidation. Our level of indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the 6.50% Notes;
- make it difficult for us to meet our obligations with respect to our contingent deferred acquisition payments;
- limit our ability to increase our ownership stake in our Partner Firms;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital and other activities;
- limit our flexibility in planning for, or reacting to, changes in our business and the advertising industry, which may place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, particularly in concert with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds or take other actions.

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

We may incur substantial additional indebtedness in the future. The terms of our Credit Agreement and the indenture governing the 6.50% 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 may be subject to adverse tax consequences such as those related to changes in tax laws or tax rates or their interpretations, and the related application of judgment in determining our global provision for income taxes, deferred tax assets or liabilities or other tax liabilities given the ultimate tax determination is uncertain.

We are a Canada-domiciled multinational company subject to tax in multiple U.S. and foreign tax jurisdictions. Significant judgment is required in determining our global provision for income taxes, deferred tax assets or liabilities and in evaluating our tax positions on a worldwide basis. While we believe our tax positions are consistent with the tax laws in the jurisdictions in which we conduct our business, it is possible that these positions may be overturned by jurisdictional tax authorities, which may have a significant impact on our global provision for income taxes.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. The U.S. recently enacted significant tax reform, and certain provisions of the new law may adversely affect us. In addition, governmental tax authorities are increasingly scrutinizing the tax positions of companies. Many countries in the European Union, as well as a number of other countries and organizations such as the Organization for Economic Cooperation and Development, are actively considering changes to existing tax laws that, if enacted, could increase our tax obligations in countries where we do business. If U.S. or other foreign tax authorities change applicable tax laws, our overall taxes could increase, and our business, financial condition or results of operations may be adversely impacted.

We are a holding company dependent on our subsidiaries for our ability to service our debt.

MDC is a holding company with no operations of our own. Consequently, our ability to service our debt 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 noncontrolling interest 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.

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 ‘‘Management's Discussion and Analysis of Financial Condition and Results of Operations’’ for the impact of occupancy costs on the Company's operating expenses.

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

The table below provides a brief description of all locations in which office space is maintained and the related reportable segment.

Reportable Segment	Office Locations
Global Integrated Agencies	Los Angeles, New York, Miami, Boulder, Detroit, Cleveland, Canada, Sweden, UK, Netherlands, Denmark, China, Australia, Singapore, Germany, and Brazil.
Domestic Creative Agencies	New York, Minneapolis, San Francisco, and Canada.
Specialist Communications	San Francisco, Los Angeles, New York, Washington D.C., Canada, UK, China, France, Singapore, Japan, Germany and Thailand.
Media Services	New York, Detroit, Atlanta, Los Angeles, and Austin.

Item 3. Legal Proceedings

Class Action Litigation

On August 7, 2015, Roberto Paniccia issued a Statement of Claim in the Ontario Superior Court of Justice in the City of Brantford, Ontario seeking to certify a class action suit naming the following as defendants: MDC, former CEO Miles S. Nadal, former CAO Michael C. Sabatino, CFO David Doft and BDO U.S.A. LLP. The Plaintiff alleges violations of section 138.1 of the Ontario Securities Act (and equivalent legislation in other Canadian provinces and territories) as well as common law misrepresentation based on allegedly materially false and misleading statements in the Company's public statements, as well as omitting to disclose material facts with respect to the SEC investigation. The Company intends to continue to vigorously defend this suit. The plaintiff has served his material for leave to proceed under the Ontario Securities Act and that motion is currently scheduled to be heard in April 2018. A motion by the Company and other defendants to address the scope of the proposed class definition was dismissed and the Company is appealing that decision.

Antitrust Subpoena

In June 2016, one of the Company's subsidiaries received a subpoena from the U.S. Department of Justice Antitrust Division concerning the Division's ongoing investigation of production practices in the advertising industry. The Company and its subsidiary are continuing to fully cooperate with this confidential investigation.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information and Holders of Class A Subordinate Voting Shares

The principal market on which the Company's Class A subordinate voting shares are traded is the NASDAQ National Market (''NASDAQ'') (symbol: ''MDCA''). As of February 21, 2018, the approximate number of registered holders of our Class A subordinate voting shares, including those whose shares are held in nominee name, was 800. Quarterly high and low sales prices per share of the Company's Class A subordinate voting shares, as reported on NASDAQ, for each quarter in the years ended December 31, 2017 and 2016, were as follows:

NASDAQ

Quarter Ended	High	Low
	($ per Share)	
March 31, 2016	23.85	16.32
June 30, 2016	23.90	15.94
September 30, 2016	18.64	10.42
December 31, 2016	11.10	2.75
March 31, 2017	9.95	6.13
June 30, 2017	10.20	6.80
September 30, 2017	11.43	9.00
December 31, 2017	12.26	9.51

As of February 16, 2018, the last reported sale price of the Class A subordinate voting shares was $9.70 on NASDAQ.

Dividend Practice

On November 3, 2016, the Company announced that it was suspending its quarterly dividend indefinitely.

In 2016, MDC's board of directors declared the following dividends: a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on March 4, 2016; a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on May 24, 2016; a $0.21 per share quarterly dividend to all shareholders of record as of the close of business on August 10, 2016.

The payment of any future dividends will be at the discretion of MDC's board of directors and will depend upon limitations contained in our Credit Agreement and the indenture governing the 6.50% Notes, future earnings, capital requirements, our general financial condition and general business conditions.

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, 2017:

	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance [Excluding Column (a)]
	(a)	(b)	(c)
Equity compensation plans approved by stockholders	327,500	$—	579,748

On May 26, 2005, the Company's shareholders approved the 2005 Stock Incentive Plan, which provides for the issuance of 3.0 million Class A shares. On June 2, 2009 and June 1, 2007, the Company's shareholders approved amendments to the 2005 Stock Incentive Plan, which increased the number of shares available for issuance to 6.75 million Class A shares. In addition, the plan was amended to allow shares under this plan to be used to satisfy share obligations under the Stock Appreciation Rights Plan (the ''SARS Plan''). On May 30, 2008, the Company's shareholders approved the 2008 Key Partner Incentive Plan, which provides for the issuance of 900,000 Class A shares. On June 1, 2011, the Company's shareholders approved the 2011 Stock Incentive Plan, which provides for the issuance of up to 3.0 million Class A shares. In June 2013, the Company's shareholders approved an amendment to the SARS Plan to permit the Company to issue shares authorized under the SARS Plan to satisfy the grant and vesting of awards under the 2011 Stock Incentive Plan. In June 2016, the Company's shareholders approved the 2016 Stock Incentive Plan, which provides for the issuance of up to 1,500,000 Class A shares.

See also Note 11 of the Notes to the Consolidated Financial Statements included herein for further information.

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

None.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

For the twelve months ended December 31, 2017, the Company made no open market purchases of its Class A shares or its Class B shares. Pursuant to its Credit Agreement and the indenture governing the 6.50% Notes, the Company is currently limited from repurchasing its shares in the open market.

During 2017, the Company's employees surrendered 161,535 Class A shares valued at approximately $1.8 million in connection with the required tax withholding resulting from the vesting of restricted stock. The Company paid these withholding taxes on behalf of the related employees. These Class A shares were subsequently retired and no longer remain outstanding as of December 31, 2017. The following table details those shares withheld during the fourth quarter of 2017:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publically Announced Program	Maximum Number of Shares That May Yet Be Purchased Under the Program
10/1/2017 – 10/31/2017	20,813	$11.19	—	—
11/1/2017 – 11/30/2017	25,900	$10.87	—	—
12/1/2017 – 12/31/2017	—	$ —	—	—
Total	46,713	$11.01	—	—

Transfer Agent and Registrar for Common Stock

The transfer agent and registrar for the Company's common stock is AST Trust Company (Canada). AST Trust Company (Canada) operates a telephone information inquiry line that can be reached by dialing toll-free 1-877-715-0494 or 416-682-3800.

Correspondence may be addressed to:
MDC Partners Inc.
C/o AST Trust Company (Canada)
P.O. Box 4202, Station A
Toronto, Ontario M5V 2V6

Item 6. Selected Financial Data

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

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(Dollars in Thousands, Except per Share Data)				
Operating Data					
Revenues	$1,513,779	$1,385,785	$1,326,256	$1,223,512	$1,062,478
Operating income (loss)	$ 131,959	$ 48,431	$ 72,110	$ 87,749	$ (34,594)
Income (loss) from continuing operations	$ 257,223	$ (40,621)	$ (20,119)	$ 6,739	$ (134,198)
Stock-based compensation included in income (loss) from continuing operations	$ 24,350	$ 21,003	$ 17,796	$ 17,696	$ 100,405
Income (Loss) per Share					
Basic					
Continuing operations attributable to MDC Partners Inc. common shareholders	$ 3.72	$ (0.89)	$ (0.58)	$ —	$ (2.99)
Diluted					
Continuing operations attributable to MDC Partners Inc. common shareholders	$ 3.71	$ (0.89)	$ (0.58)	$ —	$ (2.99)
Cash dividends declared per share	$ —	$ 0.63	$ 0.84	$ 0.74	$ 0.46
Financial Position Data					
Total assets	$1,698,892	$1,577,378	$1,577,625	$1,633,751	$1,408,711
Total debt	$ 883,119	$ 936,436	$ 728,883	$ 727,988	$ 648,612
Redeemable noncontrolling interests	$ 62,886	$ 60,180	$ 69,471	$ 194,951	$ 148,534
Deferred acquisition consideration	$ 122,426	$ 229,564	$ 347,104	$ 205,368	$ 153,913
Fixed charge coverage ratio[1]	2.03	N/A	N/A	1.23	N/A
Fixed charge deficiency	N/A	$ 49,593	$ 16,764	N/A	$ 134,754

(1) The calculation of the fixed charge coverage ratio excludes non-cash accretion of the convertible preference shares of $6.4 million for the year ended December 31, 2017.

A number of factors that should be considered when comparing the annual results shown above are as follows:

Year Ended December 31, 2017

On March 7, 2017 (the ''Issue Date''), the Company issued 95,000 newly created Preference Shares to affiliates of The Goldman Sachs Group, Inc. (collectively, the ''Purchaser'') pursuant to a $95.0 million private placement. The Company received proceeds of approximately $90.2 million, net of fees and estimated expenses, which were primarily used to pay down existing debt under the Company's credit facility and for general corporate purposes. Please see Note 12 of the Notes to the Consolidated Financial Statements included herein for further information.

Additionally during 2017, the Company sold all of its ownership interests in three subsidiaries and completed a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these transactions.

On December 22, 2017, the U.S. government enacted comprehensive legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the ''Tax Act'') which, among other things, reduced the U.S. federal corporate tax rate from 35% to 21%. As a result of the Tax Act, the Company remeasured its existing deferred tax assets and reduced its valuation allowance by $127.1 million. Additionally, during 2017 the Company reduced its valuation allowance by $105.5 million due to the Company's determination that it would be able to realize its deferred tax assets in the future. The related effect on the accompanying consolidated statements of operations and comprehensive income or loss resulted in the Company recording a U.S. income tax benefit of $232.6 million for the year ended December 31, 2017. Please see Note 9 of the Notes to the Consolidated Financial Statements included herein for further information.

Year Ended December 31, 2016

During 2016, the Company completed one acquisition and a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

On March 23, 2016, the Company issued and sold $900 million aggregate principal amount of the 6.50% Notes. The 6.50% Notes are guaranteed on a senior unsecured basis by all of MDC's existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure the Credit Agreement. The 6.50% Notes bear interest at a rate of 6.50% per annum, accruing from March 23, 2016. Interest is payable semiannually in arrears on May 1 and November 1 of each year, beginning November 1, 2016. The 6.50% Notes mature on May 1, 2024, unless earlier redeemed or repurchased. The 6.50% Notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933. The Company received net proceeds from the offering of the 6.50% Notes equal to approximately $880 million. The Company used the net proceeds to redeem all of its existing 6.75% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for the loss on redemption of such notes of $33.3 million, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes, including funding of deferred acquisition consideration.

Year Ended December 31, 2015

During 2015, the Company completed two acquisitions and a number of transactions with majority owned subsidiaries. Please see Note 4 of the Notes to the Consolidated Financial Statements included herein for a summary of these acquisitions.

In May 2015, the Company completed its previously announced sale of the net assets of Accent. For further information, please see Note 4 of the Notes to the Consolidated Financial Statements included herein.

Year Ended December 31, 2014

During 2014, the Company completed a number of acquisitions and a number of transactions with majority owned subsidiaries.

On April 2, 2014, the Company issued an additional $75 million aggregate principal amount of its 6.75% Notes. The additional notes were issued under the indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes. We received net proceeds from the offering of approximately $77.5 million, and we used the proceeds for general corporate purposes, including the funding of deferred acquisition consideration, working capital, acquisitions, and the repayment of the amount outstanding under our senior secured revolving credit agreement.

During the quarter ended December 31, 2014, the Company made the decision to strategically sell the net assets of Accent. All periods reflect these discontinued operations.

Year Ended December 31, 2013

During 2013, the Company completed an acquisition and a number of transactions with majority owned subsidiaries.

On March 20, 2013, the Company issued and sold $550 million aggregate principal amount of the 6.75% Notes. The 6.75% Notes were guaranteed on a senior unsecured basis by all of MDC's then-existing and future restricted subsidiaries that guarantee, or were co-borrowers under or granted liens to secure the Credit Agreement. The 6.75% Notes bore interest at a rate of 6.75% per annum, accruing from March 20, 2013. Interest was payable semiannually in arrears in cash on May 1 and November 1 of each year, beginning on October 1, 2013. The 6.75% Notes had a maturity date of April 1, 2020, unless earlier redeemed or repurchased. The 6.75% Notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended (the ''Securities Act''). The Company received net proceeds from the offering of the 6.75% Notes equal to approximately $537.6 million. The Company used the net proceeds to redeem all of its then-existing 11% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for loss on redemption of notes of $55.6 million, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes. In addition, the Company entered into an amended and restated $225 million senior secured revolving credit agreement due 2018.

In November 2013, stock-based compensation included a charge of $78.0 million relating to the cash settlement of the outstanding Stock Appreciation Rights (''SARs'').

On November 15, 2013, the Company issued an additional $110 million aggregate principal amount of the 6.75% Notes. The additional notes were issued under the indenture governing the 6.75% Notes and treated as a single series with the original 6.75% Notes.

During 2013, the Company discontinued two subsidiaries and an operating division. All periods reflect these discontinued operations.

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

Unless otherwise indicated, references to a ''fiscal year'' means the Company's year commencing on January 1 of that year and ending December 31 of that year (e.g., fiscal year 2017 means the period beginning January 1, 2017, and ending December 31, 2017).

The Company reports its financial results in accordance with generally accepted accounting principles (''GAAP'') of the United States of America (''U.S. GAAP''). In addition, the Company has included certain non-U.S. GAAP financial measures and ratios, which it believes provide useful supplemental information to both management and readers of this report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by U.S. GAAP and should not be construed as an alternative to other titled measures determined in accordance with U.S. GAAP.

Two such non-U.S. GAAP measures are ''organic revenue growth'' or ''organic revenue decline'' that refer to the positive or negative results, respectively, of subtracting both the foreign exchange and acquisition (disposition) components from total revenue growth. The acquisition (disposition) component is calculated by aggregating the prior period revenue for any acquired businesses, less the prior period revenue of any businesses that were disposed of in the current period. The organic revenue growth (decline) component reflects the constant currency impact (a) of the change in revenue of the Partner Firms which the Company has held throughout each of the comparable periods presented and (b) ''non-GAAP acquisitions (dispositions), net.'' Non-GAAP acquisitions (dispositions), net consists of (i) for acquisitions during the current year, the revenue effect from such acquisition as if the acquisition had been owned during the equivalent period in the prior year and (ii) for acquisitions during the previous year, the revenue effect from such acquisitions as if they had been owned during that entire year or same period as the current reportable period, taking into account their respective pre-acquisition revenues for the applicable periods and (iii) for dispositions, the revenue effect from such disposition as if they had been disposed of during the equivalent period in the prior year. The Company believes that isolating the impact of acquisition activity and foreign currency impacts is an important and informative component to understand the overall change in the Company's consolidated revenue. The change in the consolidated revenue that remains after these adjustments illustrates the underlying financial performance of the Company's businesses. Specifically, it represents the impact of the Company's management oversight, investments and resources dedicated to supporting the businesses' growth strategy and operations. In addition, it reflects the network benefit of inclusion in the broader portfolio of firms that includes, but is not limited to, cross-selling and sharing of best practices. This approach isolates changes in performance of the business that take place under the Company's stewardship, whether favorable or unfavorable, and thereby reflects the potential benefits and risks associated with owning and managing a talent-driven services business.

Accordingly, during the first twelve months of ownership by the Company, the organic growth measure may credit the Company with growth from an acquired business that is dependent on work performed prior to the acquisition date, and may include the impact of prior work in progress, existing contracts and backlog of the acquired businesses. It is the presumption of the Company that positive developments that may have taken place at an acquired business during the period preceding the acquisition will continue to result in value creation in the post-acquisition period.

While the Company believes that the methodology used in the calculation of organic revenue change is entirely consistent with our closest U.S. competitors, the calculations may not be comparable to similarly titled measures presented by other publicly traded companies in other industries. Additional information regarding the Company's acquisition activity as it relates to potential revenue growth is provided in Item 7 ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' under ''Certain Factors Affecting our Business.''

Amounts reported in millions herein are computed based on the amounts in thousands. As a result, the sum of the components, and related calculations, reported in millions may not equal the total amounts due to rounding.

Executive Summary

MDC conducts its business through its network of Partner Firms, the ''Advertising and Communications Group,'' who provide a comprehensive array of marketing and communications services for clients both domestically and globally. The Company's objective is to create shareholder value by building, growing and acquiring market-leading Partner Firms that deliver innovative, value-added marketing, activation, 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 its business by monitoring several financial and non-financial performance indicators. The key indicators that we focus on are revenues, operating expenses and capital expenditures. Revenue growth is analyzed by reviewing a mix of measurements, including (i) growth by major geographic location, (ii) growth by client industry vertical, (iii) growth from existing clients and the addition of new clients, (iv) growth by primary discipline (v) growth from currency changes, (vi) growth from acquisitions, and (vii) the impact of dispositions. In addition to monitoring the foregoing financial indicators, the Company assesses and monitors several non-financial performance indicators relating to the business performance of our Partner Firms. These indicators may include a Partner Firm's recent new client win/loss record; the depth and scope of a pipeline of potential new client account activity; the overall quality of the services provided to clients; and the relative strength of the Company's next generation team that is in place as part of a potential succession plan to succeed the current senior executive team.

As discussed in Note 15 of the Notes to Consolidated Financial Statements the Company reports in four reportable segments, plus the All Other category, within the Advertising and Communications Group.

The four reportable segments are as follows:

Global Integrated Agencies — This segment is comprised of the Company's six global, integrated Partner Firms with broad marketing communication capabilities, including advertising, branding, digital, social media, design and production services, serving multinational clients around the world.

Domestic Creative Agencies — This segment is comprised of four Partner Firms that are national advertising agencies leveraging creative capabilities at their core.

Specialist Communications — This segment is comprised of seven Partner Firms that are each communications agencies with core service offerings in public relations and related communications services.

Media Services — This segment is comprised of a single operating segment with media buying and planning as its core competency.

The **All Other** category consists of the Company's remaining Partner Firms that provide a range of diverse marketing communication services, but are not eligible for aggregation with the reportable segments.

In addition, MDC reports its corporate office expenses incurred in connection with the strategic resources provided to the Partner Firms, as well as certain other centrally managed expenses that are not fully allocated to the Partner Firms as Corporate. Corporate provides client and business development support to the Partner Firms as well as certain strategic resources, including accounting, administrative, financial, real estate, human resource and legal functions. Additional expenses managed by the corporate office that are directly related to the Partner Firms are allocated to the appropriate reportable segment and the All Other category.

The Partner Firms earn revenue from agency arrangements in the form of retainer fees or commissions; from short-term project arrangements in the form of fixed fees or per diem fees for services; and from incentives or bonuses. Additional information about revenue recognition appears in Note 2 of the Notes to the Consolidated Financial Statements included herein.

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

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

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

We measure capital expenditures as either maintenance or investment related. Maintenance capital expenditures are primarily composed of general upkeep of our office facilities and equipment that are required to continue to operate our businesses. Investment capital expenditures include expansion costs, the build out of new capabilities, technology, and other growth initiatives not related to the day to day upkeep of the existing operations. Growth capital expenditures are measured and approved based on the expected return of the invested capital.

Certain Factors Affecting Our Business

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

Clients will generally reduce or increase their spending or outsourcing needs based on their current business trends and profitability.

Acquisitions and Dispositions. The Company's strategy includes acquiring ownership stakes in well-managed businesses with world class expertise and strong reputations in the industry. The Company provides post-acquisition support to Partner Firms in order to help accelerate growth, including in areas such as business and client development (including cross-selling), corporate communications, corporate development, talent recruitment and training, procurement, legal services, human resources, financial management and reporting, and real estate utilization, among other areas. As most of the Company's acquisitions remain as stand-alone entities post acquisition, integration is typically implemented promptly, and new Partner Firms can begin to tap into the full range of MDC's resources immediately. Often the acquired businesses may begin to tap into certain MDC resources in the pre-acquisition period, such as talent recruitment or real estate. The Company engaged in a number of acquisition and disposition transactions during the 2009 to 2017 period, which affected revenues, expenses, operating income and net income. Additional information regarding acquisitions and dispositions is provided in Note 4 of the Notes to the Consolidated Financial Statements included herein for further information.

Foreign Exchange Fluctuation. Our financial results and competitive position are affected by fluctuations in the exchange rate between the U.S. dollar and non-U.S. dollar, primarily the Canadian dollar. See also "Item 7A — Quantitative and Qualitative Disclosures About Market Risk — Foreign Exchange."

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

Fourth Quarter Results. Revenues were $402.7 million for the fourth quarter of 2017, representing an increase of $12.3 million or 3.2%, compared to revenue of $390.4 million in fourth quarter of 2016. The increase in revenue primarily consisted from growth of existing Partner firms of $12.8 million or 3.3% and a foreign exchange impact of $5.6 million or 1.4%. These increases were partially offset by the negative impact of $6.1 million for the effect of dispositions. In the fourth quarter of 2017, operating profit increased by $33.4 million and operating margins increased 808 basis points in comparison to the fourth quarter of 2016. The increase in operating profits and margin was primarily attributable to decreased goodwill and an asset impairment expense decrease of $14.5 million, the change in deferred acquisition consideration of $9.0 million and a decrease in staff costs as a percentage of revenue. Income from continuing operations for the fourth quarter of 2017 was $231.5 million, compared to income from continuing operations of $11.2 million in 2016. Other income, net increased by $1.6 million or 210.0%, primarily consisted of a decrease of expense of $9.4 million from foreign currency fluctuations. Interest expense decreased $0.3 million or 1.9% from $16.4 million in 2016, to $16.1 million in 2017. Income tax benefit increased $175.1 million from $10.6 million in 2016, to $185.7 million in 2017. This increase was primarily related to the release of the valuation allowance on U.S. deferred tax assets.

Results of Operations for the Years Ended December 31, 2017, 2016 and 2015:

	Years Ended December 31,		
	2017	2016	2015
Revenue:			
Global Integrated Agencies	$ 786,644	$ 696,410	$ 652,987
Domestic Creative Agencies	90,663	85,953	91,658
Specialist Communications	172,565	170,285	153,920
Media Services	142,387	131,498	132,419
All Other	321,520	301,639	295,272
Total	$1,513,779	$1,385,785	$1,326,256
Segment operating income (loss):			
Global Integrated Agencies	$ 74,902	$ 58,505	$ 66,161
Domestic Creative Agencies	16,977	16,583	17,535
Specialist Communications	20,714	1,939	18,047
Media Services	12,963	6,154	20,116
All Other	47,259	9,368	15,423
Corporate	(40,856)	(44,118)	(65,172)
Total	$ 131,959	$ 48,431	$ 72,110
Other Income (Expense):			
Other income, net	$ 1,346	$ 414	$ 7,238
Foreign exchange gain (loss)	18,137	(213)	(39,328)
Interest expense and finance charges, net	(64,364)	(65,858)	(57,436)
Loss on redemption of Notes	—	(33,298)	—
Income (loss) from continuing operations before income taxes and equity in earnings of non-consolidated affiliates	87,078	(49,716)	(17,416)
Income tax expense (benefit)	(168,064)	(9,404)	3,761
Income (loss) from continuing operations before equity in earnings of non-consolidated affiliates	255,142	(40,312)	(21,177)
Equity in earnings (loss) of non-consolidated affiliates	2,081	(309)	1,058
Income (loss) from continuing operations	257,223	(40,621)	(20,119)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	—	—	(6,281)
Net income (loss)	257,223	(40,621)	(26,400)
Net income attributable to the noncontrolling interest	(15,375)	(5,218)	(9,054)
Net income (loss) attributable to MDC Partners Inc.	$ 241,848	$ (45,839)	$ (35,454)

	Years Ended December 31,		
	2017	2016	2015
Depreciation and amortization:			
Global Integrated Agencies	$23,800	$21,447	$20,599
Domestic Creative Agencies	1,434	1,653	1,855
Specialist Communications	4,714	6,637	11,201
Media Services	3,629	5,718	4,660
All Other	8,799	9,406	12,134
Corporate	1,098	1,585	1,774
Total	43,474	46,446	52,223
Stock-based compensation:			
Global Integrated Agencies	$15,203	$12,141	$ 6,981
Domestic Creative Agencies	845	634	644
Specialist Communications	2,954	3,629	1,510
Media Services	614	301	471
All Other	2,600	1,773	5,450
Corporate	2,134	2,525	2,740
Total	$24,350	$21,003	$17,796
Capital expenditures:			
Global Integrated Agencies	$20,748	$16,439	$17,043
Domestic Creative Agencies	1,032	1,055	1,321
Specialist Communications	1,288	2,741	1,311
Media Services	3,035	5,110	825
All Other	6,832	4,054	2,704
Corporate	23	33	371
Total	$32,958	$29,432	$23,575

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue was $1.51 billion for the year ended December 31, 2017, compared to revenue of $1.39 billion for the year ended December 31, 2016, representing an increase of $128.0 million, or 9.2%. The change in revenue was driven by revenue growth from existing Partner Firms of $91.5 million, or 6.6%, and a positive foreign exchange impact of $3.6 million, or 0.3%. Revenue from acquired Partner Firms was $43.5 million or 3.1%, including growth of $4.9 million from organic revenue growth, partially offset by a negative impact from dispositions of $10.6 million, or 0.8%.

Operating profit for the year ended December 31, 2017 was $132.0 million, compared to $48.4 million for the year ended December 31, 2016, representing an increase of $83.5 million, or 172.5%. Operating profit increased by $80.3 million, or 86.7% in the Advertisement and Communication Group, while Corporate operating expenses decreased by $3.3 million, or 7.4%.

Income from continuing operations was $257.2 million for the year ended December 31, 2017, compared to a loss of $40.6 million for the year ended December 31, 2016. The increase of $297.8 million was primarily attributable to (1) an increase in income tax benefit of $158.7 million, (2) an increase in operating profit of $83.5 million, (3) a loss on redemption of notes of $33.3 million recognized in the first quarter of 2016, (4) a foreign exchange gain of $18.1 million for the year ended December 31, 2017 compared to a foreign exchange loss of $0.2 million for the year ended December 31, 2016 and (5) an equity in earnings of non-consolidated affiliates of $2.1 million for the year ended December 31, 2017 compared to a loss of $0.3 million for the year ended December 31, 2016.

Advertising and Communications Group

The following discussion provides additional detailed disclosure for the Company's network of Partner Firms, the Advertising and Communications Group. The Advertising and Communications Group includes the Company's four (4) reportable segments plus its ''All Other'' category.

Revenue in the Advertising and Communications Group was $1.51 billion for the year ended December 31, 2017, compared to revenue of $1.39 billion for the year ended December 31, 2016, representing an increase of $128.0 million, or 9.2%. The change in revenue was driven by revenue growth from existing Partner Firms of $91.5 million, or 6.6%, and a positive foreign exchange impact of $3.6 million, or 0.3%. Revenue from acquired Partner Firms was $43.5 million, or 3.1%, including growth of $4.9 million from organic revenue growth, partially offset by a negative impact from dispositions of $10.6 million, or 0.8%. Revenue growth was attributable to net new client wins, increased spending as well as expanded scopes of services by existing clients, and increased pass-through costs. There was broad based growth by client sector, with particular strength in communications, food & beverage, financials, and consumer products, partially offset by declines within technology and retail.

Revenue growth was driven by the Company's business in the United States with growth of $68.7 million, or 6.2%, due to net new client wins, increased spending as well as expanded scopes of services by existing clients, and increased pass-through costs. In Canada, revenue declined $1.0 million, or 0.8%, due to lower pass-through costs. Outside of North America, revenue growth was $60.4 million, or 38.2%, including contributions from acquired Partner Firms of $43.5 million, or 27.6%. This growth was partially offset by a negative impact from dispositions of $3.5 million, or 2.2%. Revenue contributions from existing Partner Firms consisted of revenue growth of $18.9 million, or 12.0%, due to net new client wins, increased client spending, and higher pass-through costs, as well as a positive impact from foreign exchange of $1.4 million, or 0.9%.

The Company also utilizes a non-GAAP metric called organic revenue growth (decline), defined in Item 7. For the year ended December 31, 2017, organic revenue growth was $96.4 million, or 7.0%, of which $91.5 million, or 6.6%, pertained to Partner Firms which the Company has held throughout each of the comparable periods presented. The remaining $4.9 million, or 0.4%, was generated through acquired Partner Firms. The other components of non-GAAP activity include non-GAAP acquisitions (dispositions), net adjustments of $30.4 million, or 2.2%, and a positive foreign exchange impact of $1.2 million, or 0.1%.

The components of the change in revenues in the Advertising and Communications Group for the year ended December 31, 2017 were as follows:

		2017 Non-GAAP Activity				Change			
Advertising and Communications Group	**2016 Revenue**	**Foreign Exchange**	**Non-GAAP Acquisitions (Dispositions), net**	**Organic Revenue Growth (Decline)**	**2017 Revenue**	**Foreign Exchange**	**Non-GAAP Acquisitions (Dispositions), net**	**Organic Revenue Growth (Decline)**	**Total Revenue**
		(Dollars in Millions)							
United States	$1,103.7	$ —	$ (5.6)	$74.3	$1,172.4	—%	(0.5)%	6.7%	6.2%
Canada	124.1	2.2	(1.5)	(1.7)	123.1	1.8%	(1.2)%	(1.4)%	(0.8)%
Other	158.0	(1.0)	37.5	23.8	218.3	(0.6)%	23.7%	15.1%	38.2%
Total	$1,385.8	$ 1.2	$30.4	$96.4	$1,513.8	0.1%	2.2%	7.0%	9.2%

The below is a reconciliation between the revenue in the Advertising and Communications Group from acquired businesses in the statement of operations to non-GAAP acquisitions (dispositions), net for the year ended December 31, 2017:

	Global Integrated Agencies	Media Services	All Other	Total
	(Dollars in Millions)			
Revenue from acquisitions (dispositions), net[(1)]	$43.5	$ —	$ —	$ 43.5
Foreign exchange impact	2.4	—	—	2.4
Contribution to organic revenue growth (decline)[(2)]	(4.9)	—	—	(4.9)
Prior year revenue from dispositions	(3.5)	(5.6)	(1.5)	(10.6)
Non-GAAP acquisitions (dispositions), net	$37.5	$(5.6)	$(1.5)	$ 30.4

(1) Operating segments not impacted by revenue from acquired Partner Firms in the current and prior period were excluded. In addition, no acquisitions were completed during 2017. Refer to Note 4 of the Notes to the Consolidated Financial Statements included herein for further information pertaining to the current year dispositions.

(2) Contributions to organic revenue growth (decline) represents the change in revenue, measured on a constant currency basis, relative to the comparable pre-acquisition period for acquired businesses that is included in the Company's organic revenue growth (decline) calculation.

The geographic mix in revenues in the Advertising and Communications Group for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
United States	77.4%	79.6%
Canada	8.1%	9.0%
Other	14.4%	11.4%

Organic revenue growth in the Advertising and Communications Group was driven by the Company's business in the United States with growth of $74.3 million, or 6.7%, due to net new client wins, increased spending as well as expanded scopes of services by existing clients, and higher pass-through costs. In Canada, organic revenue declined $1.7 million, or 1.4%, due to a decrease in pass-through costs. Organic revenue growth from outside of North America was $23.8 million, or 15.1%, consisting of contributions from existing Partner Firms due to net new client wins, partially offset by an organic revenue decline of $4.9 million from acquired Partner Firms.

The positive foreign exchange impact of $1.2 million, or 0.1%, was primarily due to the strengthening of the Canadian dollar and the European Euro against the U.S. dollar, partially offset by the weakening of the British Pound against the U.S. dollar.

The change in expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
Advertising and Communications Group	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
	(Dollars in Millions)					
Revenue	$1,513.8		$1,385.8		$128.0	9.2%
Operating expenses						
Cost of services sold	1,023.5	67.6%	936.1	67.6%	87.3	9.3%
Office and general expenses	271.9	18.0%	263.7	19.0%	8.2	3.1%
Depreciation and amortization	42.4	2.8%	44.9	3.2%	(2.5)	(5.5)%
Goodwill impairment	3.2	0.2%	48.5	3.5%	(45.3)	(93.3)%
	$1,341.0	88.6%	$1,293.2	93.3%	$ 47.7	3.7%
Operating profit	$ 172.8	11.4%	$ 92.5	6.7%	$ 80.3	86.7%

The change in the categories of expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2017 and 2016 was as follows:

Advertising and Communications Group	2017 $	2017 % of Revenue	2016 $	2016 % of Revenue	Change $	Change %
			(Dollars in Millions)			
Direct costs[1]	$ 260.8	17.2%	$ 212.3	15.3%	$ 48.5	22.9%
Staff costs[2]	829.6	54.8%	781.9	56.4%	47.6	6.1%
Administrative costs	187.7	12.4%	179.2	12.9%	8.5	4.7%
Deferred acquisition consideration	(4.9)	(0.3)%	8.0	0.6%	(12.9)	(161.5)%
Stock-based compensation	22.2	1.5%	18.5	1.3%	3.7	20.2%
Depreciation and amortization	42.4	2.8%	44.9	3.2%	(2.5)	(5.5)%
Goodwill impairment	3.2	0.2%	48.5	3.5%	(45.3)	(93.3)%
Total operating expenses	$1,341.0	88.6%	$1,293.2	93.3%	$ 47.7	3.7%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Operating profit in the Advertising and Communications Group for the year ended December 31, 2017 was $172.8 million, compared to $92.5 million for the year ended December 31, 2016, representing an increase of $80.3 million, or 86.7%. Operating margins improved by 470 basis points from 6.7% in 2016, to 11.4% in 2017. These improvements were largely due to a decline in the goodwill impairment charge, a decrease in staff costs as a percentage of revenue, and a change in the deferred acquisition consideration adjustment, partially offset by an increase in direct costs.

Direct costs in the Advertising and Communications Group for the year ended December 31, 2017 were $260.8 million, compared to $212.3 million for the year ended December 31, 2016, representing an increase of $48.5 million, or 22.9%. This increase was largely due to an acquisition during the year. As a percentage of revenue, direct costs increased from 15.3% in 2016 to 17.2% in 2017. The increase in direct costs and as a percentage of revenue was primarily due to contributions from an acquired Partner Firm which has a higher direct cost to revenue ratio, in addition to an increase in costs incurred on the client's behalf from some of our existing Partner Firms acting as principal.

Staff costs as a percentage of revenue in the Advertising and Communications Group decreased from 56.4% in 2016 to 54.8% in 2017, which was primarily driven by revenue growth as well improvements in staffing relative to the prior period. Staff costs for the year ended December 31, 2017 were $829.6 million, compared to $781.9 million for the year ended December 31, 2016, representing an increase of $47.6 million, or 6.1%. The increase in staff costs was due to increased headcount driven by certain Partner Firms to support the growth of their businesses as well as additional contributions from acquired Partner Firms.

Goodwill impairment in the Advertising and Communications Group for the year ended December 31, 2017 was $3.2 million, compared to $48.5 million for the year ended December 31, 2016, representing a decrease of $45.3 million, or 93.3%. The decrease was due to a partial impairment in 2017 of $3.2 million relating to two non-material reporting units in comparison to a partial impairment in 2016 of $48.5 million relating to an experiential reporting unit and a non-material reporting unit. For more information see Note 8 of the Notes to the Consolidated Financial Statements included herein.

Deferred acquisition consideration in the Advertising and Communications Group for the year ended December 31, 2017 resulted in income of $4.9 million compared to an expense of $8.0 million for the year ended December 31, 2016, representing a change of $12.9 million, or 161.5%. The change in the deferred acquisition consideration adjustment was primarily due to the higher than estimated liability in the prior period driven by the decrease in the Company's estimated future stock price, pertaining to an equity funded acquisition, increased expenses pertaining to amendments to purchase agreements of previously acquired incremental ownership interest entered into during 2016, and the aggregate under-performance of certain Partner Firms in 2017 relative to the previously-forecasted expectations.

Stock-based compensation in the Advertising and Communications Group was $22.2 million for the year ended December 31, 2017, compared to $18.5 million for the year ended December 31, 2016, representing an increase of $3.7 million, or 20.2% . As a percentage of revenue, stock-based compensation increased from 1.3% in 2016 to 1.5% in 2017.

Depreciation and amortization expense in the Advertising and Communications Group for the year ended December 31, 2017 was $42.4 million compared to $44.9 million for the year ended December 31, 2016, representing a decrease of $2.5 million, or 5.5%. The decrease was primarily due to lower amortization from intangibles related to prior period acquisitions.

Global Integrated Agencies

Revenue in the Global Integrated Agencies reportable segment for the year ended December 31, 2017 was $786.6 million, compared to $696.4 million for the year ended December 31, 2016, representing an increase of $90.2 million, or 13.0%. The change in revenue included contributions from existing Partner Firms consisting of revenue growth of $47.6 million, or 6.8%, and a positive foreign exchange impact of $2.5 million, or 0.4%. Revenue growth was primarily driven by net new client wins, increased spending as well as expanded scopes of services by existing clients, and increased pass-through costs. Revenue from acquired Partner Firms was $43.5 million, or 6.3%, partially offset by a negative impact from dispositions of $3.5 million, or 0.5%.

The change in expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the year ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
Global Integrated Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$786.6		$696.4		$90.2	13.0%
Operating expenses						
Cost of services sold	540.3	68.7%	472.1	67.8%	68.2	14.4%
Office and general expenses	147.7	18.8%	144.3	20.7%	3.3	2.3%
Depreciation and amortization	23.8	3.0%	21.4	3.1%	2.4	11.0%
	$711.7	90.5%	$637.9	91.6%	$73.8	11.6%
Operating profit	$ 74.9	9.5%	$ 58.5	8.4%	$16.4	28.0%

Operating profit in the Global Integrated Agencies reportable segment for the year ended December 31, 2017 was $74.9 million, compared to $58.5 million in for the year ended December 31, 2016, representing an increase of $16.4 million, or 28.0%. Operating margins improved by 110 basis points from 8.4% in 2016 to 9.5% in 2017. The increases in operating profit and margin were largely due to improvements in staff costs as a percentage of revenue and a reduction in the deferred acquisition consideration expense, partially offset by an increase in direct costs.

The change in the categories of expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the years ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
Global Integrated Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs(1)	$104.9	13.3%	$ 65.9	9.5%	$39.0	59.3%
Staff costs(2)	459.7	58.4%	434.5	62.4%	25.3	5.8%
Administrative	103.5	13.2%	92.4	13.3%	11.0	11.9%
Deferred acquisition consideration	4.6	0.6%	11.6	1.7%	(7.0)	(60.2)%
Stock-based compensation	15.2	1.9%	12.1	1.7%	3.1	25.2%
Depreciation and amortization	23.8	3.0%	21.4	3.1%	2.4	11.0%
Total operating expenses	$711.7	90.5%	$637.9	91.6%	$73.8	11.6%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Global Integrated Agencies reportable segment for the year ended December 31, 2017 were $104.9 million compared to $65.9 million for the year ended December 31, 2016, representing an increase of $39.0 million, or 59.3%. As a percentage of revenue, direct costs increased from 9.5% in 2016 to 13.3% in 2017. These increases were primarily due to contributions from an acquired Partner Firm which has a higher direct cost to revenue ratio, in addition to an increase in costs incurred on certain clients' behalf from some of our existing Partner Firms acting as principal.

Staff costs in the Global Integrated Agencies reportable segment for the year ended December 31, 2017 were $459.7 million compared to $434.5 million for the year ended December 31, 2016, representing an increase of $25.3 million, or 5.8%. The increase in staff costs was due to increased headcount driven by certain Partner Firms to support the growth of their businesses as well as additional contributions from acquired Partner Firms. As a percentage of revenue, staff costs decreased from 62.4% in 2016 to 58.4% in 2017, primarily driven by revenue growth as well improvements in staffing relative to the prior period.

Deferred acquisition consideration in the Global Integrated Agencies reportable segment resulted in an expense of $4.6 million in 2017, compared to an expense of $11.6 million in 2016, representing a decrease of $7.0 million, or 60.2%. The change in the deferred acquisition consideration adjustment was primarily due to the increased estimated liability in the prior period driven by the decrease in the Company's estimated future stock price, pertaining to an equity funded acquisition completed in 2016 as well as increased expenses pertaining to amendments to purchase agreements of previously acquired incremental ownership interest entered into during 2016.

Domestic Creative Agencies

Revenue in the Domestic Creative Agencies reportable segment was $90.7 million for the year ended December 31, 2017, compared to $86.0 million for the year ended December 31, 2016, representing an increase of $4.7 million, or 5.5%. The change in revenue was due to revenue growth from Partner Firms of $4.5 million, or 5.3%, and a positive foreign exchange impact of $0.2 million, or 0.2%.

The change in expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the year ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
Domestic Creative Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$90.7		$86.0		$ 4.7	5.5%
Operating expenses						
Cost of services sold	52.5	57.9%	49.2	57.2%	3.3	6.8%
Office and general expenses	19.7	21.8%	18.5	21.6%	1.2	6.5%
Depreciation and amortization	1.4	1.6%	1.7	1.9%	(0.2)	(13.2)%
	$73.7	81.3%	$69.4	80.7%	$ 4.3	6.2%
Operating profit	$17.0	18.7%	$16.6	19.3%	$ 0.4	2.4%

Operating profit in the Domestic Creative Agencies reportable segment for the year ended December 31, 2017 was $17.0 million compared to $16.6 million for the year ended December 31, 2016, representing an increase of $0.4 million, or 2.4%. Operating margins declined by 60 basis points from 19.3% in 2016 to 18.7% in 2017. The increase in operating profit was largely due to revenue growth, partially offset by an increase in staff costs. The decline in operating margin was due to an increase in staff costs as a percentage of revenue.

The change in the categories of expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the year ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
Domestic Creative Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs[1]	$ 2.4	2.6%	$ 2.3	2.6%	$ 0.1	5.0%
Staff costs[2]	57.8	63.8%	54.2	63.1%	3.6	6.7%
Administrative	10.8	12.0%	10.9	12.7%	—	(0.4)%
Deferred acquisition consideration	0.4	0.4%	(0.3)	(0.3)%	0.6	nm
Stock-based compensation	0.8	0.9%	0.6	0.7%	0.2	33.3%
Depreciation and amortization	1.4	1.6%	1.7	1.9%	(0.2)	(13.2)%
Total operating expenses	$73.7	81.3%	$69.4	80.7%	$ 4.3	6.2%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Staff costs in the Domestic Creative Agencies reportable segment for the year ended December 31, 2017 were $57.8 million compared to $54.2 million for the year ended December 31, 2016, representing an increase of $3.6 million, or 6.7%. As a percentage of revenue, staff costs increased from 63.1% in 2016 to 63.8% in 2017. These increases were primarily due to increases in workforces at certain Partner Firms to support revenue growth and new business wins.

Specialist Communications

Revenue in the Specialist Communications reportable segment was $172.6 million for the year ended December 31, 2017, compared to revenue of $170.3 million for the year ended December 31, 2016, representing an increase of $2.3 million, or 1.3%. The increase in revenue was attributable to revenue growth of $2.2 million, or 1.3%, from existing Partner Firms and a positive foreign exchange impact of $0.1 million.

The change in expenses as a percentage of revenue in the Specialist Communications reportable segment for the year ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
Specialist Communications	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$172.6		$170.3		$ 2.3	1.3%
Operating expenses						
Cost of services sold	117.2	67.9%	118.1	69.4%	(0.9)	(0.8)%
Office and general expenses	29.9	17.4%	24.7	14.5%	5.3	21.3%
Depreciation and amortization	4.7	2.7%	6.6	3.9%	(1.9)	(29.0)%
Goodwill impairment	—	—%	18.9	11.1%	(18.9)	(100.0)%
	$151.9	88.0%	$168.3	98.9%	$(16.5)	(9.8)%
Operating profit	$ 20.7	12.0%	$ 1.9	1.1%	$ 18.8	968.3%

Operating profit in the Specialist Communications reportable segment for the year ended December 31, 2017 was $20.7 million compared to $1.9 million in for the year ended December 31, 2016, representing an increase of $18.8 million, or 968.3%. Operating margins improved by 1,090 basis points from 1.1% in 2016 to 12.0% in 2017. These increases were largely due to a goodwill impairment recognized in the prior period, partially offset by reduced income from deferred acquisition consideration.

The change in the categories of expenses as a percentage of revenue in the Specialist Communications reportable segment for the year ended December 31, 2017 and 2016 was as follows:

Specialist Communications	2017 $	2017 % of Revenue	2016 $	2016 % of Revenue	Change $	Change %
			(Dollars in Millions)			
Direct costs[1]	$ 42.8	24.8%	$ 41.9	24.6%	$ 0.8	2.0%
Staff costs[2]	79.9	46.3%	80.8	47.5%	(0.9)	(1.2)%
Administrative	22.0	12.7%	21.7	12.7%	0.3	1.4%
Deferred acquisition consideration	(0.4)	(0.2)%	(5.2)	(3.1)%	4.8	(92.0)%
Stock-based compensation	3.0	1.7%	3.6	2.1%	(0.7)	(18.6)%
Depreciation and amortization	4.7	2.7%	6.6	3.9%	(1.9)	(29.0)%
Goodwill impairment	$ —	—%	$ 18.9	11.1%	$(18.9)	(100.0)%
Total operating expenses	$151.9	88.0%	$168.3	98.9%	$(16.5)	(9.8)%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Goodwill impairment in the Specialist Communications reportable segment was $18.9 million for the year ended December 31, 2016 pertaining to a partial impairment of goodwill relating to one of the Company's strategic communications reporting units. For more information see Note 8 of the Notes to the Consolidated Financial Statements included herein for further information.

Deferred acquisition consideration in the Specialist Communications reportable segment for the year ended December 31, 2017 resulted in income of $0.4 million compared to income of $5.2 million in for the year ended December 31, 2016, representing a decrease in income of $4.8 million, or 92.0%. The change in the deferred acquisition consideration adjustment was due to the aggregate under-performance of certain Partner Firms in 2016 as compared to forecasted expectations.

Media Services

Revenue in the Media Services reportable segment was $142.4 million for the year ended December 31, 2017, compared to revenue of $131.5 million for the year ended December 31, 2016, representing an increase of $10.9 million, or 8.3%. The increase in revenue was driven by revenue growth of $16.5 million, or 12.5%, primarily due to new business wins and an increase in pass-through costs, partially offset by a negative disposition impact of $5.6 million, or 4.3%.

The change in expenses as a percentage of revenue in the Media Services reportable segment for the year ended December 31, 2017 and 2016 was as follows:

Media Services	2017 $	2017 % of Revenue	2016 $	2016 % of Revenue	Change $	Change %
			(Dollars in Millions)			
Revenue	$142.4		$131.5		$10.9	8.3%
Operating expenses						
Cost of services sold	92.9	65.3%	95.4	72.5%	(2.4)	(2.5)%
Office and general expenses	32.9	23.1%	24.3	18.5%	8.6	35.4%
Depreciation and amortization	3.6	2.5%	5.7	4.3%	(2.1)	(36.5)%
	$129.4	90.9%	$125.3	95.3%	$ 4.1	3.3%
Operating profit	$ 13.0	9.1%	$ 6.2	4.7%	$ 6.8	110.7%

Operating profit in the Media Services reportable segment for the year ended December 31, 2017 was $13.0 million compared to $6.2 million for the year ended December 31, 2016, representing an increase of $6.8 million, 110.7%. Operating margins improved by 440 basis points from 4.7% in 2016 to 9.1% in 2017. These increases were largely due to revenue growth and a decrease in administrative costs and depreciation and amortization expense, partially offset by an increase in direct costs.

The change in the categories of expenses as a percentage of revenue in the Media Services reportable segment for the year ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
Media Services	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs[1]	$ 38.0	26.7%	$ 31.2	23.7%	$ 6.8	21.8%
Staff costs[2]	68.6	48.2%	64.8	49.3%	3.8	5.8%
Administrative	19.4	13.6%	22.7	17.3%	(3.3)	(14.6)%
Deferred acquisition consideration	(0.8)	(0.6)%	0.6	0.4%	(1.4)	nm
Stock-based compensation	0.6	0.4%	0.3	0.2%	0.3	104.0%
Depreciation and amortization	3.6	2.5%	5.7	4.3%	(2.1)	(36.5)%
Total operating expenses	$129.4	90.9%	$125.3	95.3%	$ 4.1	3.3%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Media Services reportable segment for the year ended December 31, 2017 were $38.0 million compared to $31.2 million for the year ended December 31, 2016, representing an increase of $6.8 million, or 21.8%. As a percentage of revenue, direct costs increased from 23.7% in 2016 to 26.7% in 2017. The increase in direct costs is primarily due to increases in pass-through costs incurred on clients' behalf, from one of the Company's Partner Firms acting as Principal versus Agent.

Administrative costs in the Media Services reportable segment for the year ended December 31, 2017 were $19.4 million compared to $22.7 million for the year ended December 31, 2016, representing a decrease of $3.3 million, or 14.6%. As a percentage of revenue, administrative costs decreased from 17.3% in 2016 to 13.6% in 2017. The decrease in administrative costs was due to a reduction in outside professional services fees as well as occupancy cost savings realized from real estate consolidation initiatives.

Depreciation and amortization expense in the Media Services reportable segment for the year ended December 31, 2017 was $3.6 million compared to $5.7 million for the year ended December 31, 2016, representing a decrease of $2.1 million, or 36.5%. The decrease was primarily due to lower amortization from intangibles related to prior period acquisitions.

All Other

Revenue in the All Other category was $321.5 million for the year ended December 31, 2017 compared to revenue of $301.6 million for the year ended December 31, 2016, representing an increase of $19.9 million, or 6.6%. The increase was driven by revenue growth from existing Partner Firm of $20.6 million, or 6.8%, and a positive foreign exchange impact of $0.8 million, or 0.3%, partially offset by a negative impact from dispositions of $1.5 million, or 0.5%.

The change in expenses as a percentage of revenue in the All Other category for the years ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
All Other	$	% of Revenue	$	% of Revenue	$	%
			(Dollars in Millions)			
Revenue	$321.5		$301.6		$ 19.9	6.6%
Operating expenses						
Cost of services sold	220.5	68.6%	201.3	66.7%	19.2	9.5%
Office and general expenses	41.7	13.0%	51.9	17.2%	(10.2)	(19.7)%
Depreciation and amortization	8.8	2.7%	9.4	3.1%	(0.6)	(6.0)%
Goodwill impairment	3.2	1.0%	$ 29.7	9.8%	(26.4)	(89.1)%
	$274.3	85.3%	$292.3	96.9%	$(18.0)	(6.2)%
Operating profit (loss)	$ 47.3	14.7%	$ 9.4	3.1%	$ 37.9	404.5%

Operating profit in the All Other category for the year ended December 31, 2017 was $47.3 million compared to $9.4 million for the year ended December 31, 2016, representing an increase of $37.9 million, or 404.5%. Operating margins improved by 1,160 basis points from 3.1% in 2016 to 14.7% in 2017. These increases were largely due to a decline in the goodwill impairment charge and the change in the deferred acquisition consideration adjustment, partially offset by an increase in staff costs as a percentage of revenue.

The change in the categories of expenses as a percentage of revenue in the All Other category for the years ended December 31, 2017 and 2016 was as follows:

	2017		2016		Change	
All Other	$	% of Revenue	$	% of Revenue	$	%
			(Dollars in Millions)			
Direct costs(1)	$ 72.7	22.6%	$ 71.0	23.5%	$ 1.7	2.4%
Staff costs(2)	163.5	50.9%	147.6	48.9%	15.9	10.8%
Administrative	32.0	9.9%	31.5	10.4%	0.5	1.5%
Deferred acquisition consideration	(8.6)	(2.7)%	1.3	0.4%	(10.0)	nm
Stock-based compensation	2.6	0.8%	1.8	0.6%	0.8	46.6%
Depreciation and amortization	8.8	2.7%	9.4	3.1%	(0.6)	(6.0)%
Goodwill impairment	3.2	1.0%	$ 29.7	9.8%	(26.4)	(89.1)%
Total operating expenses	$274.3	85.3%	$292.3	96.9%	$(18.0)	(6.2)%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Staff costs in the All Other category for the year ended December 31, 2017 were $163.5 million compared to $147.6 million for the year ended December 31, 2016, representing an increase of $15.9 million, or 10.8%. As a percentage of revenue, staff costs increased from 48.9% in 2016 to 50.9% in 2017. These increases were primarily due to higher headcount at certain Partner Firms to support growth of the business.

Deferred acquisition consideration in the All Other category resulted in income of $8.6 million for the year ended December 31, 2017 compared to an expense of $1.3 million for the year ended December 31, 2016, representing a change of $10.0 million. The change was primarily due to aggregate under performance of certain Partner Firms as compared to forecasted expectations in the current period.

Goodwill impairment in the All Other category for the year ended December 31, 2017 was $3.2 million compared to $29.7 million for the year ended December 31, 2016, representing a decrease of $26.4 million, or 89.1%. The goodwill impairment in 2017 was comprised of a partial impairment of $3.2 million relating to two non-material reporting units. For more information see Note 8 of the Notes to the Consolidated Financial Statements included herein for further information.

Corporate

The change in operating expenses for Corporate for the years ended December 31, 2017 and 2016 was as follows:

Corporate	2017 $	2016 $	Variance $	Variance %
		(Dollars in Millions)		
Staff costs[1]	$20.9	$27.8	$(6.9)	(24.9)%
Administrative	15.5	12.2	3.4	27.7%
Stock-based compensation	2.1	2.5	(0.4)	(15.5)%
Depreciation and amortization	1.1	1.6	(0.5)	(30.7)%
Goodwill and other asset impairment	1.2	—	1.2	NA
Total operating expenses	$40.9	$44.1	$(3.3)	(7.4)%

(1) Excludes stock-based compensation.

Total operating expenses for Corporate decreased by $3.3 million to $40.9 million in 2017, compared to $44.1 million in 2016.

Staff costs for Corporate decreased by $6.9 million, or 24.9%. The decrease was primarily due to reductions in executive compensation expense and severance expense.

Administrative costs for Corporate increased by $3.4 million, or 27.7%. This increase was primarily due to an increase in professional fees of $2.4 million relating to the implementation of ASC 606, Revenue from Contracts with Customers, which is effective January 1, 2018. Additionally, there was a reduction in insurance proceeds of $4.8 million received by the Company in 2016 compared to 2017, relating to the class action litigation and the completed SEC investigation, offset by reductions in legal fees in 2017 relating to the class action litigation and the completed SEC investigation. In addition, for the year ended December 31, 2016, the Company paid a one-time SEC civil penalty payment of $1.5 million.

For the year ended December 31, 2017, the Company incurred a $1.2 million other asset impairment charge.

Other Income, Net

Other income, net, increased by $0.9 million from $0.4 million for the year ended December 31, 2016 to $1.3 million for the year ended December 31, 2017.

Foreign Exchange

Foreign exchange gain was $18.1 million in 2017 compared to a foreign exchange loss of $0.2 million in 2016. The foreign exchange gain in 2017 was primarily related to the U.S. dollar denominated indebtedness that was an obligation of the Company's Canadian parent company and was driven by the appreciation of the Canadian dollar against the U.S. dollar in the period.

Interest Expense and finance charges

Interest expense and finance charges, net, for the year ended December 31, 2017 was $64.4 million compared to $65.1 million for the year ended December 31, 2016, representing a decrease of $0.7 million. The decrease was primarily due to lower borrowings under the Company's revolving Credit Agreement in comparison to the prior period. See Note 10 of the Notes to the Consolidated Financial Statements for additional information on the Wells Fargo Credit Agreement.

Loss on Redemption of Notes

For the year ended December 31, 2016, the Company incurred a $33.3 million loss on redemption of the 6.75% Notes in the first quarter of 2016.

Income Tax Expense (Benefit)

Income tax benefit for the year ended December 31, 2017 was $168.1 million compared to $9.4 million for the year ended December 31, 2016, representing an increase of $158.7 million. The increase was due to the release of the Company's deferred tax asset valuation allowance in certain tax jurisdictions as well the additional incremental tax benefit as a result of the Tax Cuts and Jobs Act of 2017.

Equity in Earnings (Losses) of Non-Consolidated Affiliates

Equity in earnings (losses) of non-consolidated affiliates represents the income attributable to equity-accounted affiliate operations. For the year ended December 31, 2017, the Company recorded income of $2.1 million compared to a loss of $0.3 million for the year ended December 31, 2016.

Noncontrolling Interests

The effects of noncontrolling interests was $15.4 million for the year ended December 31, 2017, compared to $5.2 million for the year ended December 31, 2016, representing an increase of $10.2 million. This increase was attributable to the noncontrolling interests of certain Partner Firms that attained the right to distribution of earnings in the current period.

Net Income (Loss) Attributable to MDC Partners Inc.

As a result of the foregoing, the net income attributable to MDC Partners Inc. for the year ended December 31, 2017 was $241.8 million or income of $3.72 per diluted share, compared to a net loss of $45.8 million, or $0.89 per diluted share reported for the year ended December 31, 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue was $1.39 billion for the year ended December 31, 2016, representing an increase of $59.5 million, or 4.5%, compared to revenue of $1.33 billion for the year ended December 31, 2015. Revenue from acquisitions for 2016 was $51.1 million or 3.8%, inclusive of a $10.1 million contribution to organic revenue growth. Additionally, a negative impact of $0.5 million is included to reflect a disposition. Excluding the effect of the acquisitions and disposition, revenue growth was $20.0 million or 1.5%, partially offset by an adverse foreign exchange impact of $11.0 million or 0.8%.

Operating profit for the year ended 2016 was $48.4 million, compared to $72.1 million in 2015. Operating profit decreased by $44.7 million in the Advertising and Communications Group, while Corporate operating expenses decreased by $21.1 million.

Loss from continuing operations was $40.6 million in 2016, compared to a loss of $20.1 million in 2015. The increase of $20.5 million was primarily attributable to (1) a decrease in operating profit of $23.7 million, primarily due to goodwill impairment expense of $48.5 million, (2) an increase in net interest expense of $40.9 million, partially offset by (3) a decrease in foreign exchange loss of $39.1 million, (4) a decrease in other income, net, of $6.8 million, and (5) an increase in the income tax benefit of $13.2 million.

Advertising and Communications Group

The following discussion provides additional detailed disclosure for each of the Company's four (4) reportable segments, plus ‘‘All Other,’’ within the Advertising and Communications Group.

Revenue in the Advertising and Communications Group was $1.39 billion for the year ended December 31, 2016, representing an increase of $59.5 million, or 4.5%, compared to revenue of $1.33 billion for the year ended December 31, 2015. Revenue from acquisitions for 2016 was $51.1 million or 3.8%, inclusive of a $10.1 million contribution to organic revenue growth. Additionally, a negative impact of $0.5 million is included to reflect a disposition. Excluding the effect of the acquisitions and dispositions, revenue growth was $20.0 million or 1.5%, partially offset by an adverse foreign exchange impact of $11.0 million or 0.8%, which was attributable to new client wins partially offset by client losses and reductions in spending by some clients. There was mixed performance by client sector, with strength in communications, food & beverage and auto, offset by declines led by retail, technology, and financial services. The performance by disciplines was mixed with strength led by technology & data science, and public relations, partially offset by declines primarily in design firms. For the year ended December 31, 2016, revenue was negatively impacted by decreased billable pass-through costs incurred on client's behalf from the Company acting as principal in experiential and other businesses.

Revenue growth in the Advertising and Communications Group was driven by the Company's business outside of North America primarily consisting of revenue from acquisitions of $40.4 million or 3.1%, inclusive of a $6.2 million contribution to organic revenue growth. Revenue growth excluding acquisitions was $12.3 million or 0.9%, partially offset by an adverse foreign exchange impact of $6.9 million or 0.5%. The revenue growth in North America was comprised of revenue from acquisitions of $10.7 million or 0.8%, in addition to revenue growth of $8.0 million or 0.6% excluding acquisitions from the United States, offset by a minimal revenue decrease from Canada. United States saw modest growth due to client wins partially offset by client losses and reduction in client spending, as well as decrease in billable pass-through cost. The majority of the revenue growth outside of North America was attributable to the Company's European and Asian operations.

The Company also utilizes a non-GAAP metric called organic revenue growth (decline), defined in Item 7. For the year ended December 31, 2016, organic revenue growth was $30.1 million or 2.3%, of which $20.0 million pertained to Partner Firms which the Company has held throughout each of the comparable periods presented, while the remaining $10.1 million was contributed by acquisitions. The increase in revenue was also a result of non-GAAP acquisition (disposition), net adjustments of $42.0 million or 3.2%, which was partially offset by an adverse foreign exchange impact of $12.5 million or 0.9%.

The components of the change in revenues in the Advertising and Communications Group for the year ended December 31, 2016 were as follows:

		2016 Non-GAAP Activity				Change			
Advertising and Communications Group	2015 Revenue	Foreign Exchange	Non-GAAP Acquisitions (Dispositions), net	Organic Revenue Growth (Decline)	2016 Revenue	Foreign Exchange	Non-GAAP Acquisitions (Dispositions), net	Organic Revenue Growth (Decline)	Total Revenue
		(Dollars in Millions)							
United States	$1,085.1	$ —	$ 6.8	$11.9	$1,103.7	—%	0.6%	1.1%	1.7%
Canada	129.0	(4.1)	(0.5)	(0.3)	124.1	(3.2)%	(0.4)%	(0.2)%	(3.8)%
Other	112.2	(8.4)	35.7	18.5	158.0	(7.5)%	31.9%	16.5%	40.8%
Total	$1,326.3	$(12.5)	$42.0	$30.1	$1,385.8	(0.9)%	3.2%	2.3%	4.5%

The below is a reconciliation between the revenue in the Advertising and Communications Group from acquired businesses in the statement of operations to non-GAAP acquisitions (dispositions), net for the year ended December 31, 2016:

	Global Integrated Agencies	Media Services	All Other	Total
	(Dollars in Millions)			
Revenue from acquisitions (dispositions), net(1)	$39.6	$ 4.8	$ 6.7	$ 51.1
Foreign exchange impact	1.5	—	—	1.5
Contribution to organic revenue growth (decline)(2)	(5.9)	(1.4)	(2.8)	(10.1)
Prior year revenue from dispositions	—	—	(0.5)	(0.5)
Non-GAAP acquisitions (dispositions), net	$35.1	$ 3.5	$ 3.4	$ 42.0

(1) For the year ended December 31, 2016, revenue from acquisitions was comprised of $11.5 million from acquisitions completed in 2015 and $39.6 million from acquisitions completed in 2016.

(2) Contributions to organic revenue growth (decline) represents the change in revenue, measured on a constant currency basis, relative to the comparable pre-acquisition period for acquired businesses that is included in the Company's organic revenue growth (decline) calculation.

The geographic mix in revenues in the Advertising and Communications Group for the years ended December 31, 2016 and 2015 was as follows:

	2016	2015
United States	79.6%	81.8%
Canada	9.0%	9.7%
Other	11.4%	8.5%

Overall, organic revenue growth in the Advertising and Communications Group was driven by the Company's business outside of North America, with organic revenue growth of 16.5%, primarily attributable to new client wins and increased spend from existing clients as the Company extended its capabilities into new markets throughout Europe, Asia, and South America. For the year ended December 31, 2016, 11.4% of the Company's total revenue came from outside North America, up from 8.5% for the year ended December 31, 2015. Additional revenue growth came from acquisitions of Partner Firms that helped expand the Company's capabilities in mobile development and digital media buying, as well as expand the Company's global footprint.

The adverse currency impact was primarily due to the weakening of the British Pound and the Canadian dollar against the U.S. dollar during the twelve months ended December 31, 2016, as compared to the twelve months ended December 31, 2015.

The change in expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Advertising and Communications Group	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$1,385.8		$1,326.3		$ 59.5	4.5%
Operating expenses						
Cost of services sold	936.1	67.6%	879.7	66.3%	56.4	6.4%
Office and general expenses	263.7	19.0%	258.8	19.5%	4.9	1.9%
Depreciation and amortization	44.9	3.2%	50.4	3.8%	(5.6)	(11.1)%
Goodwill impairment	48.5	3.5%	—	—%	48.5	NA
	$1,293.2	93.3%	$1,189.0	89.6%	$104.3	8.8%
Operating profit	$ 92.5	6.7%	$ 137.3	10.4%	$ (44.7)	(32.6)%

The change in the categories of expenses as a percentage of revenue in the Advertising and Communications Group for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Advertising and Communications Group	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs(1)	$ 212.3	15.3%	$ 195.3	14.7%	$ 17.0	8.7%
Staff costs(2)	781.9	56.4%	732.4	55.2%	49.5	6.8%
Administrative costs	179.2	12.9%	159.4	12.0%	19.8	12.4%
Deferred acquisition consideration	8.0	0.6%	36.3	2.7%	(28.4)	(78.1)%
Stock-based compensation	18.5	1.3%	15.1	1.1%	3.4	22.7%
Depreciation and amortization	44.9	3.2%	50.4	3.8%	(5.6)	(11.1)%
Goodwill impairment	48.5	3.5%	—	—%	48.5	NA
Total operating expenses	$1,293.2	93.3%	$1,189.0	89.6%	$104.3	8.8%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Operating profit in the Advertising and Communications Group in 2016 was $92.5 million, compared to $137.3 million in 2015, with operating margins declining 370 basis points from 10.4% in 2015 to 6.7% in 2016. These decreases were largely due to the goodwill impairment charge of $48.5 million and increases in staff costs as a percentage of revenue, partially offset by decreased deferred acquisition consideration expense.

Direct costs in the Advertising and Communications Group increased by $17.0 million, or 8.7% and as a percentage of revenue increased from 14.7% in 2015 to 15.3% in 2016. This increase was largely due to an acquisition during the year.

Staff costs in the Advertising and Communications Group increased by $49.5 million, or 6.8% and as a percentage of revenue increased from 55.2% in 2015 to 56.4% in 2016. The increase in staff costs was due to increased headcount driven by certain Partner Firms to support the growth of their businesses, as well as additional contributions from acquisitions. The increase in staff costs as a percentage of revenue was due to an increase in staffing levels in advance of revenue at certain Partner Firms, as well as slower reductions in staffing at other Partner Firms.

Administrative costs in the Advertising and Communications Group increased year over year and as a percentage of revenue primarily due to higher occupancy expenses and other general and administrative expenses. These increases were incurred to support the growth and expansion of certain Partner Firms, as well as some real estate consolidation initiatives.

Deferred acquisition consideration in the Advertising and Communications Group resulted in an expense of $8.0 million in 2016, compared to expense of $36.3 million in 2015. The decrease in deferred acquisition consideration expense was due to the aggregate under-performance of certain Partner Firms in 2016 relative to forecast expectations as compared to 2015. This decrease was partially offset by expenses pertaining to amendments to purchase agreements of previously acquired incremental ownership interests entered into during 2016, as well as increased estimated liability driven by the decrease in the Company’s estimated future stock price, pertaining to an acquisition in which the Company used its equity as purchase consideration.

Stock-based compensation in the Advertising and Communications Group remained consistent at approximately 1% of revenue.

Depreciation and amortization expense in the Advertising and Communications Group decreased by $5.6 million primarily due to lower amortization from intangibles related to prior year acquisitions.

Goodwill impairment in the Advertising and Communications Group of $48.5 million was comprised of $27.9 million relating to an experiential reporting unit, a partial impairment of goodwill of $18.9 million relating to a strategic communications reporting unit, and a partial impairment of goodwill of $1.7 million relating to a non-material reporting unit. For more information see Note 8 of our Consolidated Financial Statements.

Global Integrated Agencies

Revenue in the Global Integrated Agencies reportable segment was $696.4 million for the year ended December 31, 2016, representing an increase of $43.4 million, or 6.6%, compared to revenue of $653.0 million for the year ended December 31, 2015. The increase related to revenue growth from existing Partner Firms, excluding the effect of acquisitions, of $15.6 million, or 2.4%, as well as revenue from acquisitions of $35.1 million, or 5.4%. These increases were partially offset by an adverse foreign exchange impact of $7.3 million, or 1.1%.

The change in expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Global Integrated Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$696.4		$653.0		$43.4	6.6%
Operating expenses						
Cost of services sold	472.1	67.8%	431.3	66.0%	40.9	9.5%
Office and general expenses	144.3	20.7%	135.0	20.7%	9.4	7.0%
Depreciation and amortization	21.4	3.1%	20.6	3.2%	0.8	4.1%
	$637.9	91.6%	$586.8	89.9%	$51.1	8.7%
Operating profit	$ 58.5	8.4%	$ 66.2	10.1%	$ (7.7)	(11.6)%

Operating profit in the Global Integrated Agencies reportable segment in 2016 was $58.5 million, compared to $66.2 million in 2015. Operating margins declined by 170 basis points from 10.1% in 2015 to 8.4% in 2016. These decreases were largely due to increases in direct costs as a percentage of revenue as well as staff costs, partially offset by decreased deferred acquisition consideration expense.

The change in the categories of expenses as a percentage of revenue in the Global Integrated Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Global Integrated Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs(1)	$ 65.9	9.5%	$ 51.0	7.8%	$14.9	29.1%
Staff costs(2)	434.5	62.4%	406.9	62.3%	27.6	6.8%
Administrative costs	92.4	13.3%	84.3	12.9%	8.2	9.7%
Deferred acquisition consideration	11.6	1.7%	17.1	2.6%	(5.5)	(32.3)%
Stock-based compensation	12.1	1.7%	7.0	1.1%	5.2	73.9%
Depreciation and amortization	21.4	3.1%	20.6	3.2%	0.8	4.1%
Total operating expenses	$637.9	91.6%	$586.8	89.9%	$51.1	8.7%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Global Integrated Agencies reportable segment increased by $14.9 million, or 29.1%, and as a percentage of revenue increased from 7.8% in 2015 to 9.5% in 2016, largely due to contributions from a Partner Firm acquired in the second half of 2016.

Staff costs in the Global Integrated Agencies reportable segment increased by $27.6 million, or 6.8%, and as a percentage of revenue remained consistent at approximately 62.4% in 2015 and 2016. The increase was due to increased headcount at certain Partner Firms to support the growth of their businesses as well as additional contributions from a Partner Firm acquired in the second half of 2016.

Administrative costs in the Global Integrated Agencies reportable segment increased by $8.2 million, or 9.7%, and as a percentage of revenue increased from 12.9% in 2015 to 13.3% in 2016, primarily due to higher occupancy expenses and other general and administrative expenses attributable to existing Partner Firms as well as contributions from a Partner Firm acquired in the second half of 2016. These increases were incurred in 2016 to support the growth and expansion of certain Partner Firms and in support of some real estate consolidation initiatives.

Deferred acquisition consideration in the Global Integrated Agencies reportable segment resulted in an expense of $11.6 million in 2016, compared to an expense of $17.1 million in 2015. The decrease was due to the aggregate under-performance of certain Partner Firms in 2016 relative to forecast expectations as compared to 2015 aggregate out-performance relative to forecast expectations in 2015. The decrease was partially offset by expenses pertaining to an amendment to a purchase agreement of previously acquired incremental ownership interests entered into during 2016, as well as increased estimated liability driven by the decrease in the Company's estimated future stock price, pertaining to an equity funded acquisition.

Domestic Creative Agencies

Revenue in the Domestic Creative Agencies reportable segment was $86.0 million for the year ended December 31, 2016, representing a decrease of $5.7 million, or 6.2%, compared to revenue of $91.7 million for the year ended December 31, 2015. The decrease related to a revenue decline of $5.3 million, or 5.9% from existing Partner Firms and an adverse foreign exchange impact of $0.4 million, or 0.4%.

The change in expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Domestic Creative Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$86.0		$91.7		$(5.7)	(6.2)%
Operating expenses						
Cost of services sold	49.2	57.2%	53.0	57.9%	(3.8)	(7.2)%
Office and general expenses	18.5	21.6%	19.2	21.0%	(0.7)	(3.7)%
Depreciation and amortization	1.7	1.9%	1.9	2.0%	(0.2)	(10.9)%
	$69.4	80.7%	$74.1	80.9%	$(4.8)	(6.4)%
Operating profit	$16.6	19.3%	$17.5	19.1%	$(1.0)	(5.4)%

Operating profit in the Domestic Creative Agencies reportable segment in 2016 was $16.6 million, compared to $17.5 million in 2015. Operating margins improved 20 basis points from 19.1% in 2015 to 19.3% in 2016. The decrease in operating profit was largely due to a decline in revenue, partially offset by a decrease in staff costs.

The change in the categories of expenses as a percentage of revenue in the Domestic Creative Agencies reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Domestic Creative Agencies	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs(1)	$ 2.3	2.6%	$ 2.5	2.7%	$(0.2)	(8.9)%
Staff costs(2)	54.2	63.1%	58.4	63.7%	(4.2)	(7.2)%
Administrative costs	10.9	12.7%	11.3	12.3%	(0.4)	(3.8)%
Deferred acquisition consideration	(0.3)	(0.3)%	(0.6)	(0.6)%	0.3	(50.7)%
Stock-based compensation	0.6	0.7%	0.6	0.7%	—	(1.4)%
Depreciation and amortization	1.7	1.9%	1.9	2.0%	(0.2)	(10.9)%
Total operating expenses	$69.4	80.7%	$74.1	80.9%	$(4.8)	(6.4)%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Staff costs in the Domestic Creative Agencies reportable segment decreased by $4.2 million, or 7.2%, and as a percentage of revenue decreased from 63.7% in 2015 to 63.1% in 2016, primarily due to decreased headcount in client serving functions as a result of a decline in revenue at certain Partner Firms.

Specialist Communications

Revenue in the Specialist Communications reportable segment was $170.3 million for the year ended December 31, 2016, representing an increase of $16.4 million, or 10.6%, compared to revenue of $153.9 million for the year ended December 31, 2015. The increase in revenue was attributable to revenue growth of $17.4 million, or 11.3% from existing Partner Firms, partially offset by an adverse foreign exchange impact of $1.0 million, or 0.7%.

The change in expenses as a percentage of revenue in the Specialist Communications reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Specialist Communications	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$170.3		$153.9		$ 16.4	10.6%
Operating expenses						
Cost of services sold	118.1	69.4%	101.4	65.9%	16.7	16.5%
Office and general expenses	24.7	14.5%	23.2	15.1%	1.4	6.2%
Depreciation and amortization	6.6	3.9%	11.2	7.3%	(4.6)	(40.7)%
Goodwill impairment	18.9	11.1%	—	—%	18.9	N/A
	$168.3	98.9%	$135.9	88.3%	$ 32.5	23.9%
Operating profit	$ 1.9	1.1%	$ 18.0	11.7%	$(16.1)	(89.3)%

Operating profit in the Specialist Communications reportable segment in 2016 was $1.9 million, compared to $18.0 million in 2015. Operating margins declined 1,060 basis points from 11.7% in 2015 to 1.1% in 2016. These decreases were largely due to a goodwill impairment as well as increases in both staff costs and direct costs as a percentage of revenue, partially offset by a decrease in depreciation and amortization and higher income from deferred acquisition consideration.

The change in the categories of expenses as a percentage of revenue in the Specialist Communications reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Specialist Communications	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs(1)	$ 41.9	24.6%	$ 34.0	22.1%	$ 8.0	23.4%
Staff costs(2)	80.8	47.5%	72.2	46.9%	8.6	11.9%
Administrative costs	21.7	12.7%	19.6	12.7%	2.1	10.7%
Deferred acquisition consideration	(5.2)	(3.1)%	(2.6)	(1.7)%	(2.6)	101.5%
Stock-based compensation	3.6	2.1%	1.5	1.0%	2.1	140.2%
Depreciation and amortization	6.6	3.9%	11.2	7.3%	(4.6)	(40.7)%
Goodwill impairment	$ 18.9	11.1%	$ —	—%	$18.9	N/A
Total operating expenses	$168.3	98.9%	$135.9	88.3%	$32.5	23.9%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Specialist Communications reportable segment increased by $8.0 million, or 23.4%, and as a percentage of revenue increased from 22.1% in 2015 to 24.6% in 2016, primarily due to an increase in pass-through costs incurred on clients' behalf at certain Partner Firms acting as principal verses agent.

Staff costs in the Specialist Communications reportable segment increased by $8.6 million, or 11.9%, and as a percentage of revenue increased from 46.9% in 2015 to 47.5% in 2016, primarily due to increased headcount at certain Partner Firms to support the growth of their businesses.

Depreciation and amortization in the Specialist Communications reportable segment decreased by $4.6 million, or 40.7%, and as a percentage of revenue decreased from 7.3% in 2015 to 3.9% in 2016, primarily due to lower amortization from intangibles related to prior year acquisitions.

Goodwill impairment in the Specialist Communications reportable segment was $18.9 million in 2016 pertaining to a partial impairment of goodwill relating to one of the Company's strategic communications reporting units. For more information see Note 8 of the Notes to the Consolidated Financial Statements included herein.

Media Services

Revenue in the Media Services reportable segment was $131.5 million for the year ended December 31, 2016 compared to revenue of $132.4 million for the year ended December 31, 2015, representing a decrease of $0.9 million, or 0.7%. The decrease in revenue was driven by revenue declines of $4.4 million, or 3.3% from existing Partner Firms, excluding the effect of acquisitions, partially offset by revenue contribution from an acquired Partner Firm of $3.5 million, or 2.6%.

The change in expenses as a percentage of revenue in the Media Services reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Media Services	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$131.5		$132.4		$ (0.9)	(0.7)%
Operating expenses						
Cost of services sold	95.4	72.5%	92.4	69.8%	2.9	3.2%
Office and general expenses	24.3	18.5%	15.2	11.5%	9.0	59.4%
Depreciation and amortization	5.7	4.3%	4.7	3.5%	1.1	22.7%
	$125.3	95.3%	$112.3	84.8%	$ 13.0	11.6%
Operating profit (loss)	$ 6.2	4.7%	$ 20.1	15.2%	$(14.0)	(69.4)%

Operating profit in the Media Services reportable segment in 2016 was $6.2 million, compared to $20.1 million in 2015. Operating margins declined 1,050 basis points from 15.2% in 2015 to 4.7% in 2016. These decreases were largely due to increases as a percentage of revenue in both staff costs and administrative costs, partially offset by a decrease in direct costs.

The change in the categories of expenses as a percentage of revenue in the Media Services reportable segment for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
Media Services	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Direct costs(1)	$ 31.2	23.7%	$ 36.2	27.3%	$ (5.0)	(13.7)%
Staff costs(2)	64.8	49.3%	57.5	43.5%	7.3	12.7%
Administrative	22.7	17.3%	17.2	13.0%	5.5	32.3%
Deferred acquisition consideration	0.6	0.4%	(3.7)	(2.8)%	4.3	(115.5)%
Stock-based compensation	0.3	0.2%	0.5	0.4%	(0.2)	(36.1)%
Depreciation and amortization	5.7	4.3%	4.7	3.5%	1.1	22.7%
Total operating expenses	$125.3	95.3%	$112.3	84.8%	$13.0	11.6%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Direct costs in the Media Services reportable segment decreased by $5.0 million, or 13.7%, and as a percentage of revenue decreased from 27.3% in 2015 to 23.7% in 2016, primarily due to a decline in pass-through costs incurred on clients' behalf at certain Partner Firms acting as principal verses agent.

Staff costs in the Media Services reportable segment increased by $7.3 million, or 12.7%, and as a percentage of revenue increased from 43.5% in 2015 to 49.3% in 2016. The increase was due to additional headcount at certain Partner Firms to support the growth of their business. The increase in staff costs as a percentage of revenue was due to an increase in staffing levels at certain Partner Firms in advance of revenue.

Administrative costs in the Media Services reportable segment increased by $5.5 million, or 32.3%, and as a percentage of revenue increased from 13.0% in 2015 to 17.3% in 2016. These increases were due to higher occupancy expenses and other general and administrative expenses, which were incurred in 2016 to support the growth and expansion of certain Partner Firms as well as real estate consolidation initiatives.

All Other

Revenue in the All Other category was $301.6 million for the year ended December 31, 2016, representing an increase of $6.4 million, or 2.2%, compared to revenue of $295.3 million for the year ended December 31, 2015. The increase was driven by revenue growth from existing Partner Firms, excluding acquisitions, of $6.8 million, or 2.3%, as well as contributions from an acquired Partner Firm of $3.9 million, partially offset by an adverse foreign exchange impact of $3.8 million, or 1.3% and a disposition adjustment of $0.5 million, or 0.2%.

The change in expenses as a percentage of revenue in the All Other category for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015		Change	
All Other	**$**	**% of Revenue**	**$**	**% of Revenue**	**$**	**%**
			(Dollars in Millions)			
Revenue	$301.6		$295.3		$ 6.4	2.2%
Operating expenses						
Cost of services sold	201.3	66.7%	201.6	68.3%	(0.2)	(0.1)%
Office and general expenses	51.9	17.2%	66.1	22.4%	(14.2)	(21.5)%
Depreciation and amortization	9.4	3.1%	12.1	4.1%	(2.8)	(22.9)%
Goodwill impairment	29.7	9.8%	$ —	—%	29.7	N/A
	$292.3	96.9%	$279.8	94.8%	$ 12.4	4.4%
Operating profit	$ 9.4	3.1%	$ 15.4	5.2%	$ (6.1)	(39.3)%

Operating profit in the All Other category in 2016 was $9.4 million, compared to $15.4 million in 2015. Operating margins declined 210 basis points from 5.2% in 2015 to 3.1% in 2016. These decreases were largely due to the goodwill impairment charge and an increase in staff costs as a percentage of revenue, partially offset by decreased deferred acquisition consideration expense.

The change in the categories of expenses as a percentage of revenue in the All Other category for the years ended December 31, 2016 and 2015 was as follows:

All Other	2016 $	2016 % of Revenue	2015 $	2015 % of Revenue	Change $	Change %
	(Dollars in Millions)					
Direct costs(1)	$ 71.0	23.5%	$ 71.6	24.3%	$ (0.6)	(0.9)%
Staff costs(2)	147.6	48.9%	137.4	46.5%	10.3	7.5%
Administrative	31.5	10.4%	27.1	9.2%	4.4	16.2%
Deferred acquisition consideration	1.3	0.4%	26.1	8.9%	(24.8)	(94.9)%
Stock-based compensation	1.8	0.6%	5.5	1.8%	(3.7)	(67.5)%
Depreciation and amortization	9.4	3.1%	12.1	4.1%	(2.8)	(22.9)%
Goodwill impairment	29.7	9.8%	$ —	—%	29.7	N/A
Total operating expenses	$292.3	96.9%	$279.8	94.8%	$ 12.4	4.4%

(1) Excludes staff costs.

(2) Excludes stock-based compensation and is comprised of amounts reported in both cost of services sold and office and general expenses.

Staff costs in the All Other category increased by $10.3 million, or 7.5%, and as a percentage of revenue increased from 46.5% in 2015 to 48.9% in 2016, primarily due to increased headcount at certain Partner Firms to support the growth of their businesses as well as contributions from a 2015 acquisition.

Deferred acquisition consideration in the All Other category resulted in an expense of $1.3 million in 2016, compared to an expense of $26.1 million in 2015. The decrease was due to the aggregate out-performance relative to forecast expectations of certain Partner Firms in 2015 that did not reoccur in 2016.

Goodwill impairment in the All Other category was comprised of $27.9 million relating to an experiential reporting unit and partial impairment of goodwill of $1.7 million relating to a non-material reporting unit. For more information see Note 8 of the Notes to the Consolidated Financial Statements included herein.

Corporate

The change in operating expenses for Corporate for the years ended December 31, 2016 and 2015 was as follows:

Corporate	2016	2015	Variance $	Variance %
		(Dollars in Millions)		
Staff costs(1)	$27.8	$42.4	$(14.6)	(34.4)%
Administrative costs	12.2	18.2	(6.1)	(33.3)%
Stock-based compensation	2.5	2.7	(0.2)	(7.8)%
Depreciation and amortization	1.6	1.8	(0.2)	(10.7)%
Total operating expenses	$44.1	$65.2	$(21.1)	(32.3)%

(1) Excludes stock-based compensation.

Total operating expenses for Corporate decreased by $21.1 million to $44.1 million in 2016, compared to $65.2 million in 2015.

Staff costs for Corporate decreased by $14.6 million, or 34.4%. The decrease was primarily due to a one-time charge of $5.8 million in 2015 for the balance of prior cash bonus award amounts that were paid to the former Chief Executive Officer (''CEO'') and Chief Accounting Officer (''CAO'') but will not be recovered pursuant to the repayment terms of the applicable Separation Agreements. In addition, there was lower executive compensation expense in 2016.

Administrative costs for Corporate decreased by $6.1 million, or 33.3%, primarily due to reductions in the following categories: (1) legal fees related to the class action litigation and SEC investigation of $9.6 million, (2) advertising and promotional expenses of $1.4 million, (3) professional fees of $1.0 million, (4) travel and entertainment expenses of $0.3 million, (5) occupancy costs of $0.6 million, and (6) various other administrative costs of $1.1 million. In addition, the Company received $5.9 million of insurance proceeds for the year ended December 31, 2016 compared to $1.0 million for the year ended December 31, 2015 relating to the class action litigation and SEC investigation. These reductions in administrative costs and receipt of insurance proceeds were partially offset by the $11.3 million of perquisite reimbursements from the former CEO received for the year ended December 31, 2015 and the one-time SEC civil penalty payment of $1.5 million for the year ended December 31, 2016.

Other Income, Net

Other income, net, decreased by $6.8 million from income of $7.2 million for the year ended December 31, 2015 to income of $0.4 million for the year ended December 31, 2016. The decrease pertains to the gain on sale of certain investments completed in 2015 of $6.5 million compared to the gain on sale of investments of $1.9 million completed in 2016, as well as a loss of $0.8 million related to the sale of Bryan Mills to the noncontrolling shareholders. In addition, the Company had other income of $0.4 million in 2016 compared to other income of $0.1 million in 2015.

Foreign Exchange

Foreign exchange loss was $0.2 million in 2016 compared to a foreign exchange loss of $39.3 million in 2015. The foreign exchange losses in both 2016 and 2015 primarily related to the U.S. dollar denominated indebtedness that was an obligation of the Company's Canadian parent company and were driven by the appreciation of the U.S. dollar against the Canadian dollar in the period.

Interest Expense, finance charges, and loss on redemption of notes, net

Interest expense and finance charges, net, for the year ended December 31, 2016 was $65.9 million, an increase of $8.0 million over the $57.9 million of interest expense and finance charges, net, incurred for the year ended December 31, 2015. The increase was due to higher average outstanding debt in 2016. In addition, the Company incurred a $33.3 million loss on redemption of the 6.75% Notes in March 2016.

Income Tax Expense (Benefit)

Income tax benefit for the year ended December 31, 2016 was $9.4 million compared to an expense of $3.8 million for the year ended December 31, 2015. The Company's effective rate in 2016 and 2015 was lower than the statutory rate due to losses in certain tax jurisdictions where a valuation allowance was deemed necessary.

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

Equity in Earnings (Losses) of Non-Consolidated Affiliates

Equity in earnings (losses) of non-consolidated affiliates represents the income attributable to equity-accounted affiliate operations. For the year ended December 31, 2016, the Company recorded a loss of $0.3 million compared to earnings of $1.1 million for the year ended December 31, 2015.

Noncontrolling Interests

The effects of noncontrolling interests was $5.2 million for the year ended December 31, 2016, a decrease of $3.9 million from the $9.1 million for the year ended December 31, 2015. This decrease related to an increase in ownership in Partner Firms where there are noncontrolling shareholders.

Discontinued Operations

The loss, net of taxes, from discontinued operations was $6.3 million, for the year ended December 31, 2015. There was no impact for the year ended December 31, 2016.

Net Loss Attributable to MDC Partners Inc.

As a result of the foregoing, the net loss attributable to MDC Partners Inc. for the year ended December 31, 2016 was $45.8 million or a loss of $0.89 per diluted share, compared to a net loss of $35.5 million, or $0.71 per diluted share reported for the year ended December 31, 2015.

Liquidity and Capital Resources

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

Liquidity	2017	2016	2015
	(In Millions, Except for Long-Term Debt to Shareholders' Equity Ratio)		
Cash and cash equivalents	$ 46.2	$ 27.9	$ 61.5
Working capital (deficit)	$(232.9)	$(313.2)	$(418.0)
Cash provided by (used in) operating activities	$ 115.3	$ (1.2)	$ 161.4
Cash used in investing activities	$ (20.9)	$ (25.2)	$ (29.9)
Cash used in financing activities	$ (75.4)	$ (9.3)	$(188.6)
Ratio of long-term debt to shareholders' deficit	(5.68)	(1.84)	(1.47)

As of December 31, 2017, 2016 and 2015, $4.6 million, $5.3 million, and $5.2 million, respectively, of the Company's consolidated cash position was held by subsidiaries. Although this amount is available for the subsidiaries' use, it does not represent cash that is distributable as earnings to MDC for use to reduce its indebtedness. It is the Company's intent through its cash management system to reduce outstanding borrowings under the Credit Agreement by using available cash.

The Company intends to maintain sufficient cash and/or available borrowings to fund operations for the next twelve months. The Company has historically been able to maintain and expand its business using cash generated from operating activities, funds available under its Credit Agreement, and other initiatives, such as obtaining additional debt and equity financing. At December 31, 2017, the Company had $247.8 million available under the Credit Agreement.

The Company's obligations extending beyond twelve months primarily consist of deferred acquisition payments, capital expenditures, scheduled lease obligation payments, and interest payments on borrowings under the Company's 6.50% Senior Notes due 2024. Based on the current outlook, the Company believes future cash flows from operations, together with the Company's existing cash balance and availability of funds under the Company's Credit Agreement, will be sufficient to meet the Company's anticipated cash needs for the foreseeable future. The Company's ability to make scheduled deferred acquisition payments, principal and interest payments, to refinance indebtedness or to fund planned capital expenditures will depend on future performance, which is subject to general economic conditions, the competitive environment and other factors, including those described in Item 1A of Part I of this Annual Report on Form 10-K and in the Company's other SEC filings.

Working Capital

At December 31, 2017, the Company had a working capital deficit of $232.9 million compared to a deficit of $313.2 million at December 31, 2016. Working capital deficit decreased by $80.4 million primarily due to the net proceeds from the issuance of the convertible preference shares and timing of media payments, offset by the net repayments under the Credit Agreement and payments of deferred acquisition consideration. During the twelve months ended December 31, 2016, the Company's working capital was negatively impacted by increased volatility caused by a shift in seasonality relating to the changing client base in our media business. The Company's working capital is impacted by seasonality in media buying, amounts spent by clients, and timing of amounts received from clients and subsequently paid to suppliers. Media buying is impacted by the timing of certain events, such as major sporting competitions and national holidays, and there can be a quarter to quarter lag between the time amounts received from clients for the media buying are subsequently paid to suppliers. At December 31, 2017, the Company had no borrowings outstanding under its Credit Agreement. The Company includes amounts due to noncontrolling interest holders, for their share of profits, in accrued and other liabilities. During 2017, 2016 and 2015, the Company made distributions to these noncontrolling interest holders of $8.9 million, $7.8 million and $9.5 million, respectively. At December 31, 2017, $11.0 million remains outstanding to be distributed to noncontrolling interest holders over the next twelve months.

The Company intends to maintain sufficient cash or availability of funds under the Credit Agreement at any particular time to adequately fund working capital should there be a need to do so from time to time.

Operating Activities

Cash flows provided by continuing operations for 2017 were $115.3 million. This was attributable primarily to income from continuing operations of $257.2 million, inclusive of benefit related to deferred taxes of $173.0 million primarily related to a reversal of the valuation allowance on its United States deferred tax assets, stock-based compensation of $24.4 million, depreciation and amortization of $46.5 million, goodwill and other asset impairment of $4.4 million, a decrease in accounts payable, accruals and other current liabilities of $13.4 million primarily driven by the timing of payments to suppliers, a decrease in prepaid expenses and other current assets of $6.6 million, a decrease in expenditures billable to clients of $1.9 million, and an increase in advanced billings of $14.5 million. This was partially offset by an increase in accounts receivable of $50.0 million, foreign exchange of $17.6 million, a gain on the sale of assets of $1.6 million, a net increase in other and non-current assets and liabilities of $4.4 million, adjustments to deferred acquisition consideration of $4.8 million, and income in non-consolidated affiliates of $2.1 million.

Cash flows used in continuing operations for 2016 were $1.2 million. This was attributable primarily to a loss from continuing operations of $40.6 million, decrease in accounts payable, accruals and other current liabilities of $110.0 million primarily driven by the timing of payments to suppliers, an increase in accounts receivable of $16.8 million, an increase in prepaid expenses and other current assets of $13.6 million, foreign exchange of $8.2 million, deferred income taxes of $10.0 million, and a gain on the sale of assets of $0.4 million. This was partially offset by depreciation and amortization of $55.6 million, goodwill impairment of $48.5 million, a loss on the redemption of the 6.75% Notes of $26.9 million, stock-based compensation of $21.0 million, a net decrease in other and non-current assets and liabilities of $13.5 million, a decrease in expenditures billable to clients of $13.0 million, an increase in advanced billings of $11.4 million, adjustments to deferred acquisition consideration of $8.2 million, and losses of non-consolidated affiliates of $0.3 million.

Cash flows provided by continuing operations for 2015 were $162.7 million. This was attributable primarily to an increase in accounts payable, accruals and other current liabilities of $75.1 million, depreciation and amortization of $54.5 million, adjustments to deferred acquisition consideration of $38.9 million, foreign exchange of $30.2 million, stock-based compensation of $17.8 million, a decrease in other and non-current assets and liabilities of $4.7 million, deferred income taxes of $0.1 million, and an decrease in prepaid expenses and other current assets of $1.6 million. This was partially offset by an decrease in advanced billings of $23.5 million, a loss from continuing operations of $20.1 million, a gain on sale of investments of $6.5 million, an increase in accounts receivable of $4.8 million, an increase in expenditures billable to clients of $3.9 million, and earnings of non-consolidated affiliates of $1.1 million. Discontinued operations used cash of $1.3 million.

Investing Activities

Cash flows used in investing activities of continuing operations were $20.9 million for 2017, compared with $25.2 million for 2016, and $29.9 million in 2015.

In the year ended December 31, 2017, capital expenditures totaled $33.0 million, primarily driven by $20.7 million incurred by the Global Integrated Agencies reportable segment. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements. Additionally, the Company paid $2.2 million for other investments. These outflows were partially offset by $3.7 million of distributions from non-consolidated affiliates and $10.6 million of proceeds from the sale of assets.

In the year ended December 31, 2016, capital expenditures totaled $29.4 million, primarily driven by $16.4 million incurred by the Global Integrated Agencies reportable segment. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements. Additionally, the Company paid $3.8 million for other investments and $2.5 million for deposits on capital expenditures not yet placed into service. These outflows were partially offset by $7.4 million of distributions from non-consolidated affiliates, $2.5 million of net cash acquired from acquisitions and $0.7 million of proceeds from the sale of assets.

In the year ended December 31, 2015, capital expenditures totaled $23.6 million, primarily driven by $17.0 million incurred by the Global Integrated Agencies reportable segment. These expenditures consisted primarily of computer equipment, furniture and fixtures, and leasehold improvements. Additionally, the Company paid $24.8 million, net of cash acquired, for acquisitions and $7.3 million for other investments. These outflows were partially offset by $8.6 million of proceeds from the sale of assets. The Company also received $17.1 million of cash proceeds in 2015 from the sale of Accent.

Financing Activities

During the year ended December 31, 2017, cash flows used in financing activities were $75.4 million, and consisted of $99.9 million of acquisition related payments, $54.4 million of net repayments under the Credit Agreement, $4.8 million of issuance costs paid in connection with the issuance of convertible preference shares, payment of dividends of $0.3 million, distributions to noncontrolling partners of $8.9 million, the purchase of treasury shares for income tax withholding requirements of $1.8 million, and repayments of long-term debt of $0.4 million. These amounts were partially offset by $95.0 million of gross proceeds from the issuance of convertible preference shares.

During the year ended December 31, 2016, cash flows used in financing activities were $9.3 million, and consisted of the redemption of the 6.75% Notes of $735.0 million, a premium paid in connection with such redemption of $26.9 million including accrued interest through the settlement date, $135.7 million of acquisition related payments, payment of dividends of $32.9 million, $21.6 million of debt issuance costs paid in connection with the issuance of the 6.50% Notes, distributions to noncontrolling partners of $7.8 million, the purchase of treasury shares for income tax withholding requirements of $3.4 million, and repayments of long-term debt of $0.5 million. These amounts were partially offset by $900.0 million in proceeds from the issuance of the 6.50% Notes and $54.4 million in net borrowings under the Credit Agreement.

During the year ended December 31, 2015, cash flows used in financing activities were $188.6 million, and consisted of $134.1 million of acquisition related payments, payment of dividends of $42.3 million, distributions to noncontrolling partners of $9.5 million, the purchase of treasury shares for income tax withholding requirements of $2.4 million and repayments of long-term debt of $0.5 million. These amounts were partially offset by proceeds from other financing activities of $0.2 million.

Total Debt

6.50% Senior Notes Due 2024

On March 23, 2016, MDC entered into an indenture (the ''Indenture'') among MDC, its existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, the Credit Agreement, as guarantors (the ''Guarantors'') and The Bank of New York Mellon, as trustee, relating to the issuance by MDC of its $900 million aggregate principal amount of 6.50% senior unsecured notes due 2024. The 6.50% Notes were sold in a private placement in reliance on exceptions from registration under the' 33 Act. The 6.50% Notes bear interest at a rate of 6.50% per annum, accruing from March 23, 2016. Interest is payable semiannually in arrears on May 1 and November 1 of each year, beginning November 1, 2016. The 6.50% Notes mature on May 1, 2024, unless earlier redeemed or repurchased. The Company received net proceeds from the offering of the 6.50% Notes equal to approximately $880,000. The Company used the net proceeds to redeem all of its existing 6.75% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for the loss on redemption of such notes of $33,298, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes, including funding of deferred acquisition consideration.

The 6.50% Notes are guaranteed on a senior unsecured basis by all of MDC's existing and future restricted subsidiaries that guarantee, or are co-borrowers under or grant liens to secure, the Credit Agreement. The 6.50% Notes are unsecured and unsubordinated obligations of MDC and rank (i) equally in right of payment with all of MDC's or any Guarantor's existing and future senior indebtedness, (ii) senior in right of payment to MDC's or any Guarantor's existing and future subordinated indebtedness, (iii) effectively subordinated to all of MDC's or any Guarantor's existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including the Credit Agreement, and (iv) structurally subordinated to all existing and future liabilities of MDC's subsidiaries that are not Guarantors.

MDC may, at its option, redeem the 6.50% Notes in whole at any time or in part from time to time, on and after May 1, 2019 (i) at a redemption price of 104.875% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2019, (ii) at a redemption price of 103.250% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2020, (iii) at a redemption price of 101.625% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2021, and (iv) at a redemption price of 100% of the principal amount thereof if redeemed on May 1, 2022 and thereafter.

Prior to May 1, 2019, MDC may, at its option, redeem some or all of the 6.50% Notes at a price equal to 100% of the principal amount of the 6.50% Notes plus a ''make whole'' premium and accrued and unpaid interest. MDC may also redeem, at its option, prior to May 1, 2019, up to 35% of the 6.50% Notes with the proceeds from one or more equity offerings at a redemption price of 106.50% of the principal amount thereof.

If MDC experiences certain kinds of changes of control (as defined in the Indenture), holders of the 6.50% Notes may require MDC to repurchase any 6.50% Notes held by them at a price equal to 101% of the principal amount of the 6.50% Notes plus accrued and unpaid interest. In addition, if MDC sells assets under certain circumstances, it must apply the proceeds from such sale and offer to repurchase the 6.50% Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest.

The Indenture includes covenants that, among other things, restrict MDC's ability and the ability of its restricted subsidiaries (as defined in the Indenture) to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; create restrictions on the payment of dividends or other amounts from MDC's restricted subsidiaries; sell assets; enter into transactions with affiliates; create liens; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC's assets to, another person. These covenants are subject to a number of important limitations and exceptions. The 6.50% Notes are also subject to customary events of default, including a cross-payment default and cross-acceleration provision. The Company was in compliance with all covenants at December 31, 2017.

Redemption of 6.75% Senior Notes Due 2020

On March 23, 2016, the Company redeemed the 6.75% Notes in whole at a redemption price of 103.375% of the principal amount thereof with the proceeds from the issuance of the 6.50% Notes.

Revolving Credit Agreement

On March 20, 2013, MDC, Maxxcom Inc. (a subsidiary of MDC) and each of their subsidiaries party thereto entered into an amended and restated $225 million senior secured revolving credit agreement due 2018 (the ''Credit Agreement'') with Wells Fargo Capital Finance, LLC, as agent, and the lenders from time to time party thereto. Advances under the Credit Agreement will be used for working capital and general corporate purposes, in each case pursuant to the terms of the Credit Agreement. Capitalized terms used in this section and not otherwise defined have the meanings set forth in the Credit Agreement.

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

Effective May 3, 2016, MDC and its subsidiaries entered into an additional amendment to its Credit Agreement. The amendment: (i) extends the date by an additional nineteen months to May 3, 2021; (ii) reduces the base borrowing interest rate by 25 basis points; (iii) provides the Company the ability to borrow in foreign currencies; and (iv) certain other modifications to provide additional flexibility in operating the Company's business.

Advances under the Credit Agreement bear interest as follows: (a)(i) Non-Prime Rate Loans bear interest at the Non-Prime Rate and (ii) all other Obligations bear interest at the Prime Rate, plus (b) an applicable margin. The applicable margin for borrowing is 1.50% in the case of Non-Prime Rate Loans and Prime Rate Loans that are European Advances, and 0.75% on all other Obligations. In addition to paying interest on outstanding principal under the Credit Agreement, MDC is required to pay an unused revolver fee of 0.25% to lenders under the Credit Agreement in respect of unused commitments thereunder.

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

The foregoing descriptions of the Indenture and the Credit Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the agreements.

Debt, net of debt issuance costs, as of December 31, 2017 was $883.1 million, a decrease of $53.3 million, compared with $936.4 million outstanding at December 31, 2016. This decrease in debt was a result of proceeds received from the issuance of convertible preference shares and cash flows generated from operations, partially offset by the payment of acquisition related payments. At December 31, 2017, there were approximately $5.1 million in outstanding letters of credit.

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

If the Company loses all or a substantial portion of its lines of credit under the Credit Agreement, or if the Company uses the maximum available amount under the Credit Agreement, it will be required to seek other sources of liquidity. If the Company were unable to find these sources of liquidity, for example through an equity offering or access to the capital markets, the Company's ability to fund its working capital needs and any contingent obligations with respect to acquisitions and redeemable noncontrolling interests would be adversely affected.

Pursuant to the Credit Agreement, the Company must comply with certain financial covenants including, among other things, covenants for (i) senior leverage ratio, (ii) total leverage ratio, (iii) fixed charges ratio, and (iv) minimum earnings before interest, taxes and depreciation and amortization, in each case as such term is specifically defined in the Credit Agreement.

For the period ended December 31, 2017, the Company's calculation of each of these covenants, and the specific requirements under the Credit Agreement, respectively, were calculated based on the trailing twelve months as follows:

	December 31, 2017
Total Senior Leverage Ratio	(0.01)
Maximum per covenant	2.00
Total Leverage Ratio	4.33
Maximum per covenant	5.50
Fixed Charges Ratio	2.54
Minimum per covenant	1.00
Earnings before interest, taxes, depreciation and amortization	$208.2 million
Minimum per covenant	$105.0 million

These ratios are not based on generally accepted accounting principles and are not presented as alternative measures of operating performance or liquidity. Some of these measures include, among other things, pro forma adjustments for acquisitions, one-time charges, and other items, as defined in the Credit Agreement. They are presented here to demonstrate compliance with the covenants in the Credit Agreement, as non-compliance with such covenants could have a material adverse effect on the Company.

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, 2017 will be repaid with new financing, equity offerings and/or cash flow from operations (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
			(Dollars in Millions)		
Indebtedness(1)	$ 900.0	$ —	$ —	$ —	$ 900.0
Capital lease obligations	0.7	0.3	0.4	—	—
Operating leases	367.4	58.2	111.8	74.4	122.9
Interest on debt	370.6	58.5	117.0	117.0	78.0
Deferred acquisition consideration(2)	122.4	50.2	54.6	17.7	—
Other long-term liabilities	7.9	3.2	4.4	0.3	—
Total contractual obligations(3)	$1,768.9	$170.4	$288.2	$209.4	$1,100.9

(1) Indebtedness includes no borrowings under the Credit Agreement due in 2021.

(2) Deferred acquisition consideration excludes future payments with an estimated fair value of $26.8 million that are contingent upon employment terms as well as financial performance and will be expensed as stock-based compensation over the required retention period. Of this amount, the Company estimates $2.5 million will be paid in less than one year, $16.9 million will be paid in one to three years, $7.4 million will be paid in three to five years, and nil will be paid after five years.

(3) Pension obligations of $15.8 million are not included since the timing of payments are not known.

The following table provides a summary of other commercial commitments (in thousands) at December 31, 2017:

	Payments Due by Period				
Other Commercial Commitments	**Total**	**Less than 1 Year**	**1 – 3 Years**	**3 – 5 Years**	**After 5 Years**
	(Dollars in Millions)				
Lines of credit	$ —	$ —	$—	$—	$—
Letters of credit	5.1	5.1	—	—	—
Total Other Commercial Commitments	$5.1	$5.1	$—	$—	$—

For further detail on MDC's long-term debt principal and interest payments, see Note 10 Debt and Note 17 Commitments, Contingencies and Guarantees of the Company's Notes to the Consolidated Financial Statements included in this Form 10-K. See also "*Deferred Acquisition Consideration*" and "*Other-Balance Sheet Commitments*" below.

Capital Resources

At December 31, 2017, there were no borrowings under the Credit Agreement and $5.1 million of undrawn outstanding letters of credit. Cash and undrawn commitments available to support the Company's future cash requirements at December 31, 2017 was approximately $294.0 million.

The Company expects to incur approximately $25.0 million of capital expenditures in 2018. Such capital expenditures are expected to include leasehold improvements, furniture and fixtures, and computer equipment at certain of the Company's operating subsidiaries. The Company intends to maintain and expand its business using cash from operating activities, together with funds available under the Credit Agreement. Management believes that the Company's cash flow from operations, funds available under the Credit Agreement and other initiatives will be sufficient to meet its ongoing working capital, capital expenditures and other cash needs over the next twelve months. If the Company spends capital on future acquisitions, management expects that the Company may need to obtain additional financing in the form of debt and/or equity financing.

Other-Balance Sheet Commitments

Media and Production

The Company's agencies enter into contractual commitments with media providers and agreements with production companies on behalf of our clients at levels that exceed the revenue from services. Some of our agencies purchase media for clients and act as an agent for a disclosed principal. These commitments are included in accounts payable when the media services are delivered by the media providers. MDC takes precautions against default on payment for these services and has historically had a very low incidence of default. MDC is still exposed to the risk of significant uncollectible receivables from our clients. The risk of a material loss could significantly increase in periods of severe economic downturn.

Deferred Acquisition Consideration

Acquisitions of a business, or a majority interest of a business, by the Company may include future additional contingent purchase price obligations payable to the seller, which are recorded as deferred acquisition consideration liabilities on the Company's balance sheet at the estimated acquisition date fair value and are remeasured at each reporting period. 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, the rate of growth of those earnings. The actual amount that the Company pays in connection with such contingent purchase obligations may differ materially from this estimate.

In connection with such contingent purchase obligations, the Company may have the option or, in some cases, the requirement, to purchase the remaining interest. Generally, the Company's option or requirement to purchase the incremental ownership interest coincides with the final payment of the purchase price obligation related to the Company's initial majority acquisition. If the Company subsequently acquires the remaining incremental ownership interest, the acquisition fair value of the purchase price, net of any cash paid at closing, is recorded as a liability, any noncontrolling interests are removed and any difference between the purchase price and noncontrolling interest is recorded to additional paid-in capital.

The deferred acquisition consideration and redeemable noncontrolling interests are impacted by (i) present value adjustments to accrete the acquisition date fair value of the obligation to the estimated future payment amount at the reporting date, (ii) changes in the estimated future payment obligation resulting from the underlying subsidiary's financial performance, and (iii) amendments to purchase agreements of previously acquired incremental ownership interests. Redeemable noncontrolling interests are not adjusted below the related initial redemption value. Significant changes in actual results and metrics, such as profit margins and growth rates among others, relative to expectations would result in a higher or lower redemption value adjustment. In addition, the deferred acquisition consideration and redeemable noncontrolling interests could be materially impacted by future acquisition activity, if any, and the particular structure of such acquisitions.

As a result, and due to the factors noted above, the Company does not have a view of the future trajectory and quantification of potential changes in the deferred acquisition consideration and redeemable noncontrolling interests.

The following table presents the changes in the deferred acquisition consideration by segment for the years ended December 31, 2017 and 2016:

	December 31, 2017					
	Global Integrated Agencies	Domestic Creative Agencies	Specialist Communications	Media Services	All Other	Total
	(Dollars in Millions)					
Beginning Balance of contingent payments	$148.8	$ 0.8	$ 15.0	$ 7.1	$ 53.1	$ 224.8
Payments[1]	(78.4)	(1.1)	(10.0)	(2.6)	(18.1)	(110.2)
Additions[2]	—	—	—	—	—	—
Redemption value adjustments[3]	10.4	0.4	0.5	(0.8)	(7.2)	3.3
Foreign translation adjustment	0.7	—	—	—	0.6	1.3
Ending Balance of contingent payments	81.4	—	5.5	3.7	28.5	119.1
Fixed payments	2.3	—	0.3	—	0.7	3.3
	$ 83.7	$ —	$ 5.8	$ 3.7	$ 29.2	$ 122.4

	December 31, 2016					
	Global Integrated Agencies	Domestic Creative Agencies	Specialist Communications	Media Services	All Other	Total
	(Dollars in Millions)					
Beginning Balance of contingent payments	$157.4	$ 4.2	$ 42.5	$ 7.9	$ 94.6	$ 306.7
Payments[1]	(36.3)	(3.2)	(20.5)	(1.4)	(43.8)	(105.2)
Additions[2]	15.6	—	0.5	—	—	16.1
Redemption value adjustments[3]	16.2	(0.3)	(3.5)	0.6	0.9	13.9
Other[4]	(2.4)	—	(4.1)	—	—	(6.4)
Foreign translation adjustment	(1.9)	—	—	—	1.4	(0.5)
Ending Balance of contingent payments	148.8	0.8	15.0	7.1	53.1	224.8
Fixed payments	2.9	—	0.6	0.3	1.0	4.8
	$151.7	$ 0.8	$ 15.5	$ 7.5	$ 54.1	$ 229.6

(1) For the year ended December 31, 2017 and 2016, payments include $28.7 million and $10.5 million, respectively, of deferred acquisition consideration settled through the issuance of 3,353,939 and 691,559, respectively, MDC Class A subordinate voting shares in lieu of cash.

(2) Additions are the initial estimated deferred acquisition payments of new acquisitions and step-up transactions completed within that fiscal period.

(3) Redemption value adjustments are fair value changes from the Company's initial estimates of deferred acquisition payments, including the accretion of present value and stock-based compensation charges relating to acquisition payments that are tied to continued employment.

(4) Other is comprised of (i) $2.4 million transferred to shares to be issued related to 100,000 MDC Class A subordinate voting shares that are contingent on specific thresholds of future earnings that management expects to be attained; and, (ii) $4.1 million of contingent payments eliminated through the acquisition of incremental ownership interests.

Deferred acquisition consideration excludes future payments with an estimated fair value of $26.8 million that are contingent upon employment terms as well as financial performance and will be expensed as stock-based compensation over the required retention period. Of this amount, the Company estimates $2.5 million will be paid in the current year, $16.9 million will be paid in one to three years, $7.4 million will be paid in three to five years, and nil will be paid after five years.

Put Rights of Subsidiaries' Noncontrolling Shareholders

As noted above, noncontrolling shareholders in certain subsidiaries have the right in certain circumstances to require the Company to acquire the remaining ownership interests held by them. The noncontrolling shareholders' ability to exercise any such option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise and specific employment termination conditions. 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 2018 to 2023. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

The amount payable by the Company in the event such contractual 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.

Management estimates, assuming that the subsidiaries owned by the Company at December 31, 2017 perform over the relevant future periods at their trailing twelve-month earnings level, that these rights, if all are exercised, could require the Company to pay an aggregate amount of approximately $15.9 million to the owners of such rights in future periods to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately $0.2 million by the issuance of share capital.

In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $41.7 million only upon termination of such owner's employment with the applicable subsidiary or death.

The amount the Company would be required to pay to the holders should the Company acquire the remaining ownership interests is $5.3 million less than the initial redemption value recorded in redeemable noncontrolling interests.

The Company intends to finance the cash portion of these contingent payment obligations using available cash from operations, borrowings under the Credit Agreement (and refinancings thereof), and, if necessary, through the incurrence of additional debt and/or issuance of additional equity. 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 $4.1 million of the estimated $15.9 million that the Company would be required to pay subsidiaries noncontrolling shareholders upon the exercise of outstanding contractual rights, relates to rights exercisable within the next twelve months. Upon the settlement of the total amount of such options to purchase, the Company estimates that it would receive incremental annual operating income before depreciation and amortization of $4.4 million.

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]	2018	2019	2020	2021	2022 & Thereafter	Total
			(Dollars in Millions)			
Cash	$4.1	$2.8	$5.0	$1.9	$1.8	$15.6
Shares	—	0.1	0.1	—	—	0.2
	$4.1	$2.9	$5.1	$1.9	$1.8	$15.8[1]
Operating income before depreciation and amortization to be received[2]	$2.4	$ —	$1.5	$ —	$0.5	$ 4.4
Cumulative operating income before depreciation and amortization[3]	$2.4	$2.4	$3.9	$3.9	$4.4	[5]

(1) This amount is in addition to (i) the $41.7 million of options to purchase only exercisable upon termination not within the control of the Company, or death, and (ii) the $5.3 million excess of the initial redemption value recorded in redeemable noncontrolling interests over the amount the Company would be required to pay to the holders should the Company acquire the remaining ownership interests.

(2) This financial measure is presented because it is the basis of the calculation used in the underlying agreements relating to the put rights and is based on actual 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

Generally, the Company has indemnified the purchasers of certain of its assets in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for several years. Historically, the Company has not made any significant indemnification payments under such agreements and no provision has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred, and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

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 "U.S. GAAP," requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities (including goodwill, intangible assets, redeemable noncontrolling interests and deferred acquisition consideration), valuation allowances for receivables, deferred income tax assets and stock-based compensation, as well as the reported amounts of revenue and expenses during the reporting period. The statements are evaluated on an ongoing basis and estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Actual results can differ from those estimates, and it is possible that the differences could be material.

Revenue Recognition. The Company's revenue recognition policies are as required by the Revenue Recognition topics of the Financial Accounting Standards Board (the ''FASB'') Accounting Standards Codification (''ASC''). The Company earns revenue from agency arrangements in the form of retainer fees or commissions; from short-term project arrangements in the form of fixed fees or per diem fees for services; and from incentives or bonuses. A small portion of the Company's contractual arrangements with clients includes performance incentive provisions, which allow the Company to earn additional revenues as a result of its performance relative to both quantitative and qualitative goals. The Company records revenue net of sales and other taxes, when persuasive evidence of an arrangement exists, services are provided or upon delivery of the products when ownership and risk of loss has transferred to the customer, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured.

The Company recognizes the incentive portion of revenue under these arrangements when specific quantitative goals are assured, or when the Company's clients determine performance against qualitative goals has been achieved. In all circumstances, revenue is only recognized when collection is reasonably assured. The Company records revenue net of sales and other taxes due to be collected and remitted to governmental authorities. In the majority of the Company's businesses, the Company acts as an agent and records revenue equal to the net amount retained, when the fee or commission is earned. In certain arrangements, the Company acts as principal and contracts directly with suppliers for third party media and production costs. In these arrangements, revenue is recorded at the gross amount billed. Additional information about our revenue recognition policy appears in Note 2 of the Notes to the Consolidated Financial Statements included herein.

Business Combinations. The Company has historically made, and expects to continue to make, selective acquisitions of marketing communications businesses. In making acquisitions, the price paid is determined by various factors, including service offerings, competitive position, reputation and geographic coverage, as well as prior experience and judgment. Due to the nature of advertising, marketing and corporate communications services companies, the companies acquired frequently have significant identifiable intangible assets, which primarily consist of customer relationships. The Company has determined that certain intangibles (trademarks) have an indefinite life, as there are no legal, regulatory, contractual, or economic factors that limit the useful life.

Valuations 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 include an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent purchase price obligations for these transactions is recorded as a liability and are derived from the performance of the acquired entity and are based on predetermined formulas. These various contractual valuation formulas may be dependent on future events, such as the growth rate of the earnings of the relevant subsidiary during the contractual period, and, in some cases, the currency exchange rate on the date of payment. The liability is adjusted quarterly based on changes in current information affecting each subsidiary's current operating results and the impact this information will have on future results included in the calculation of the estimated liability. In addition, changes in various contractual valuation formulas as well as adjustments to present value impact quarterly adjustments. These adjustments are recorded in results of operations. In addition, certain acquisitions also include options to purchase additional equity ownership interests. The estimated value of these interests are recorded as redeemable noncontrolling interests.

For each of the Company's acquisitions, a detailed review is undertaken to identify other intangible assets and a valuation is performed for all such identified assets. The Company uses 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 the Company acquires 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 the Company acquires 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.

Goodwill and Other Intangibles. The Company reviews goodwill and other intangible assets with indefinite lives not subject to amortization for impairment annually as of October 1st of each year or more frequently if indicators of potential impairment exist. In January 2017, the FASB issued ASU 2017-04, Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment, which eliminates step two from the two-step goodwill impairment test. Under the new guidance, an entity will perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value provided the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit. This guidance is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019. The Company has early adopted this guidance for its impairment test performed in 2017.

For the annual impairment testing the Company has the option of assessing qualitative factors to determine whether it is more likely than not that the carrying amount of a reporting unit exceeds its fair value or performing a quantitative goodwill impairment test. Qualitative factors considered in the assessment include industry and market considerations, the competitive environment, overall financial performance, changing cost factors such as labor costs, and other factors specific to each reporting unit such as change in management or key personnel.

If the Company elects to perform the qualitative assessment and concludes that it is more likely than not that the fair value of the reporting unit is more than its carrying amount, then goodwill is not considered impaired and the quantitative impairment test is not necessary. For reporting units for which the qualitative assessment concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount and for reporting units for which the qualitative assessment is not performed, the Company will perform the quantitative impairment test, which compares the fair value of the reporting unit to its carrying amount. If the fair value of the reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not considered impaired and additional analysis is not required. However, if the carrying amount of the net assets assigned to the reporting unit then the recognition of an impairment charge is required.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. For the 2017 annual impairment test, the Company used a combination of the income approach, which incorporates the use of the discounted cash flow (''DCF'') method, and the market approach, which incorporates the use of earnings and revenue multiples based on market data. The Company generally applied an equal weighting to the income and market approaches for the impairment test.

The DCF estimates incorporate expected cash flows that represent a spectrum of the amount and timing of possible cash flows of each reporting unit from a market participant perspective. The expected cash flows are developed as part of the Company's routine long-range planning process using projections of revenue and expenses and related cash flows based on assumed long-term growth rates and demand trends and appropriate discount rates based on a reporting units weighted average cost of capital (''WACC'') as determined by considering the observable WACC of comparable companies and factors specific to the reporting unit (for example, size). The terminal value is estimated using a constant growth method which requires an assumption about the expected long-term growth rate. The estimates are based on historical data and experience, industry projections, economic conditions, and the Company's expectations. The assumptions used for the long-term growth rate and WACC in the annual goodwill impairment tests are as follows:

	October 1, 2017
Long-term growth rate	3%
WACC	9.67% – 11.85%

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

For the 2017 annual goodwill impairment test, the Company had 32 reporting units, all of which were subject to the quantitative goodwill impairment test and the carrying amount of two of the Company's reporting units exceeded their fair value, resulting in a partial impairment of goodwill of $3.2 million. The fair value of all other reporting units were in excess of their respective carrying amounts and as a result there was no additional impairment of goodwill. The range of the excess of fair value over the carrying amount for the Company's reporting units was from 12% to over 100%. The Company performed a sensitivity analysis which included a 1% increase to the WACC. Based on the results of that analysis, no additional reporting units were at risk of failing the quantitative impairment test.

The Company believes the estimates and assumptions used in the calculations are reasonable. However, if there was an adverse change in the facts and circumstances, then an impairment charge may be necessary in the future. The Company will monitor its reporting units to determine if there is an indicator of potential impairment. Should the fair value of any of the Company's reporting units fall below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. Subsequent to the annual impairment test at October 1, 2017, there were no events or circumstances that triggered the need for an interim impairment test.

Prior to the adoption of ASU 2017-04, the Company's impairment tests used the income approach to estimate a reporting unit's fair value. The income approach requires the exercise of significant judgment, including judgment about the amount and timing of expected future cash flows, assumed terminal value and appropriate discount rates. The Company's quantitative impairment tests included two-steps. The first step compared the fair value of each reporting unit to their respective carrying amounts. If the fair value of the reporting unit exceeded the carrying amount of the net assets assigned to that reporting unit, goodwill was not considered impaired and additional analysis was not required. However, if the carrying amount of the net assets assigned to the reporting unit exceeded the fair value of the reporting unit, then the second step of the goodwill impairment test was performed to determine the implied fair value of the reporting unit's goodwill. Under the second step of the goodwill impairment test, the Company utilized both a market approach and income approach to estimate the implied fair value of a reporting unit's goodwill. For the market approach, the Company utilized both the guideline public company method and the precedent transaction method. For the income approach, the Company utilized a DCF method. The Company weighted the market and income approaches to arrive at an implied fair value of goodwill. If the Company determined that the carrying amount of a reporting unit's goodwill exceeded its implied fair value, an impairment loss equal to the difference was recorded.

During the third quarter of 2016, there was a change to the Company's reporting units. This change, coupled with a decline in operating performance required the Company to perform interim goodwill testing on one of its experiential reporting units. Additionally, a triggering event occurred during the third quarter of 2016 that required the Company to perform interim goodwill testing on one non-material reporting unit. This interim impairment analysis resulted in a partial impairment of goodwill of $27.9 million and $1.7 million relating to the experiential reporting unit and non-material reporting unit, respectively.

For the 2016 annual impairment test, a partial impairment of goodwill of $18.9 million was recognized in 1 of the Company's strategic communications reporting units. The fair value for all other reporting units were in excess of their respective carrying amounts and as a result there was no additional impairment of goodwill.

Indefinite-lived intangible assets are primarily evaluated on an annual basis, generally in conjunction with the Company's evaluation of goodwill balances. There were no impairment indicators as of December 31, 2017.

Redeemable Noncontrolling Interests. The noncontrolling interest shareholders of certain subsidiaries have the right to require the Company to acquire their ownership interests 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 and the growth rate of the earnings of the relevant subsidiary through the date of exercise.

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 Taxes. 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 evaluates on a quarterly basis all available positive and negative evidence considering 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. The periodic assessment of the net carrying value of the Company's deferred tax assets under the applicable accounting rules requires significant management judgment. A change to any of these factors could impact the estimated valuation allowance and income tax expense.

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the "Tax Act") was enacted into law and the new legislation contains several key tax provisions, including a reduction of the corporate income tax rate to 21% effective January 1, 2018. The Company is required to recognize the effect of the tax law changes in the period of enactment, which required the Company to re-measure its U.S. deferred tax assets and liabilities and to reassess the net realizability of its deferred tax assets and liabilities. In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* ("SAB 118"), which allows the Company to record provisional amounts during a measurement period not to extend beyond one year from the enactment date. Since the Tax Act was passed late in the fourth quarter of 2017, and ongoing guidance and accounting interpretation is expected over the next 12 months, the Company considers the accounting of the deferred tax re-measurements, and other items to be incomplete due to the forthcoming guidance and its ongoing analysis of final year-end data and tax positions. The Company expects to complete its analysis within the measurement period in accordance with SAB 118. See Note 9 in the Notes to the Consolidated Financial Statements included herein for additional information.

Interest Expense. Interest expense primarily consists of the cost of borrowing on the Company's previously outstanding 6.75% Notes; the Company's 6.50% Notes; and the Company's revolving Credit Agreement. The Company uses the effective interest method to amortize the deferred financing costs on the 6.50% Notes and previously outstanding 6.75% Notes as well as the original issue premium on the previously outstanding 6.75% Notes and the straight-line method to amortize the deferred financing costs related to the revolving Credit Agreement.

Stock-based Compensation. The fair value method is applied to all awards granted, modified or settled. Under the fair value method, compensation cost is measured at fair value at the date of grant and is expensed over the service period that is the award's vesting period. Awards based on performance conditions are recorded as compensation expense when the performance conditions are expected to be met. 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 reporting period and recorded as compensation cost over the service period in operating income.

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

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

New Accounting Pronouncements

Information regarding new accounting guidance can be found in Note 18 of the Notes to the Consolidated Financial Statements included herein.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Debt Instruments: At December 31, 2017, the Company's debt obligations consisted of amounts outstanding under its Credit Agreement and the Senior Notes. The Senior Notes bear a fixed 6.50% interest rate. The Credit Agreement bears interest at variable rates based upon the Eurodollar rate, U.S. bank prime rate and U.S. base rate, at the Company's option. The Company's ability to obtain the required bank syndication commitments depends in part on conditions in the bank market at the time of syndication. Given that there were nil borrowings under the Credit Agreement, as of December 31, 2017, a 1% increase or decrease in the weighted average interest rate, which was 3.67% at December 31, 2017, would have an interest impact of nil.

Foreign Exchange: While the Company primarily conducts business in markets that use the U.S. dollar, the Canadian dollar, the Euro and the British Pound, its non-U.S. operations transact business in numerous different currencies. The Company's results of operations are subject to risk from the translation to the U.S. dollar of the revenue and expenses of its non-U.S. operations. The effects of currency exchange rate fluctuations on the translation of the Company's results of operations are discussed in ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and in Note 2 of the Notes to the Consolidated Financial Statements included herein. For the most part, revenues and expenses incurred related to the non-U.S. operations are denominated in their functional currency. This minimizes the impact that fluctuations in exchange rates will have on profit margins. Intercompany debt which is not intended to be repaid is included in cumulative translation adjustments. Translation of intercompany debt, which is not intended to be repaid, is included in cumulative translation adjustments. Translation of current intercompany balances are included in net earnings. The Company generally does not enter into foreign currency forward exchange contracts or other derivative financial instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

The Company is exposed to foreign currency fluctuations relating to its intercompany balances between the U.S. and Canada. For every one cent change in the foreign exchange rate between the U.S. and Canada, the impact to the Company's financial statements would be approximately $3.1 million.

Impairment Risk: At December 31, 2017, the Company had goodwill of $835.9 million and other intangible assets of $70.6 million. The Company will assess the net realizable value of the goodwill and other intangible assets on a regular basis, but at least annually on October 1, to determine if the Company incurs any declines in the value of its capital investment. For the year ended December 31, 2017, the Company recorded goodwill impairment of $3.2 million from two non-material operating units in the Other segment. For the year ended December 31, 2016, the Company recorded goodwill impairment of $48.5 million. See Note 2 and Note 8 of the Notes to the Consolidated Financial Statements included herein for further information. The Company may incur additional impairment charges in future periods.

Item 8. Financial Statements and Supplementary Data

MDC PARTNERS INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
MDC Partners Inc.
New York, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of MDC Partners Inc. (the "Company") and subsidiaries as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules presented in Item 15 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017**,** 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) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 1, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2006.

New York, New York
March 1, 2018

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

	Years Ended December 31,		
	2017	2016	2015
Revenue:			
Services	$ 1,513,779	$ 1,385,785	$ 1,326,256
Operating Expenses:			
Cost of services sold	1,023,476	936,133	879,716
Office and general expenses	310,455	306,251	322,207
Depreciation and amortization	43,474	46,446	52,223
Goodwill and other asset impairment	4,415	48,524	—
	1,381,820	1,337,354	1,254,146
Operating income	131,959	48,431	72,110
Other Income (Expenses):			
Other income, net	1,346	414	7,238
Foreign exchange gain (loss)	18,137	(213)	(39,328)
Interest expense and finance charges	(65,123)	(65,858)	(57,903)
Loss on redemption of Notes	—	(33,298)	—
Interest income	759	808	467
	(44,881)	(98,147)	(89,526)
Income (loss) from continuing operations before income taxes and equity in earnings of non-consolidated affiliates	87,078	(49,716)	(17,416)
Income tax (benefit) expense	(168,064)	(9,404)	3,761
Income (loss) from continuing operations before equity in earnings of non-consolidated affiliates	255,142	(40,312)	(21,177)
Equity in earnings (losses) of non-consolidated affiliates	2,081	(309)	1,058
Income (loss) from continuing operations	257,223	(40,621)	(20,119)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	—	—	(6,281)
Net income (loss)	257,223	(40,621)	(26,400)
Net income attributable to the noncontrolling interests	(15,375)	(5,218)	(9,054)
Net income (loss) attributable to MDC Partners Inc.	241,848	(45,839)	(35,454)
Accretion on convertible preference shares	(6,352)	—	—
Net income (loss) attributable to MDC Partners Inc. common shareholders	$ 235,496	$ (45,839)	$ (35,454)
Income (Loss) Per Common Share:			
Basic			
Net income (loss) from continuing operations attributable to MDC Partners Inc. common shareholders	$ 3.72	$ (0.89)	$ (0.58)
Discontinued operations attributable to MDC Partners Inc. common shareholders	—	—	(0.13)
Net income (loss) attributable to MDC Partners Inc. common shareholders	$ 3.72	$ (0.89)	$ (0.71)
Diluted			
Net income (loss) from continuing operations attributable to MDC Partners Inc. common shareholders	$ 3.71	$ (0.89)	$ (0.58)
Discontinued operations attributable to MDC Partners Inc. common shareholders	—	—	(0.13)
Net income (loss) attributable to MDC Partners Inc. common shareholders	$ 3.71	$ (0.89)	$ (0.71)
Weighted Average Number of Common Shares Outstanding:			
Basic	55,255,797	51,345,807	49,875,282
Diluted	55,481,786	51,345,807	49,875,282
Stock-based compensation expense is included in the following line items above:			
Cost of services sold	$ 19,015	$ 14,237	$ 11,710
Office and general expenses	5,335	6,766	6,086
Total	$ 24,350	$ 21,003	$ 17,796

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

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

	Years Ended December 31,		
	2017	2016	2015
Comprehensive Income (Loss)			
Net income (loss)	$257,223	$(40,621)	$(26,400)
Other comprehensive income (loss), net of applicable tax:			
Foreign currency translation adjustment	3,611	(4,586)	9,564
Benefit plan adjustment, net of income tax benefit, $528 for 2017, nil for 2016, and nil for 2015	(1,336)	(3,101)	(423)
Other comprehensive income (loss)	2,275	(7,687)	9,141
Comprehensive income (loss) for the year	259,498	(48,308)	(17,259)
Comprehensive income attributable to the noncontrolling interests	(17,780)	(5,612)	(4,186)
Comprehensive income (loss) attributable to MDC Partners Inc.	$241,718	$(53,920)	$(21,445)

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

MDC PARTNERS INC.
CONSOLIDATED BALANCE SHEETS
(Thousands of United States Dollars)

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 46,179	$ 27,921
Cash held in trusts	4,632	5,341
Accounts receivable, less allowance for doubtful accounts of $2,453 and $1,523	434,072	388,340
Expenditures billable to clients	31,146	33,118
Other current assets	26,742	34,862
Total Current Assets	542,771	489,582
Fixed assets, at cost, less accumulated depreciation of $123,599 and $105,134	90,306	78,377
Investment in non-consolidated affiliates	6,307	4,745
Goodwill	835,935	844,759
Other intangible assets, net	70,605	85,071
Deferred tax assets	115,325	41,793
Other assets	37,643	33,051
Total Assets	$1,698,892	$1,577,378
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$ 244,527	$ 251,456
Trust liability	4,632	5,341
Accruals and other liabilities	327,812	303,581
Advance billings	148,133	133,925
Current portion of long-term debt	313	228
Current portion of deferred acquisition consideration	50,213	108,290
Total Current Liabilities	775,630	802,821
Long-term debt, less current portion	882,806	936,208
Long-term portion of deferred acquisition consideration	72,213	121,274
Other liabilities	54,110	56,012
Deferred tax liabilities	6,760	110,359
Total Liabilities	1,791,519	2,026,674
Redeemable Noncontrolling Interests (See Note 2)	62,886	60,180
Commitments, Contingencies and Guarantees (See Note 17)		
Shareholders' Deficit:		
Convertible preference shares (liquidation preference $101,352)	90,220	—
Common shares	352,432	317,784
Shares to be issued, 100,000 shares in 2016	—	2,360
Charges in excess of capital	(314,241)	(311,581)
Accumulated deficit	(340,000)	(581,848)
Accumulated other comprehensive loss	(1,954)	(1,824)
MDC Partners Inc. Shareholders' Deficit	(213,543)	(575,109)
Noncontrolling Interests	58,030	65,633
Total Shareholders' Deficit	(155,513)	(509,476)
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Deficit	$1,698,892	$1,577,378

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

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

	Years Ended December 31,		
	2017	**2016**	**2015**
Cash flows provided by (used in) operating activities:			
Net income (loss)	$ 257,223	$ (40,621)	$ (26,400)
Loss from discontinued operations	—	—	(6,281)
Income (loss) from continuing operations	257,223	(40,621)	(20,119)
Adjustments to reconcile income (loss) from continuing operations to cash provided by (used in) operating activities:			
Stock-based compensation	24,350	21,003	17,796
Depreciation	23,873	22,293	18,871
Amortization of intangibles	19,601	24,153	33,352
Amortization of deferred finance charges and debt discount	3,022	9,135	2,270
Goodwill and other asset impairment	4,415	48,524	—
Loss on redemption of Notes	—	26,873	—
Adjustment to deferred acquisition consideration	(4,819)	8,227	38,887
Deferred income taxes	(173,019)	(10,038)	(79)
Gain on sale of assets	(1,600)	(424)	(6,526)
Earnings (losses) of non-consolidated affiliates	(2,081)	309	(1,058)
Other and non-current assets and liabilities	(4,420)	13,527	4,680
Foreign exchange	(17,637)	(8,240)	30,185
Changes in working capital:			
Accounts receivable	(50,030)	(16,752)	(4,796)
Expenditures billable to clients	1,892	13,048	(3,879)
Prepaid expenses and other current assets	6,569	(13,608)	1,550
Accounts payable, accruals and other current liabilities	13,398	(110,018)	75,111
Advance billings	14,548	11,397	(23,508)
Cash flows provided by (used in) continuing operating activities	115,285	(1,212)	162,737
Discontinued operations	—	—	(1,342)
Net cash provided by (used in) operating activities	115,285	(1,212)	161,395
Cash flows used in investing activities:			
Capital expenditures	(32,958)	(29,432)	(23,575)
Deposits	—	(2,528)	—
Proceeds from sale of assets	10,631	666	8,631
Acquisitions, net of cash acquired	—	2,531	(24,778)
Distributions from non-consolidated affiliates	3,672	7,402	—
Other investments	(2,229)	(3,835)	(7,272)
Cash flows used in continuing investing activities	(20,884)	(25,196)	(46,994)
Discontinued operations	—	—	17,101
Net cash used in investing activities	(20,884)	(25,196)	(29,893)

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

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

	Years Ended December 31,		
	2017	2016	2015
Cash flows used in financing activities:			
Proceeds from issuance of 6.50% Notes	—	900,000	—
Repayment of 6.75% Notes	—	(735,000)	—
Repayments of revolving credit facility	(1,479,632)	(1,790,108)	(703,020)
Proceeds from revolving credit facility	1,425,207	1,844,533	703,020
Proceeds from issuance of convertible shares	95,000	—	—
Convertible preference shares issuance costs	(4,780)	—	—
Acquisition related payments	(99,873)	(135,693)	(134,056)
Distributions to noncontrolling interests	(8,865)	(7,772)	(9,503)
Payment of dividends	(284)	(32,918)	(42,313)
Repayment of long-term debt	(404)	(507)	(534)
Premium paid on redemption of Notes	—	(26,873)	—
Deferred financing costs	—	(21,569)	—
Purchase of shares	(1,758)	(3,350)	(2,388)
Other	—	—	224
Cash flows used in continuing financing activities	(75,389)	(9,257)	(188,570)
Discontinued operations	—	—	(40)
Net cash used in financing activities	(75,389)	(9,257)	(188,610)
Effect of exchange rate changes on cash and cash equivalents	(754)	2,128	5,218
(Decrease) increase in cash and cash equivalents	18,258	(33,537)	(51,890)
Cash and cash equivalents at beginning of year	27,921	61,458	113,348
Cash and cash equivalents at end of year	$ 46,179	$ 27,921	$ 61,458
Supplemental disclosures:			
Cash income taxes paid	$ 8,099	$ 2,895	$ 1,887
Cash interest paid	$ 62,895	$ 64,671	$ 52,666
Change in cash held in trusts	$ (709)	$ 219	$ (1,297)
Non-cash transactions:			
Capital leases	$ 670	$ 265	$ 140
Note receivable exchanged for shares of subsidiary	$ 6,139	$ —	$ —
Dividends payable	$ 453	$ 739	$ 912
Deferred acquisition consideration settled through issuance of shares	$ 28,727	$ 10,458	$ —
Value of shares issued for acquisition	$ —	$ 34,219	$ —
Leasehold improvements paid for by landlord	$ —	$ 7,250	$ —

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

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(Thousands of United States Dollars)

	Convertible Preference Shares		Common Shares		Share Capital to Be Issued		Additional Paid-in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Income (Loss)	MDC Partners Inc. Shareholders' Deficit	Noncontrolling Interests	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount								
Balance at December 31, 2014	—	$—	**49,683,864**	**$265,818**	—	$—	$ —	**$(209,668)**	**$(500,555)**	$—	**$ (7,752)**	**$(452,157)**	**$92,655**	**$(359,502)**
Net income attributable to MDC Partners	—	—	—	—	—	—	—	—	(35,454)	—	—	(35,454)	—	(35,454)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	14,009	14,009	(4,868)	9,141
Issuance of restricted stock	—	—	365,873	6,069	—	—	(6,069)	—	—	—	—	—	—	—
Shares acquired and canceled	—	—	(96,777)	(2,388)	—	—	—	—	—	—	—	(2,388)	—	(2,388)
Options exercised	—	—	37,500	343	—	—	(119)	—	—	—	—	224	—	224
Stock-based compensation	—	—	—	—	—	—	8,437	—	—	—	—	8,437	—	8,437
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(22,809)	—	—	—	—	(22,809)	—	(22,809)
Decrease in noncontrolling interests and redeemable noncontrolling interests from business acquisitions and step-up transactions	—	—	—	—	—	—	(42,780)	—	—	—	—	(42,780)	(8,708)	(51,488)
Dividends paid and to be paid	—	—	—	—	—	—	(42,253)	—	—	—	—	(42,253)	—	(42,253)
Transfer to charges in excess of capital	—	—	—	—	—	—	105,593	(105,593)	—	—	—	—	—	—
Balance at December 31, 2015	—	$—	**49,990,460**	**$269,842**	—	$—	$ —	**$(315,261)**	**$(536,009)**	$—	**$ 6,257**	**$(575,171)**	**$79,079**	**$(496,092)**

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

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(Thousands of United States Dollars) – (continued)

	Convertible Preference Shares		Common Shares		Share Capital to Be Issued		Additional Paid-in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Income (Loss)	MDC Partners Inc. Shareholders' Deficit	Noncontrolling Interests	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount								
Balance at December 31, 2015	—	$—	**49,990,460**	**$269,842**	—	$ —	$ —	**$(315,261)**	**$(536,009)**	$—	**$ 6,257**	**$(575,171)**	**$ 79,079**	**$(496,092)**
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	(45,839)	—	—	(45,839)	—	(45,839)
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	(8,081)	(8,081)	394	(7,687)
Deferred acquisition consideration settled through issuance of shares	—	—	691,559	10,458	100,000	2,360	—	—	—	—	—	12,818	—	12,818
Issuance of restricted stock and stock options	—	—	425,915	6,615	—	—	(6,615)	—	—	—	—	—	—	—
Shares issued, acquisition	—	—	1,900,000	34,219	—	—	—	—	—	—	—	34,219	—	34,219
Shares acquired and canceled	—	—	(205,876)	(3,350)	—	—	—	—	—	—	—	(3,350)	—	(3,350)
Stock-based compensation	—	—	—	—	—	—	10,662	—	—	—	—	10,662	—	10,662
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	9,604	—	—	—	—	9,604	—	9,604
Changes in noncontrolling interests and redeemable noncontrolling interests from business acquisitions and step-up transactions	—	—	—	—	—	—	22,776	—	—	—	—	22,776	(13,840)	8,936
Dividends paid and to be paid	—	—	—	—	—	—	(32,747)	—	—	—	—	(32,747)	—	(32,747)
Transfer to charges in excess of capital	—	—	—	—	—	—	(3,680)	3,680	—	—	—	—	—	—
Balance at December 31, 2016	—	$—	**52,802,058**	**$317,784**	**100,000**	**$2,360**	$ —	**$(311,581)**	**$(581,848)**	$—	**$(1,824)**	**$(575,109)**	**$ 65,633**	**$(509,476)**

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

MDC PARTNERS INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT
(Thousands of United States Dollars) – (continued)

	Convertible Preference Shares		Common Shares		Share Capital to Be Issued		Additional Paid-in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Income (Loss)	MDC Partners Inc. Shareholders' Deficit	Noncontrolling Interests	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount								
Balance at December 31, 2016	—	$ —	52,802,058	$317,784	100,000	$ 2,360	$ —	$(311,581)	$(581,848)	$—	$(1,824)	$(575,109)	$ 65,633	$(509,476)
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	241,848	—	—	241,848	—	241,848
Other comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	(130)	(130)	2,405	2,275
Issuance of Series 4 convertible preference shares in private placement	95,000	90,220	—	—	—	—	—	—	—	—	—	90,220	—	90,220
Issuance of restricted stock	—	—	380,669	7,679	—	—	(7,679)	—	—	—	—	—	—	—
Shares acquired and canceled	—	—	(161,535)	(1,758)	—	—	—	—	—	—	—	(1,758)	—	(1,758)
Deferred acquisition consideration settled through issuance of shares	—	—	3,353,939	28,727	(100,000)	(2,360)	1,485	—	—	—	—	27,852	—	27,852
Stock-based compensation	—	—	—	—	—	—	8,028	—	—	—	—	8,028	—	8,028
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(1,498)	—	—	—	—	(1,498)	—	(1,498)
Changes in noncontrolling interest and redeemable noncontrolling interests from business acquisitions and step-up transactions	—	—	—	—	—	—	2,315	—	—	—	—	2,315	(11,965)	(9,650)
Changes in noncontrolling interests and redeemable noncontrolling interests from changes in ownership interest	—	—	—	—	—	—	(5,654)	—	—	—	—	(5,654)	12,614	6,960
Dispositions	—	—	—	—	—	—	—	—	—	—	—	—	(10,657)	(10,657)
Other	—	—	—	—	—	—	343	—	—	—	—	343	—	343
Transfer to charges in excess of capital	—	—	—	—	—	—	2,660	(2,660)	—	—	—	—	—	—
Balance at December 31, 2017	95,000	$90,220	56,375,131	$352,432	—	$ —	$ —	$(314,241)	$(340,000)	$—	$(1,954)	$(213,543)	$ 58,030	$(155,513)

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

1. Basis of Presentation

MDC Partners Inc. (the ''Company'' or ''MDC'') 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 of the United States of America (''U.S. GAAP'').

Nature of Operations

MDC is a leading provider of global marketing, advertising, activation, communications and strategic consulting solutions. MDC's Partner Firms deliver a wide range of customized services in order to drive growth and business performance for its clients.

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 operates primarily in the U.S., Canada, Europe, Asia, and Latin America.

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. and its domestic and international controlled subsidiaries that are not considered variable interest entities, and variable interest entities for which the Company is the primary beneficiary. Intercompany balances and transactions have been eliminated in consolidation.

Reclassifications. Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

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

Fair Value. The Company applies the fair value measurement guidance of the Financial Accounting Standards Board (''FASB'') Accounting Standards Codification (the ''ASC'') Topic 820, Fair Value Measurements, for financial assets and liabilities that are required to be measured at fair value and for non-financial 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 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, the Company uses quoted market prices to determine the fair value of its financial instruments and classifies such items in Level 1. In some cases, quoted market prices are used for similar instruments in active markets and the Company classifies such items in Level 2.

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. No client accounted for more than 10% of the Company's consolidated accounts receivable as of December 31, 2017 and 2016. No clients accounted for 10% of the Company's revenue in each of the years ended December 31, 2017, 2016, and 2015.

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.

Cash in Trust. A subsidiary of the Company holds restricted cash in trust accounts related to funds received on behalf of clients. Such amounts are held in escrow under depositary service agreements and distributed at the direction of the clients. The funds are presented as a corresponding liability on the balance sheet.

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 vendor costs incurred on behalf of clients when providing advertising, marketing and corporate communications services that have not yet been invoiced to clients. Such amounts are invoiced to clients at various times over the course of the production process.

Fixed Assets. Fixed assets are stated at cost, net of accumulated depreciation. Computers, furniture and fixtures are depreciated on a straight-line basis over periods of three to seven 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 ASC, 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 such 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 ("WACC"), 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, (i) over the operating and financial policies of the affiliate or (ii) has an ownership interest 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 that were accounted for using the equity method include various interests in investment funds. The Company's management periodically evaluates these investments to determine if there has been a decline in value that is other than temporary. These investments are included in investments in non-consolidated affiliates.

2. Significant Accounting Policies – (continued)

During the year ended December 31, 2016, the Company sold its ownership in two of these equity method investments for $4,023 and recognized a gain of $623 in Other income.

Cost Method Investments. From time to time, the Company makes non-material cost based investments in start-up advertising technology companies and innovative consumer product companies where the Company does not exercise significant influence over the operating and financial policies of the investee. The total net cost basis of these investments, which is included in Other Assets on the balance sheet, as of December 31, 2017 and 2016 was $9,527 and $10,132, respectively. These investments are periodically evaluated to determine whether a significant event or change in circumstances has occurred that may impact the fair value of each investment other than temporary declines below book value. A variety of factors are considered when determining if a decline is other than temporary, including, among others, the financial condition and prospects of the investee, as well as the Company's investment intent.

During the year ended December 31, 2017, the Company sold its ownership in three of these cost method investments for an aggregate purchase price of $3,557 and recognized a gain of $3,018 in Other income. In addition, the Company recognized a loss of $935 pertaining to the dissolution of five of these cost method investments.

During the year ended December 31, 2016, the Company sold its ownership in three of these cost method investments for an aggregate purchase price of $4,074 and recognized a gain of $1,309 in Other income.

In addition, the Company's partner agencies may receive noncontrolling equity interests from start-up companies in lieu of fees. These types of arrangements were not significant to the Company's financial statements for the three years ended December 31, 2017.

Goodwill and Indefinite Lived Intangibles. In accordance with the FASB ASC 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 as of October 1st of each year, or more frequently if indicators of potential impairment exist. For goodwill, impairment is assessed at the reporting unit level.

In January 2017, the FASB issued ASU 2017-04, Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment, which eliminates step two from the two-step goodwill impairment test. Under the new guidance, an entity will perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value provided the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit. This guidance is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019. The Company has early adopted this guidance for its impairment test performed in 2017.

For the annual impairment testing the Company has the option of assessing qualitative factors to determine whether it is more likely than not that the carrying amount of a reporting unit exceeds its fair value or performing a quantitative goodwill impairment test. Qualitative factors considered in the assessment include industry and market considerations, the competitive environment, overall financial performance, changing cost factors such as labor costs, and other factors specific to each reporting unit such as change in management or key personnel.

If the Company elects to perform the qualitative assessment and concludes that it is more likely than not that the fair value of the reporting unit is more than its carrying amount, then goodwill is not considered impaired and the quantitative impairment test is not necessary. For reporting units for which the qualitative assessment concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount and for reporting units for which the qualitative assessment is not performed, the Company will perform the quantitative impairment test, which compares the fair value of the reporting unit to its

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

2. Significant Accounting Policies – (continued)

carrying amount. If the fair value of the reporting unit exceeds the carrying amount of the net assets assigned to that reporting unit, goodwill is not considered impaired. However, if the carrying amount of the net assets assigned to the reporting unit then the recognition of an impairment charge is required.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. For the 2017 annual impairment test, the Company used a combination of the income approach, which incorporates the use of the discounted cash flow (''DCF'') method, and the market approach, which incorporates the use of earnings and revenue multiples based on market data. The Company generally applied an equal weighting to the income and market approaches for the impairment test. The income approach and the market approach both require the exercise of significant judgment, including judgment about the amount and timing of expected future cash flows, assumed terminal value and appropriate discount rates.

The DCF estimates incorporate expected cash flows that represent a spectrum of the amount and timing of possible cash flows of each reporting unit from a market participant perspective. The expected cash flows are developed as part of the Company's routine long-range planning process using projections of revenue and expenses and related cash flows based on assumed long-term growth rates and demand trends and appropriate discount rates based on a reporting units WACC as determined by considering the observable WACC of comparable companies and factors specific to the reporting unit (for example, size). The terminal value is estimated using a constant growth method which requires an assumption about the expected long-term growth rate. The estimates are based on historical data and experience, industry projections, economic conditions, and the Company's expectations. The assumptions used for the long-term growth rate and WACC in the annual goodwill impairment tests are as follows:

	October 1, 2017
Long-term growth rate	3%
WACC	9.67% – 11.85%

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

For the 2017 annual goodwill impairment test, the Company had 32 reporting units, all of which were subject to the quantitative goodwill impairment test and the carrying amount of two of the Company's reporting units exceeded their fair value, resulting in a partial impairment of goodwill of $3,238. The fair value of all other reporting units were in excess of their respective carrying amounts and as a result there was no additional impairment of goodwill. The range of the excess of fair value over the carrying amount for the Company's reporting units was from 12% to over 100%. The Company performed a sensitivity analysis which included a 1% increase to the WACC. Based on the results of that analysis, no additional reporting units were at risk of failing the quantitative impairment test. In addition, a reporting unit within the Domestic Creative Agencies segment to which $14,853 of goodwill is allocated had a negative carrying amount on December 31, 2017.

The Company believes the estimates and assumptions used in the calculations are reasonable. However, if there was an adverse change in the facts and circumstances, then an impairment charge may be necessary in the future. The Company will monitor its reporting units to determine if there is an indicator of potential impairment. Should the fair value of any of the Company's reporting units fall below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. Subsequent to the annual impairment test at October 1, 2017, there were no events or circumstances that triggered the need for an interim impairment test.

2. Significant Accounting Policies – (continued)

Prior to the adoption of ASU 2017-04, the Company's impairment tests used the income approach to estimate a reporting unit's fair value. The income approach requires the exercise of significant judgment, including judgment about the amount and timing of expected future cash flows, assumed terminal value and appropriate discount rates. The Company's quantitative impairment tests included two-steps. The first step compared the fair value of each reporting unit to their respective carrying amounts. If the fair value of the reporting unit exceeded the carrying amount of the net assets assigned to that reporting unit, goodwill was not considered impaired and additional analysis was not required. However, if the carrying amount of the net assets assigned to the reporting unit exceeded the fair value of the reporting unit, then the second step of the goodwill impairment test was performed to determine the implied fair value of the reporting unit's goodwill. Under the second step of the goodwill impairment test, the Company utilized both a market approach and income approach to estimate the implied fair value of a reporting unit's goodwill. For the market approach, the Company utilized both the guideline public company method and the precedent transaction method. For the income approach, the Company utilized a DCF method. The Company weighted the market and income approaches to arrive at an implied fair value of goodwill. If the Company determined that the carrying amount of a reporting unit's goodwill exceeded its implied fair value, an impairment loss equal to the difference was recorded.

During the third quarter of 2016, there was a change to the Company's reporting units. This change, coupled with a decline in operating performance required the Company to perform interim goodwill testing on one of its experiential reporting units. Additionally, a triggering event occurred during the third quarter of 2016 that required the Company to perform interim goodwill testing on one non-material reporting unit. This interim impairment analysis resulted in a partial impairment of goodwill of $27,893 and $1,738 relating to the experiential reporting unit and non-material reporting unit, respectively.

For the 2016 annual impairment test, a partial impairment of goodwill of $18,893 in one of the Company's strategic communications reporting units. The fair value for all other reporting units were in excess of their respective carrying amounts and as a result there was no additional impairment of goodwill. In addition, a reporting unit within the All Other segment to which $5,479 of goodwill is allocated had a negative carrying amount on December 31, 2016.

Indefinite-lived intangible assets are primarily evaluated on an annual basis, generally in conjunction with the Company's evaluation of goodwill balances. There were no impairment indicators as of December 31, 2017.

Definite Lived Intangible Assets. In accordance with the FASB ASC, 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 Note 8 included herein for further information.

Business Combinations. Business combinations are accounted for using the acquisition method and accordingly, the assets acquired (including identified intangible assets), the liabilities assumed and any noncontrolling interest in the acquired business are recorded at their acquisition date fair values. The Company's acquisition model typically provides for an initial payment at closing and for future additional contingent purchase price obligations. Contingent purchase price obligations are recorded as deferred acquisition consideration on the balance sheet at the acquisition date fair value and are remeasured at each reporting period. Changes in such estimated values are recorded in the results of operations. For the years ended December 31, 2017, 2016 and 2015, operating income of $4,896, and operating expense of $7,972 and $36,344, respectively, was recorded pertaining to changes in the estimated value. For further information, see

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

2. Significant Accounting Policies – (continued)

Note 4 and Note 13 of the Notes to the Consolidated Financial Statements included herein. For the years ended December 31, 2017, 2016, and 2015, $877, $2,640 and $2,912, respectively, of acquisition related costs were charged to operations.

For each acquisition, the Company undertakes a detailed review to identify other intangible assets and a valuation is performed for all such identified assets. The Company uses 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. A substantial portion of the intangible asset value that the Company acquires 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 overall acquisition strategy, one of the primary drivers in identifying and executing a specific transaction is the existence of, or the ability to, expand the existing client relationships. The expected benefits of the Company's acquisitions are typically shared across multiple agencies and regions.

Redeemable Noncontrolling Interests. Many of the Company's acquisitions include contractual arrangements where the noncontrolling shareholders have an option to purchase, or may require the Company to purchase, such noncontrolling shareholders' incremental ownership interests under certain circumstances and the Company has similar call options under the same contractual terms. The amount of consideration under these contractual arrangements is not a fixed amount, but rather is dependent upon various valuation formulas as described in Note 17 of the Notes to the Consolidated Financial Statements included herein. In the event that an incremental purchase may be required of the Company, the amounts are recorded as redeemable noncontrolling interests in mezzanine equity on the balance sheet at their acquisition date fair value and adjusted for changes to their estimated redemption value through additional paid-in capital (but not less than their initial redemption value), except for foreign currency translation adjustments. These adjustments will not impact the calculation of earnings (loss) per share if the redemption values are less than the estimated fair values. For the three years ended December 31, 2017, 2016, and 2015, there was no impact on the Company's earnings (loss) per share calculation.

The following table presents changes in redeemable noncontrolling interests:

	Years Ended December 31,		
	2017	2016	2015
Beginning Balance as of January 1,	$60,180	$69,471	$ 194,951
Redemptions	(910)	(1,708)	(155,042)
Granted	1,666	2,274	7,703
Changes in redemption value	1,498	(9,604)	22,809
Currency translation adjustments	452	(253)	(950)
Ending Balance as of December 31,	$62,886	$60,180	$ 69,471

Subsidiary and Equity Investment Stock Transactions. Transactions involving the purchase, sale or issuance of stock of a subsidiary where control is maintained are recorded as a reduction in the redeemable noncontrolling interests or noncontrolling interests, as applicable. Any difference between the purchase price and noncontrolling interest is recorded to additional paid-in capital. In circumstances where the purchase of shares of an equity investment results in obtaining control, the existing carrying value of the investment is remeasured to the acquisition date fair value and any gain or loss is recognized in results of operations.

Variable Interest Entity. Effective March 28, 2012, the Company invested in Doner Partners LLC ("Doner"). The Company acquired a 30% voting interest and convertible preferred interests that allow the Company to increase ordinary voting ownership to 70% at the Company's option. Effective April 1, 2017, the Company acquired an additional 15% voting and convertible preferred interest that allowed the Company to

2. Significant Accounting Policies – (continued)

increase ordinary voting ownership to 85% at the Company's option. The Company now has a 65% voting interest. The Company has determined that (i) this entity is a variable interest entity and (ii) the Company is the primary beneficiary because it receives a disproportionate share of profits and losses as compared to its ownership percentage. As such, Doner is consolidated for all periods subsequent to the date of investment.

Doner is a full service integrated creative agency that is included as part of the Company's portfolio in the Global Integrated Agencies segment. The Company's Credit Agreement (see Note 10) is guaranteed and secured by all of Doner's assets.

Total assets and total liabilities of Doner included in the Company's consolidated balance sheet at December 31, 2017 and 2016, were $105,191 and $59,783, and $102,456 and $57,622, respectively.

Guarantees. Guarantees issued or modified by the Company to third parties after January 1, 2003 are generally recognized, at the inception or modification of the 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 17 of the Notes to the Consolidated Financial Statements included herein for further information.

Revenue Recognition. The Company's revenue recognition policies are established in accordance with the Revenue Recognition topics of the FASB ASC, and accordingly, revenue is recognized when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the selling price is fixed or determinable; (iii) services have been performed or upon delivery of the products when ownership and risk of loss has transferred to the client; and (iv) collection of the resulting receivable is reasonably assured.

The Company follows the Multiple-Element Arrangement topic of the FASB ASC, which 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 follows the Principal Agent Consideration topic of the FASB ASC which addresses (i) whether revenue should be recorded at the gross amount billed because it has earned revenue from the sale of goods or services, or recorded at the net amount retained because it has earned a fee or commission, and (ii) that reimbursements received for out-of-pocket expenses incurred should be characterized in the income statement as revenue. Accordingly, the Company has included such reimbursed expenses in revenue.

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

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

For arrangements with customers for which the Company earns a fixed fee for development of customized mobile applications (''Apps''), revenue is recognized in accordance with the accounting guidance contained in ASC 605-35 and is primarily recognized using the proportional performance method of

2. Significant Accounting Policies – (continued)

accounting. Performance is generally measured based upon the efforts incurred to date in relation to total estimated efforts to the completion of the contract.

Fees billed to clients in excess of fees recognized as revenue are classified as advanced billings on the Company's balance sheet.

A small portion of the Company's contractual arrangements with customers includes performance incentive provisions, which allow the Company to earn additional revenue 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. Cost of services sold primarily consists of staff costs, and does not include depreciation charges for fixed assets.

Interest Expense. Interest expense primarily consists of the cost of borrowing on the Company's previously outstanding 6.75% Senior Notes due 2020 (the ''6.75% Notes''); the Company's currently outstanding 6.50% senior unsecured notes due 2024 (the ''6.50% Notes''); and the Company's $325,000 senior secured revolving credit agreement due 2021 (the ''Credit Agreement''). The Company uses the effective interest method to amortize the deferred financing costs on the 6.75% Notes, the 6.50% Notes as well as the original issue premium on the previously outstanding 6.75% Notes. The Company also uses the straight-line method to amortize the deferred financing costs on the Credit Agreement. For the years ended December 31, 2017, 2016, and 2015, interest expense included $100, $255, and $2,543, respectively, relating to present value adjustments for fixed deferred acquisition consideration payments.

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 primarily from certain tax carryover benefits, from recording certain expenses in the financial statements that are not currently deductible for tax purposes and from differences between the tax and book basis of assets and liabilities recorded in connection with acquisitions. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities result primarily 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.

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, in this case the award's vesting period. The Company recognizes forfeitures as they occur. When awards are exercised, share capital is credited by the sum of the consideration paid together with the related portion previously credited to additional paid-in capital when compensation costs were charged against income or acquisition consideration.

The Company uses its historical volatility derived over the expected term of the award to determine the volatility factor used in determining the fair value of the award.

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

2. Significant Accounting Policies – (continued)

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, in this case the award's vesting period.

It is the Company's policy for issuing shares upon the exercise and/or vesting 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 to deliver 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. The Company commences recording compensation expense related to awards that are based on performance conditions under the straight-line attribution method when it is probable that such performance conditions will be met.

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

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

Pension Costs. Several of the Company's U.S. and Canadian subsidiaries offer employees access to certain defined contribution pension programs. Under the defined contribution plans, these subsidiaries, in some cases, make annual contributions to participants' accounts which are subject to vesting. The Company's contribution expense pursuant to these plans was $10,124, $10,026 and $6,731 for the years ended December 31, 2017, 2016, and 2015, respectively. The Company also has a defined benefit plan. See Note 19 of the Notes to the Consolidated Financial Statements included herein for further information.

Income (Loss) per Common Share. Basic income (loss) per common share is based upon the weighted average number of common shares outstanding during each period. Share capital to be issued as reflected in the shareholders' deficit on the balance sheet, are also included if there is no circumstance under which those shares would not be issued. Diluted income (loss) per common share is based on the above, in addition, if dilutive, common share equivalents, which include outstanding options, stock appreciation rights, and unvested restricted stock units. In periods of net loss, all potentially issuable common shares are excluded from diluted net loss per common share because they are anti-dilutive.

During the first quarter of 2017, the Company issued and sold 95,000 newly authorized Series 4 Convertible Preference Shares (the "Preference Shares") in a private placement. The two-class method is applied to calculate basic net income (loss) attributable to MDC Partners, Inc. per common share in periods in which shares of convertible preference shares were outstanding, as shares of convertible preference shares are participating securities due to their dividend rights. See Notes 11 and 12 of the Notes to the Consolidated Financial Statements included herein for further information. The two-class method is an earnings allocation method under which earnings per share is calculated for common stock considering a participating security's rights to undistributed earnings as if all such earnings had been distributed during the period. Either the two-class method or the if-converted method is applied to calculate diluted net income per common share, depending on which method results in more dilution. The Company's participating securities are not included in the computation of net loss per common share in periods of net loss because the convertible preference shareholders have no contractual obligation to participate in losses.

2. Significant Accounting Policies – (continued)

Foreign Currency Translation. The Company's financial statements were prepared in accordance with the requirements of FASB ASC Topic 830 Foreign Currency Matters. The functional currency of the Company is the Canadian dollar and it has decided to use U.S. dollars as its reporting currency for consolidated reporting purposes. Generally, 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 and its non-U.S. dollar based subsidiaries to U.S. dollar statements are included as cumulative translation adjustments in accumulated other comprehensive income. Translation of intercompany debt, which is not intended to be repaid, is included in cumulative translation adjustments. Cumulative translation adjustments are not included in net earnings unless they are actually realized through a sale or upon complete, or substantially complete, liquidation of the Company's net investment in the foreign operation. Translation of current intercompany balances are included in net earnings. The balance sheets of non-U.S. dollar based subsidiaries are translated at the period end rate. The income statements of the Company and its non-U.S. dollar based subsidiaries are translated at average exchange rates for the period.

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

Derivative Financial Instruments. The Company follows the Accounting for Derivative Instruments and Hedging Activities topic of the FASB ASC, which establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts and debt instruments) be recorded on 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: (i) a cash flow hedge, (ii) a fair value hedge, and (iii) 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.

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

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:

	2017	2016	2015
Numerator:			
Income (loss) from continuing operations	$ 257,223	$ (40,621)	$ (20,119)
Net income attributable to the noncontrolling interests	(15,375)	(5,218)	(9,054)
Net income (loss) from continuing operations attributable to MDC Partners Inc.	$ 241,848	$ (45,839)	$ (29,173)
Accretion on convertible preference shares	(6,352)	—	—
Net income allocated to convertible preference shares	(29,902)	—	—
Net income (loss) from continuing operations attributable to MDC Partners Inc. common shareholders	205,594	(45,839)	(29,173)
Effect of dilutive securities:			
Adjustment to net income allocated to convertible preference shares	106	—	—
Net income (loss) from continuing operations attributable to MDC Partners Inc. common shareholders	$ 205,700	$ (45,839)	$ (29,173)
Denominator:			
Basic weighted average number of common shares outstanding	55,255,797	51,345,807	49,875,282
Effect of dilutive securities:			
Impact of stock options and non-vested stock under employee stock incentive plans	225,989	—	—
Diluted weighted average number of common shares outstanding	55,481,786	51,345,807	49,875,282
Net income (loss) from continuing operations attributable to MDC Partners Inc common shareholders per common share:			
Basic	$ 3.72	$ (0.89)	$ (0.58)
Diluted	$ 3.71	$ (0.89)	$ (0.58)

At December 31, 2017, 2016 and 2015, options and other rights to purchase 886,596, 1,391,456 and 947,465 shares of common stock, respectively, were not included in the computation of diluted loss per common share because doing so would have had an anti-dilutive effect. Additionally, 1,433,921 shares of non-vested restricted stock and restricted stock unit awards, which are contingent upon the Company meeting an undefined cumulative three year earnings target and continued employment, are excluded from the computation of diluted income per common share as the contingency has not been satisfied at December 31, 2017. Lastly, there were 95,000 shares of Preference Shares outstanding which were convertible into 10,135,244 Class A common shares at December 31, 2017. These Preference Shares were anti-dilutive for year ended December 31, 2017 and are therefore excluded from the diluted income per common share calculation for the period.

4. Acquisitions and Dispositions

Valuations 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. The Company's strategy includes acquiring ownership stakes in well-managed businesses with strong reputations in the industry. The Company's model of ''Perpetual Partnership'' often involves acquiring a majority interest rather than a 100% interest and leaving management owners with a significant financial interest in the performance of the acquired entity for a minimum period of time, typically not less than five years. The Company's acquisition model in this scenario typically provides for (i) an initial payment at the time of closing, (ii) additional contingent purchase price obligations based on the future performance of the acquired entity, and (iii) an option by the Company to purchase (and in some instances a requirement to so purchase) the remaining interest of the acquired entity under a predetermined formula.

Contingent purchase price obligations. The Company's contingent purchase price obligations are generally payable within a five year period following the acquisition date, and are based on (i) the achievement of specific thresholds of future earnings, and (ii) in certain cases, the growth rate of those earnings. Contingent purchase price obligations are recorded as deferred acquisition consideration on the balance sheet at the acquisition date fair value and adjusted at each reporting period through operating income or net interest expense, depending on the nature of the arrangement. On occasion, the Company may initiate a renegotiation of previously acquired ownership interests and any resulting change in the estimated amount of consideration to be paid is adjusted in the reporting period through operating income or net interest expense, depending on the nature of the arrangement. See Note 13 of the Notes to the Consolidated Financial Statements included herein for additional information on deferred acquisition consideration.

Options to purchase. When acquiring less than 100% ownership, the Company may enter into agreements that give the Company an option to purchase, or require the Company to purchase, the incremental ownership interests under certain circumstances. Where the option to purchase the incremental ownership is within the Company's control, the amounts are recorded as noncontrolling interests in the equity section of the Company's balance sheet. Where the incremental purchase may be required of the Company, the amounts are recorded as redeemable noncontrolling interests in mezzanine equity at their estimated acquisition date redemption value and adjusted at each reporting period for changes to their estimated redemption value through additional paid-in capital (but not less than their initial redemption value), except for foreign currency translation adjustments. On occasion, the Company may initiate a renegotiation to acquire an incremental ownership interest and the amount of consideration paid may differ materially from the balance sheet amounts. See Note 17 of the Notes to the Consolidated Financial Statements included herein for additional information on redeemable noncontrolling interests.

Employment conditions. From time to time, specifically when the projected success of an acquisition is deemed to be dependent on retention of specific personnel, such acquisition may include deferred payments that are contingent upon employment terms as well as financial performance. The Company accounts for those payments through operating income as stock-based compensation over the required retention period. For the years ended December 31, 2017, 2016 and 2015, stock-based compensation included $13,079, $10,341, and $9,359, respectively, of expense relating to those payments.

Distributions to noncontrolling shareholders. If noncontrolling shareholders have the right to receive distributions based on the profitability of an acquired entity, the amount is recorded as income attributable to noncontrolling interests. However, there are circumstances when the Company acquires a majority interest and the selling shareholders waive their right to receive distributions with respect to their retained interest for a period of time, typically not less than five years. Under this model, the right to receive such distributions typically begins concurrently with the purchase option period and, therefore, if such option is exercised at the

4. Acquisitions and Dispositions – (continued)

first available date the Company may not record any noncontrolling interest over the entire period from the initial acquisition date through the acquisition date of the remaining interests.

2017 Acquisitions

In 2017, the Company entered into various non-material transactions in connection with certain of its majority-owned entities. As a result of the foregoing, the Company made total cash closing payments of $3,858, increased fixed deferred consideration liability by $7,208, reduced redeemable noncontrolling interests by $816, reduced noncontrolling interests equity by $11,965, reduced noncontrolling interest payable by $397, and increased additional paid-in capital by $2,315. In addition, a stock-based compensation charge of $996 has been recognized representing the consideration paid in excess of the fair value of the interest acquired.

2017 Dispositions

During 2017, the Company sold all of its ownership interests in three subsidiaries resulting in recognition of a net loss on sale of business of $1,732. The net assets reflected in the calculation of the net loss on sale was inclusive of goodwill of $17,593. Goodwill was allocated to the subsidiaries based on the relative fair value of the sold subsidiaries compared to the fair value of the respective reporting units. See Note 1 of the Notes to the Consolidated Financial Statements included herein for further information. Additionally, the Company recorded a reduction in noncontrolling interests of $10,657.

In addition, the Company sold a non-controlling ownership interest in two subsidiaries during 2017. The Company recorded $6,961 of non-controlling interest equity and $1,690 of redeemable non-controlling interest, representing the fair value of the disposed ownership interest at the time of execution. Additionally, stock-based compensation of $2,473 was recognized, representing the excess in the proportionate fair value over the total consideration received.

2016 Acquisitions

Effective July 1, 2016, the Company acquired 100% of the equity interests of Forsman & Bodenfors AB (‘‘F&B’’), an advertising agency based in Sweden, for an estimated aggregate purchase price at acquisition date of $49,837, consisting of a closing payment of 1,900,000 MDC Class A subordinate voting shares with an acquisition date fair value of $34,219, plus additional deferred acquisition payments with an estimated present value at acquisition date of $15,618. The amount of additional payments are based on the financial results of the acquired business for 2015 and 2016 as well as for the value of the Company’s shares from July 1, 2016 up to and including the close of business on November 2, 2016. During the three months ended June 30, 2017, the Company paid cash of $3,055 and issued an additional 2,450,000 MDC Class A subordinate voting shares with a fair value of $20,800 as a settlement of deferred acquisition consideration.

An allocation of excess purchase price consideration of this acquisition to the fair value of the net assets acquired resulted in identifiable intangibles of $36,698, consisting primarily of customer lists, trade names and covenants not to compete, and goodwill of $24,778, including the value of the assembled workforce. The identified assets have a weighted average useful life of approximately 10.8 years and will be amortized in a manner represented by the pattern in which the economic benefits of such assets are expected to be realized. In addition, the Company has recorded $2,275 as the present value of redeemable noncontrolling interests and $5,514 as the present value of noncontrolling interests both relating to the noncontrolling interest of F&B’s subsidiaries. None of the intangibles and goodwill are tax deductible and the Company recorded a deferred tax liability of $8,074 related to the intangibles. F&B’s results are included in the Global Integrated Agencies segment.

During the six months ended June 30, 2017, F&B earned revenue of $43,535 and incurred a net loss of $4,460, which is included in our consolidated results for the year ended December 31, 2017. The net loss was attributable to an increase in the deferred acquisition payment liability related to such acquisition, driven by the decrease in the future market performance of the Company’s stock price and the amortization of the intangibles identified in the allocation of the purchase price consideration.

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

4. Acquisitions and Dispositions – (continued)

Effective April 1, 2016, the Company acquired the remaining 40% ownership interests of Luntz Global Partners LLC. In 2016, the Company also entered into various non-material transactions in connection with other majority-owned entities. As a result of the foregoing, the Company made total cash closing payments of $1,581, eliminated the contingent deferred acquisition payments of $4,052 and fixed deferred acquisition payments of $467 related to certain initial acquisition of the equity interests, reduced other assets by $428, reduced redeemable noncontrolling interests by $1,005, reduced noncontrolling interests by $19,354, increased accruals and other liabilities by $94, and increased additional paid-in capital by $22,775. Additional deferred payments with an estimated present value at acquisition date of $2,393 that are contingent upon service conditions have been excluded from deferred acquisition consideration and will be expensed as stock-based compensation over the required service period.

2015 Acquisitions

Effective May 1, 2015, the Company acquired a majority of the equity interests of Y Media Labs LLC, such that following the transaction, the Company's effective ownership was 60%. Effective October 31, 2015, the Company acquired substantially 100% of the assets of Unique Influence, LLC (and certain other affiliated entities). The aggregate purchase price of these acquisitions had an estimated present value at acquisition date of $55,279 and consisted of total closing cash payments of $23,000 and additional deferred acquisition payments that will be based on the future financial results of the underlying businesses from 2015 to 2020 with final payments due in 2022. These additional deferred payments have an estimated present value at acquisition date of $32,279. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $16,721, consisting primarily of customer lists, trade names and covenants not to compete, and goodwill of $43,654, including the value of the assembled workforce. The identified assets have a weighted average useful life of approximately 6.3 years and will be amortized in a manner represented by the pattern in which the economic benefits of such assets are expected to be realized. In addition, the Company has recorded $1,999 as the present value of redeemable noncontrolling interests. The Company expects intangibles and goodwill of $9,720 to be tax deductible.

In 2015, the Company acquired incremental ownership interests of Sloane & Company LLC, Anomaly Partners LLC, Allison & Partners LLC, Relevent Partners LLC, Kenna Communications LP and 72andSunny Partners LLC. In addition, the Company also entered into various non-material transactions in connection with other majority owned entities.

The aggregate purchase price for these 2015 acquisitions of incremental ownership interests had an estimated present value at transaction date of $200,822 and consisted of total closing cash payments of $37,467 and additional deferred acquisition payments that are both fixed and based on the future financial results of the underlying businesses from 2015 to 2021 with final payments due in 2022. These additional deferred payments had an estimated present value at acquisition date of $163,355. The Company reduced redeemable noncontrolling interests by $149,335 and noncontrolling interests by $8,708. The difference between the purchase price and the noncontrolling interests of $42,780 was recorded in additional paid-in capital.

2015 Dispositions

Effective May 31, 2015, the Company completed the sale of Accent for an aggregate selling price of $17,102, net of transaction expenses. Included in discontinued operations in the Company's consolidated statements of operations for the year ended December 31, 2015:

	2015
Revenue	$27,025
Operating loss	(322)
Other expense	(752)
Loss on disposal	(5,207)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	$ (6,281)

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

4. Acquisitions and Dispositions – (continued)

Noncontrolling Interests

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

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

	Year Ended December 31,		
	2017	2016	2015
Net income (loss) attributable to MDC Partners Inc.	$241,848	$(45,839)	$(35,454)
Transfers (to) from the noncontrolling interests			
Increase (decrease) in MDC Partners Inc. paid-in capital for purchase of equity interests in excess of noncontrolling interests and redeemable noncontrolling interests	2,315	22,776	(42,780)
Net transfers (to) from noncontrolling interests	$ 2,315	$ 22,776	$(42,780)
Change from net income (loss) attributable to MDC Partners Inc. and transfers (to) from noncontrolling interests	$244,163	$(23,063)	$(78,234)

5. Fixed Assets

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

	2017			2016		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computers, furniture and fixtures	$101,806	$ (74,429)	$27,377	$ 91,909	$ (64,030)	$27,879
Leasehold improvements	112,099	(49,170)	62,929	91,601	(41,103)	50,498
	$213,905	$(123,599)	$90,306	$183,510	$(105,133)	$78,377

At December 31, 2017 and 2016, included in fixed assets are assets under capital lease obligations with a cost of $1,903 and $1,967, respectively, and accumulated depreciation of $1,176 and $1,316, respectively. Depreciation expense for the years ended December 31, 2017, 2016, and 2015 was $23,873, $22,293 and $18,871, respectively.

6. Accruals and Other Liabilities

At December 31, 2017 and 2016, accruals and other liabilities included accrued media of $207,482 and $201,872, respectively; and included amounts due to noncontrolling interest holders for their share of profits, which will be distributed within the next twelve months, of $11,030 and $4,154, respectively.

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

6. Accruals and Other Liabilities – (continued)

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

	Noncontrolling Interests
Balance at December 31, 2014	$ 6,014
Income attributable to noncontrolling interests	9,054
Distributions made	(9,503)
Other[1]	(92)
Balance at December 31, 2015	$ 5,473
Income attributable to noncontrolling interests	5,218
Distributions made	(7,772)
Other[1]	1,235
Balance at December 31, 2016	$ 4,154
Income attributable to noncontrolling interests	15,375
Distributions made	(8,865)
Other[1]	366
Balance at December 31, 2017	$11,030

(1) Other consists primarily of business acquisitions, sale of a business, step-up transactions, and cumulative translation adjustments.

At December 31, 2017 and December 31, 2016, accounts payable included $41,989 and $80,193 of outstanding checks, respectively.

7. Financial Instruments

Financial assets, which include cash and cash equivalents and accounts receivable, have carrying values which approximate fair value due to the short-term nature of these assets. Financial liabilities with carrying values approximating fair value due to short-term maturities include accounts payable. Deferred acquisition consideration is recorded at fair value. The revolving credit agreement is a variable rate debt, the carrying value of which approximates fair value. The Company's notes are a fixed rate debt instrument recorded at the carrying value. See Note 13 of the Notes to the Consolidated Financial Statements included herein for the 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.

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

8. Goodwill and Intangible Assets

As of December 31, goodwill was as follows:

Goodwill	Global Integrated Agencies	Domestic Creative Agencies	Specialist Communications	Media Services	All Other	Total
Balance at December 31, 2015	$364,159	$36,671	$ 97,578	$142,286	$229,607	$870,301
Acquired goodwill	24,778	—	—	—	—	24,778
Disposition	—	—	—	—	(764)	(764)
Impairment loss recognized	—	—	(18,893)	—	(29,631)	(48,524)
Transfer of goodwill between segments(1)	(34,400)	—	—	34,400	—	—
Foreign currency translation	(3,821)	91	6	—	2,692	(1,032)
Balance at December 31, 2016	$350,716	$36,762	$ 78,691	$176,686	$201,904	$844,759
Acquired goodwill	—	—	—	—	—	—
Disposition	(964)	—	—	(16,629)	—	(17,593)
Impairment loss recognized	—	—	—	—	(3,238)	(3,238)
Transfer of goodwill between segments(1)	3,630	—	—	—	(3,630)	—
Foreign currency translation	5,689	218	15	—	6,085	12,007
Balance at December 31, 2017	$359,071	$36,980	$ 78,706	$160,057	$201,121	$835,935

(1) During the year ended December 31, 2017 and 2016, the Company transferred a component of one reporting unit to another reporting unit. An interim impairment analysis was performed both before and after the transfer, noting no impairment indicators were present.

As a result of the annual impairment test performed as of October 1, 2017, the Company recognized a partial impairment of goodwill of $3,238 relating to two of the Company's reporting units. See Note 2 of the Notes to the Consolidated Financial Statements herein for further information. Additionally, during 2017, the Company wrote off goodwill of $17,593 related to the sale of certain subsidiaries. This write off is included in other income (expense).

During the third quarter of 2016, there was a change to the Company's reporting units. This change, coupled with a decline in operating performance required the Company to perform interim goodwill testing on one of its experiential reporting units. Additionally, a triggering event occurred during the third quarter of 2016 that required the Company to perform interim goodwill testing on one non-material reporting unit. This interim impairment analysis resulted in a partial impairment of goodwill of $27,893 and $1,738 relating to the experiential reporting unit and non-material reporting unit, respectively.

For the 2016 annual impairment test, a partial impairment of goodwill of $18,893 in one of the Company's strategic communications reporting units. The fair value for all other reporting units were in excess of their respective carrying amounts and as a result there was no additional impairment of goodwill. Additionally, in the third quarter of 2016, the Company sold its ownership interests in a subsidiary to the noncontrolling shareholders, resulting in a write off of goodwill of $764.

The total accumulated goodwill impairment charges are $98,645 through December 31, 2017.

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

8. Goodwill and Intangible Assets – (continued)

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

Intangible Assets	For the Year Ended December 31, 2017	2016
Trademarks (indefinite life)	$ 17,780	$ 17,780
Customer relationships – gross	$102,325	$121,408
Less accumulated amortization	(73,767)	(80,432)
Customer relationships – net	$ 28,558	$ 40,976
Other intangibles – gross	$ 37,273	$ 43,656
Less accumulated amortization	(13,006)	(17,341)
Other intangibles – net	$ 24,267	$ 26,315
Total intangible assets	$157,378	$182,844
Less accumulated amortization	(86,773)	(97,773)
Total intangible assets – net	$ 70,605	$ 85,071

The weighted average amortization periods for customer relationships are six years and other intangible assets are nine years. In total, the weighted average amortization period is seven years. Amortization expense related to amortizable intangible assets for the years ended December 31, 2017, 2016, and 2015 was $17,125, $21,726, and $30,024, respectively.

The estimated amortization expense for the five succeeding years is as follows:

Year	Amortization
2018	$13,051
2019	8,832
2020	6,619
2021	5,038
2022	4,520

9. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 (the ‘‘Tax Act’’). The Tax Act makes broad and complex changes to the U.S. tax code including but not limited to a reduction in U.S. federal corporate tax rate from 35% to 21%, effective for tax years beginning after December 31, 2017 and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings.

The SEC staff issued Staff Accounting Bulletin No. 118 (‘‘SAB 118’’) which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. To the extent that a company’s accounting for certain income tax effects of those aspects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate to be included in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

As a result of the initial analysis of the impact of the Tax Act, the Company recorded a net expense of $26,674 related to the re-measurement of deferred tax assets and liabilities resulting in a change in the corporate tax rate from 35% to 21%. This amount was offset in part by the release of a valuation allowance of $60,772 related to the re-measurement required by the rate change. It was also offset by $66,373 due to changes under the Tax Act, which resulted in significant additional positive evidence, in the form of future

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

9. Income Taxes – (continued)

taxable income, that impacted management's assessment of the amount of the Company's deferred tax assets that would be realized going forward. Additionally, the Company recorded no tax expense as a result of the transition tax. The combined effect of the changes from the Tax Act resulted in a tax benefit of $100,472. While the Company has made a reasonable estimate of the impact of the reduction in the corporate rate and transition tax, it continues to gather additional information and awaits further interpretive guidance from the tax authorities to more precisely calculate amounts.

The Act created a new requirement that Global Intangible Low-Taxed Income (i.e., GILTI) earned by controlled foreign corporations (CFCs) must be included currently in the gross income of the CFCs' U.S. shareholder. GILTI is the excess of the shareholder's ''net CFC tested income'' over the net deemed tangible income return (the ''routine return''), which is defined as the excess of (1) 10% of the aggregate of the U.S. shareholder's pro rata share of the qualified business asset investment (QBAI) of each CFC with respect to which it is a U.S. shareholder over (2) the amount of certain interest expense taken into account in the determination of net CFC-tested income. A deduction is permitted to a domestic corporation in an amount up to 50% of the sum of the GILTI inclusion and the amount treated as a dividend because the corporation has claimed a foreign tax credit (FTC) as a result of the inclusion of the GILTI amount in income.

The Company continues to assess the impact of GILTI provisions on its financial statements and whether it will be subject to U.S. GILTI inclusion in future years. As such, the Company has not made a policy election on whether to record tax effects of GILTI when paid as a period expense or to record deferred tax assets and liabilities on basis differences that are expected to affect the amount of GILTI inclusion.

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

	2017	2016	2015
Income (Loss):			
U.S.	$48,053	$(16,661)	$ 23,180
Non-U.S.	39,025	(33,055)	(40,596)
	$87,078	$(49,716)	$(17,416)

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

	2017	2016	2015
Current tax provision			
U.S. federal	$ (1,657)	$ —	$ —
U.S. state and local	98	(1,520)	1,375
Non-U.S.	6,514	2,154	2,465
	4,955	634	3,840
Deferred tax provision (benefit):			
U.S. federal	(172,873)	5,785	5,359
U.S. state and local	(7,775)	(3,550)	2,877
Non-U.S.	7,629	(12,273)	(8,315)
	(173,019)	(10,038)	(79)
Income tax provision (benefit)	$(168,064)	$ (9,404)	$ 3,761

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

9. Income Taxes – (continued)

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

	2017	2016	2015
Income (loss) from continuing operations before income taxes, equity in non-consolidated affiliates and noncontrolling interest	$ 87,078	$(49,716)	$(17,416)
Statutory income tax rate	26.5%	26.5%	26.5%
Tax expense (benefit) using statutory income tax rate	23,076	(13,175)	(4,615)
State and foreign taxes	8,863	(94)	3,524
Non-deductible stock-based compensation	1,441	1,123	665
Other non-deductible expense	(220)	1,848	163
Change to valuation allowance	(103,212)	6,605	3,565
Effect of the difference in Canadian and local statutory rates	4,463	(4,579)	1,906
Impact of tax reform	(100,472)	—	—
Noncontrolling interests	(4,413)	(1,287)	(2,399)
Impact of foreign operations	(2,453)	—	—
Other, net	4,863	155	952
Income tax expense (benefit)	$(168,064)	$ (9,404)	$ 3,761
Effective income tax rate	(193.0)%	18.9%	(21.6)%

Income taxes receivable were $4,582 and $1,506 at December 31, 2017 and 2016, respectively, and were included in other current assets on the balance sheet. Income taxes payable were $3,810 and $4,547 at December 31, 2017 and 2016, 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.

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

9. Income Taxes – (continued)

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

	2017	2016
Deferred tax assets:		
Capital assets and other	$ 5,059	$ 6,758
Net operating loss carry forwards	49,318	44,305
Interest deductions	2,026	12,146
Refinancing charge	5,578	7,413
Goodwill and intangibles	129,455	179,029
Stock compensation	1,208	2,581
Pension plan	4,165	5,095
Unrealized foreign exchange	8,653	15,237
Capital loss carry forwards	11,450	10,957
Accounting reserves	412	7,138
Gross deferred tax asset	217,324	290,659
Less: valuation allowance	(19,032)	(248,866)
Net deferred tax assets	198,292	41,793
Deferred tax liabilities:		
Deferred finance charges	—	(333)
Capital assets and other	—	(388)
Goodwill amortization	(89,727)	(109,638)
Total deferred tax liabilities	(89,727)	(110,359)
Net deferred tax asset (liability)	$108,565	$ (68,566)
Disclosed as:		
Deferred tax assets	$115,325	$ 41,793
Deferred tax liabilities	(6,760)	(110,359)
	$108,565	$ (68,566)

The Company has U.S. federal net operating loss carry forwards of $29,723 and non-U.S. net operating loss carry forwards of $116,536. These carry forwards expire in years 2017 through 2032. The Company also has total indefinite loss carry forwards of $96,063. These indefinite loss carry forwards consist of $9,646 relating to the U.S. and $86,417 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 $119,188.

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 evaluates all positive and negative evidence and considers factors such as the reversal of taxable temporary differences, future taxable income, and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

As of December 31, 2016, the Company maintained valuation allowance against its world-wide net deferred tax asset of $248,866 as it believed it was more likely than not that some or all of the deferred tax assets would not be realized. This assessment was based on the Company's historical losses and uncertainties as to the amount of future taxable income.

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

9. Income Taxes – (continued)

As of December 31, 2017, the Company evaluated positive and negative evidence in determining the likelihood that it will be able to realize all or some portion of its deferred tax assets prior to their expiration. As of September 30, 2017, the Company's three-year cumulative pre-tax income had declined compared to the period ended December 31, 2016. As of December 31, 2017 the three-year cumulative pre-tax income had increased substantially, consistent with the Company's history of strong fourth quarter performance, which provided significant positive evidence. Upon completion of this evaluation, the Company concluded that in part, as a result of cumulative pretax income, there is sufficient positive evidence that the Company will more likely than not realize its U.S. deferred tax assets. Therefore, the Company reduced its valuation allowance by $105,486. In addition, because of the Tax Act, the Company remeasured its existing deferred tax assets and reduced its valuation allowance by $127,146, as described above. The related effect on the accompanying consolidated statements of operations and comprehensive income or loss resulted in the Company recording a U.S. income tax benefit of $232,632 for the year ended December 31, 2017.

Deferred taxes are not provided for temporary differences representing earnings change 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, 2017 and 2016, the Company recorded a liability for unrecognized tax benefits as well as applicable penalties and interest in the amount of $1,556 and $1,543, respectively. As of December 31, 2017 and 2016, accrued penalties and interest included in unrecognized tax benefits were approximately $123 and $78, respectively. The Company identified an uncertainty relating to the future tax deductibility of certain intercompany fees. To the extent that such future benefit will be established, the resolution of this position will have no effect with respect to the financial statements. If these unrecognized tax benefits were to be recognized, it would affect the Company's effective tax rate.

Changes in the Company's reserve is as follows:

Balance at December 31, 2014	$ 3,073
Charges to income tax expense	960
Settlement of uncertainty	(428)
Balance at December 31, 2015	3,605
Charges to income tax expense	(1,261)
Settlement of uncertainty	(879)
Balance at December 31, 2016	1,465
Charges to income tax expense	(32)
Balance at December 31, 2017	$ 1,433

The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months.

The Company has completed U.S. federal tax audits through 2013 and has completed a non-U.S. tax audit through 2009.

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

10. Debt

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

	2017	2016
Revolving credit agreement	$ —	$ 54,425
6.50% Notes due 2024	900,000	900,000
Debt issuance costs	(17,587)	(18,420)
	882,413	936,005
Obligations under capital leases	706	431
	883,119	936,436
Less: Current portion of long-term debt	313	228
	$882,806	$936,208

Interest expense related to long-term debt for the years ended December 31, 2017, 2016, and 2015 was $62,001, $56,468 and $53,090, respectively. For the year ended December 31, 2016, the Company recorded a charge for the loss on redemption of the 6.75% Notes of $33,298, which included accrued interest, related premiums, fees and expenses, write offs of unamortized original issue premium, and unamortized debt issuance costs. For the years ended December 31 2016, and 2015, interest expense included income of $312, $1,178, related to the amortization of the original issue premium. For the years ended December 31, 2017, 2016, and 2015, interest expense included $100, $255 and $2,543, respectively, of present value adjustments for fixed deferred acquisition payments.

The amortization of deferred finance costs included in interest expense were $3,022, $3,022 and $3,448 for the years ended December 31, 2017, 2016, and 2015, respectively.

6.50% Notes

On March 23, 2016, MDC entered into an indenture (the ''Indenture'') among MDC, its existing and future restricted subsidiaries that guarantee, are co-borrowers under or grant liens to secure, the Credit Agreement, as guarantors (the ''Guarantors'') and The Bank of New York Mellon, as trustee, relating to the issuance by MDC of $900,000 aggregate principal amount of the 6.50% Notes. The 6.50% Notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933. The 6.50% Notes bear interest at a rate of 6.50% per annum, accruing from March 23, 2016. Interest is payable semiannually in arrears on May 1 and November 1 of each year, beginning November 1, 2016. The 6.50% Notes mature on May 1, 2024, unless earlier redeemed or repurchased. The Company received net proceeds from the offering of the 6.50% Notes equal to approximately $880,000. The Company used the net proceeds to redeem all of its existing 6.75% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for the loss on redemption of such notes of $33,298, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes, including funding of deferred acquisition consideration.

The 6.50% Notes are guaranteed on a senior unsecured basis by all of MDC's existing and future restricted subsidiaries that guarantee, are co-borrowers under, or grant liens to secure, the Credit Agreement. The 6.50% Notes are unsecured and unsubordinated obligations of MDC and rank (i) equally in right of payment with all of MDC's or any Guarantor's existing and future senior indebtedness, (ii) senior in right of payment to MDC's or any Guarantor's existing and future subordinated indebtedness, (iii) effectively subordinated to all of MDC's or any Guarantor's existing and future secured indebtedness to the extent of the collateral securing such indebtedness, including the Credit Agreement, and (iv) structurally subordinated to all existing and future liabilities of MDC's subsidiaries that are not Guarantors.

MDC may, at its option, redeem the 6.50% Notes in whole at any time or in part from time to time, on and after May 1, 2019 (i) at a redemption price of 104.875% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2019, (ii) at a redemption price of 103.250% of the

10. Debt – (continued)

principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2020, (iii) at a redemption price of 101.625% of the principal amount thereof if redeemed during the twelve-month period beginning on May 1, 2021, and (iv) at a redemption price of 100% of the principal amount thereof if redeemed on May 1, 2022 and thereafter.

Prior to May 1, 2019, MDC may, at its option, redeem some or all of the 6.50% Notes at a price equal to 100% of the principal amount of the 6.50% Notes plus a ''make whole'' premium and accrued and unpaid interest. MDC may also redeem, at its option, prior to May 1, 2019, up to 35% of the 6.50% Notes with the proceeds from one or more equity offerings at a redemption price of 106.50% of the principal amount thereof.

If MDC experiences certain kinds of changes of control (as defined in the Indenture), holders of the 6.50% Notes may require MDC to repurchase any 6.50% Notes held by them at a price equal to 101% of the principal amount of the 6.50% Notes plus accrued and unpaid interest. In addition, if MDC sells assets under certain circumstances, it must apply the proceeds from such sale and offer to repurchase the 6.50% Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest.

The Indenture includes covenants that, among other things, restrict MDC's ability and the ability of its restricted subsidiaries (as defined in the Indenture) to incur or guarantee additional indebtedness; pay dividends on or redeem or repurchase the capital stock of MDC; make certain types of investments; create restrictions on the payment of dividends or other amounts from MDC's restricted subsidiaries; sell assets; enter into transactions with affiliates; create liens; enter into sale and leaseback transactions; and consolidate or merge with or into, or sell substantially all of MDC's assets to, another person. These covenants are subject to a number of important limitations and exceptions. The 6.50% Notes are also subject to customary events of default, including a cross-payment default and cross-acceleration provision. The Company was in compliance with all covenants at December 31, 2017.

Redemption of 6.75% Notes

On March 23, 2016, the Company redeemed the 6.75% Notes in whole at a redemption price of 103.375% of the principal amount thereof with the proceeds from the issuance of the 6.50% Notes.

Credit Agreement

On March 20, 2013, MDC, Maxxcom Inc. (a subsidiary of MDC) and each of their subsidiaries party thereto entered into an amended and restated, $225,000 senior secured revolving credit agreement due 2018 (the ''Credit Agreement'') with Wells Fargo Capital Finance, LLC, as agent, and the lenders from time to time party thereto. Advances under the Credit Agreement are to be used for working capital and general corporate purposes, in each case pursuant to the terms of the Credit Agreement. Capitalized terms used in this section and not otherwise defined have the meanings set forth in the Credit Agreement.

Effective October 23, 2014, MDC and its subsidiaries entered into an amendment to its Credit Agreement. The amendment: (i) expanded the commitments under the facility by $100,000, from $225,000 to $325,000; (ii) extended the date by an additional eighteen months to September 30, 2019; (iii) reduced the base borrowing interest rate by 25 basis points (the applicable margin for borrowing is 1.00% in the case of Base Rate Loans and 1.75% in the case of LIBOR Rate Loans); and (iv) modified certain covenants to provide the Company with increased flexibility to fund its continued growth and other general corporate purposes.

Effective May 3, 2016, MDC and its subsidiaries entered into an additional amendment to its Credit Agreement. The amendment: (i) extended the date by an additional nineteen months to May 3, 2021; (ii) reduced the base borrowing interest rate by 25 basis points; (iii) provided the Company the ability to borrow in foreign currencies; and (iv) certain other modifications which provided additional flexibility in operating the Company's business.

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

10. Debt – (continued)

Advances under the Credit Agreement bear interest as follows: (a)(i) LIBOR Rate Loans bear interest at the LIBOR Rate and (ii) Base Rate Loans bear interest at the Base Rate, plus (b) an applicable margin. The initial applicable margin for borrowing is 0.75% in the case of Base Rate Loans and 1.50% in the case of LIBOR Rate Loans. In addition to paying interest on outstanding principal under the Credit Agreement, MDC is required to pay an unused revolver fee to lenders under the Credit Agreement in respect of unused commitments thereunder.

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

The Company is currently in compliance with all of the terms and conditions of its Credit Agreement, and management believes, based on its current financial projections, that the Company will be in compliance with the covenants over the next twelve months. At December 31, 2017, there were no borrowings under the Credit Agreement.

At December 31, 2017, the Company had issued $5,056 of undrawn letters of credit.

At December 31, 2017 and 2016, accounts payable included $41,989 and $80,193, respectively, of outstanding checks.

Future Principal Repayments

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

Period	Amount
2018	$ 313
2019	320
2020	68
2021	5
2022	—
2023 and thereafter	900,000
	$900,706

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

10. Debt – (continued)

Capital Leases

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

Period	Amount
2018	$ 313
2019	320
2020	68
2021	5
2022	—
2023 and thereafter	—
	706
Less: imputed interest	(59)
	647
Less: current portion	(313)
	$ 334

11. Share Capital

The authorized share capital of the Company is as follows:

(a) Authorized Share Capital

Series 4 Convertible Preference Shares

A total of 95,000, non-voting convertible preference shares, all of which were issued and outstanding as of December 31, 2017. See Note 12 of the Notes to the Consolidated Financial Statements included herein for further information. There were no such shares issued and outstanding as of December 31, 2016.

Class A Shares

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

Class B Shares

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

Preferred A Shares

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

(b) Employee Stock Incentive Plan

On May 26, 2005, the Company's shareholders approved the Company's 2005 Stock Incentive Plan (the ''2005 Incentive Plan''). The 2005 Incentive Plan authorizes the issuance of awards to employees, officers, directors and consultants of the Company with respect to 3,000,000 shares of MDC Partners' Class A Subordinate Voting Shares or any other security into which such shares shall be exchanged. On June 1, 2007 and on June 2, 2009, the Company's shareholders approved a total additional authorized Class A Shares of 3,750,000 to be added to the 2005 Incentive Plan for a total of 6,750,000 authorized Class A Shares. 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 (the ''SARS'' Plan''). On May 30, 2008, the Company's shareholders

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

11. Share Capital – (continued)

approved the 2008 Key Partner Incentive Plan, which provides for the issuance of 900,000 Class A Shares. On June 1, 2011, the Company's shareholders approved the 2011 Stock Incentive Plan, which provides for the issuance of up to 3,000,000 Class A Shares. In June 2013, the Company's shareholders approved an amendment to the SARS Plan to permit the Company to issue shares authorized under the SARS Plan to satisfy the grant and vesting awards under the 2011 Stock Incentive Plan. On June 1, 2016, the Company's shareholders approved the 2016 Stock Incentive Plan, which provides for the issuance of up to 1,500,000 Class A shares.

The following table summarizes information about time based and financial performance-based restricted stock and restricted stock unit awards granted under the 2005 Incentive Plan, 2008 Key Partner Incentive Plan, 2011 Stock Incentive Plan and 2016 Stock Incentive Plan:

	Performance Based Awards		Time Based Awards	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Balance at December 31, 2014	86,030	$23.14	916,141	$16.36
Granted	80,000	21.76	191,155	20.42
Vested	(68,067)	25.21	(297,794)	12.35
Forfeited	—	—	(35,000)	21.69
Balance at December 31, 2015	97,963	$19.61	774,502	$18.71
Granted	10,000	14.00	392,500	12.53
Vested	(17,963)	10.02	(380,367)	16.02
Forfeited	—	—	(46,000)	20.39
Balance at December 31, 2016	90,000	$20.90	740,635	$16.71
Granted	—	—	358,000	8.98
Vested	(90,000)	20.90	(277,050)	19.62
Forfeited	—	—	(36,500)	14.15
Balance at December 31, 2017	—	$ —	785,085	$12.28

The total fair value of restricted stock and restricted stock unit awards, which vested during the years ended December 31, 2017, 2016 and 2015 was $7,316, $6,272 and $5,394, respectively. In connection with the vesting of these awards, the Company included in the taxable loss the amounts of $3,500, $5,429 and $4,678 in 2017, 2016 and 2015, respectively. At December 31, 2017, the weighted average remaining contractual life for time based awards was 1.62 years. At December 31, 2017, the fair value of all restricted stock and restricted stock unit awards was $7,655. The term of these awards is three years with vesting up to three years. At December 31, 2017, the unrecognized compensation expense for these awards was $4,696 and will be recognized through 2019. At December 31, 2017, there were 579,748 awards available to grant under all equity plans.

In addition, the Company awarded restricted stock and restricted stock unit awards of which 1,433,921 awarded shares were outstanding as of December 31, 2017. The vesting of these awards is contingent upon the Company meeting a cumulative three year earnings target and continued employment through the vesting date. Once the Company defines the earnings target, the grant date is established and the Company will record the compensation expense over the vesting period.

Prior to adoption of the 2005 Incentive Plan, the Company's Prior 2003 Plan provided for grants of up to 2,836,179 options to employees, officers, directors and consultants of the Company. All the options granted were for a term of five years from the date of the grant and vest 20% on the date of grant and a further 20% on each anniversary date. In addition, the Company granted 802,440 options, on the privatization of

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

11. Share Capital – (continued)

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		
	Number Outstanding	Weighted Average Price per Share	Number Outstanding	Weighted Average Price per Share	Non Vested Options
Balance at December 31, 2014	112,500	$5.70	112,500	$5.70	—
Vested	—	—	—	—	—
Granted	—	—	—	—	—
Exercised	37,500	4.72	—	—	—
Expired and canceled	—	—	—	—	—
Balance at December 31, 2015	75,000	$5.28	75,000	$5.28	—
Vested	—	—	—	—	—
Granted	—	—	—	—	—
Exercised	37,500	5.97	—	—	—
Expired and canceled	—	—	—	—	—
Balance at December 31, 2016	37,500	$5.83	37,500	$5.83	—
Vested	—	—	—	—	—
Granted	—	—	—	—	—
Exercised	37,500	5.83	—	—	—
Expired and canceled	—	—	—	—	—
Balance at December 31, 2017	—	$ —	—	$ —	—

For options exercised during 2017, 2016 and 2015, the Company received cash proceeds of nil, nil and $224, respectively. The Company did not receive any windfall tax benefits. The intrinsic value of options exercised during 2017, 2016 and 2015 was $125, $471 and $471, respectively. At December 31, 2017, the unrecognized compensation expense of all options was nil.

(c) Stock Appreciation Rights

During 2017, the Compensation Committee of the Board of Directors approved a SAR's compensation program for senior officers and directors of the Company. SAR's granted in 2017 have a term of up to five years. Awards vest on the third anniverary of the grant date. SAR's granted and outstanding are as follows:

	SARs Outstanding		SARs Exercisable		
	Number Outstanding	Weighted Average Price per Share	Number Outstanding	Weighted Average Price per Share	Non Vested SARs
Balance at December 31, 2016	—	$ —	$—	$—	—
Vested	—	—	—	—	—
Granted	327,500	6.60	—	—	327,500
Exercised	—	—	—	—	—
Expired and canceled	—	—	—	—	—
Balance at December 31, 2017	327,500	$6.60	—	$—	327,500

11. Share Capital – (continued)

At December 31, 2017, the unrecognized compensation expense of all SARs was $535.

The Company has reserved a total of 3,126,254 Class A shares in order to meet its obligations under various conversion rights, warrants and employee share related plans. At December 31, 2017 there were 579,748 shares available for future option and similar grants.

12. Convertible Preference Shares

On March 7, 2017 (the ''Issue Date''), the Company issued 95,000 newly created Preference Shares to affiliates of The Goldman Sachs Group, Inc. (collectively, the ''Purchaser'') pursuant to a $95,000 private placement. The Company received proceeds of approximately $90,220, net of fees and estimated expenses, which were primarily used to pay down existing debt under the Company's credit facility and for general corporate purposes. In connection with the closing of the transaction, effective March 7, 2017, the Company increased the size of its Board of Directors (the ''Board'') to seven members and appointed one nominee designated by the Purchaser. Except as required by law, the Preference Shares do not have voting rights, and are not redeemable at the option of the Purchaser.

The holders of the Preference Shares have the right to convert their Preference Shares in whole at any time and from time to time, and in part at any time and from time to time after the ninetieth day following the original issuance date of the Preference Shares, into a number of Class A Shares equal to the then-applicable liquidation preference divided by the applicable conversion price at such time (the ''Conversion Price''). The initial liquidation per share preference of each Preference Share is $1,000. The initial Conversion Price is $10.00 per Preference Share, subject to customary adjustments for share splits and combinations, dividends, recapitalizations and other matters, including weighted average anti-dilution protection for certain issuances of equity or equity-linked securities.

The Preference Shares' liquidation preference accretes at 8.0% per annum, compounded quarterly until the five-year anniversary of the Issue Date. For the year ended December 31, 2017, the Preference Shares accreted at a monthly rate of approximately $6.97 per Preference Share, for total accretion of $6,352, bringing the aggregate liquidation preference to 101,352 as of December 31, 2017. The accretion is considered in the calculation of net income (loss) attributable to MDC Partners Inc. common shareholders. See Notes 2 and 3 of the Notes to the Consolidated Financial Statements included herein for further information.

Holders of the Preference Shares are entitled to dividends in an amount equal to any dividends that would otherwise have been payable on the Class A Shares issued upon conversion of the Preference Shares. The Preference Shares are convertible at the Company's option (i) on and after the two-year anniversary of the Issue Date, if the closing trading price of the Class A Shares over a specified period prior to conversion is at least 125% of the Conversion Price or (ii) after the fifth anniversary of the Issue Date, if the closing trading price of the Class A Shares over a specified period prior to conversion is at least equal to the Conversion Price.

Following certain change in control transactions of the Company in which holders of Preference Shares are not entitled to receive cash or qualifying listed securities with a value at least equal to the liquidation preference plus accrued and unpaid dividends, (i) holders will be entitled to cash dividends on the liquidation preference at an increasing rate (beginning at 7%), and (ii) the Company will have a right to redeem the Preference Shares for cash at the greater of their liquidation preference plus accrued and unpaid dividends or their as-converted value.

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

13. Fair Value Measurements

Authoritative guidance for fair value establishes a framework for measuring fair value. A fair value measurement assumes a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability.

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

- Level 1 — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 — Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3 — Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

Financial Liabilities Measured at Fair Value on a Non-Recurring Basis

The following table presents certain information for our financial liability that is measured at fair value on a non-recurring basis at December 31:

	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities:				
6.50% Senior Notes due 2024	900,000	904,500	900,000	812,250

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

Financial Liabilities Measured at Fair Value on a Recurring Basis

The following table presents changes in deferred acquisition consideration which is measured at fair value on recurring basis for the years ended December 31:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2017	2016
Beginning balance of contingent payments	$ 224,754	$ 306,734
Payments[(1)]	(110,234)	(105,169)
Additions[(2)]	—	16,132
Redemption value adjustments[(3)]	3,273	13,930
Other[(4)]	—	(6,412)
Foreign translation adjustment	1,293	(461)
Ending balance of contingent payments	$ 119,086	$ 224,754

(1) For the year ended December 31, 2017 and 2016, payments include $28,727 and $10,458, respectively, of deferred acquisition consideration settled through the issuance of 3,353,939 and 691,559, respectively, MDC Class A subordinate voting shares in lieu of cash.

13. Fair Value Measurements – (continued)

(2) Additions are the initial estimated deferred acquisition payments of new acquisitions and step-up transactions completed within that fiscal period.

(3) Redemption value adjustments are fair value changes from the Company's initial estimates of deferred acquisition payments, including the accretion of present value and stock-based compensation charges relating to acquisition payments that are tied to continued employment.

(4) Other is comprised of (i) $2,360 transferred to shares to be issued related to 100,000 MDC Class A subordinate voting shares to be issued contingent on specific thresholds of future earnings that management expects to be attained; and, (ii) $4,052 of contingent payments eliminated through the acquisition of incremental ownership interests. See Note 4 of the Notes to the Consolidated Financial Statements included herein for further information.

In addition to the above amounts, there are fixed payments of $3,340 and $4,810 for total deferred acquisition consideration of $122,426 and $229,564, which reconciles to the consolidated balance sheets at December 31, 2017 and 2016, respectively.

The Company includes the payments of all deferred acquisition consideration in financing activities in the Company's consolidated statement of cash flows, as the Company believes these payments to be seller-related financing activities, which is the predominant source of cash flows. The FASB recently issued new guidance regarding the classification of cash flows for contingent consideration that is effective January 1, 2018. See Note 18 of the Notes to the Consolidated Financial Statements included herein for further information.

Level 3 payments relate to payments made for deferred acquisition consideration. Level 3 grants relate to contingent purchase price obligations related to acquisitions and are recorded on the balance sheet at the acquisition date fair 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 earnings of the relevant subsidiary during the contractual period and, in some cases, the currency exchange rate as 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.

At December 31, 2017 and 2016, the carrying amount of the Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximated fair value because of their short-term maturity. The Company does not disclose the fair value for equity method investments or investments held at cost as it is not practical to estimate fair value since there is no readily available market data.

Non-financial Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

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 3 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.

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

14. Other Income

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2016
Other income (expense)	$ 162	$ 417
Gain (loss) on sale of business[1]	(1,732)	(940)
Gain (loss) on sale of investments[2]	2,083	1,932
Gain (loss) on investments	833	(995)
Other Income, net	1,346	414
Foreign currency transaction gain (loss)	18,137	(213)
	$19,483	$ 201

(1) During the year ended December 31, 2017, the Company sold all of its ownership interests in three subsidiaries resulting in recognition of a net loss on sale of business of $1,732. See Note 4 of the Notes to the Consolidated Financial Statements included herein for further information.

(2) During the year ended December 31, 2017, the Company sold its ownership in three cost method investments for an aggregate purchase price of $3,557 and recognized a gain of $3,018 in Other income. In addition, the Company recognized a loss of $935 pertaining to the dissolution of five cost method investments.

Effective September 30, 2016, the Company sold all of its ownership interests in Bryan Mills to the noncontrolling shareholders and recognized a loss of $800.

15. Segment Information

The Company determines an operating segment if a component (i) engages in business activities from which it earns revenues and incurs expenses, (ii) has discrete financial information, and is (iii) regularly reviewed by the Chief Operating Decision Maker (''CODM'') to make decisions regarding resource allocation for the segment and assess its performance. Once operating segments are identified, the Company performs an analysis to determine if aggregation of its operating segments is consistent with the principles detailed in ASC 280. This determination is based upon a quantitative analysis of the expected and historic average long-term profitability for each operating segment, together with an assessment of the qualitative characteristics set forth in ASC Topic 280-10-50.

The four reportable segments that result from applying the aggregation criteria are as follows: ''Global Integrated Agencies''; ''Domestic Creative Agencies''; ''Specialist Communications''; and ''Media Services.'' In addition, the Company combines and discloses those operating segments that do not meet the aggregation criteria as ''All Other.'' The Company also reports corporate expenses, as further detailed below, as ''Corporate.'' All segments follow the same basis of presentation and accounting policies as those described in Note 1 and 2 of the Notes to the Consolidated Financial Statements included herein, respectively.

- The **Global Integrated Agencies** reportable segment is comprised of the Company's six global, integrated operating segments with broad marketing communication capabilities, including advertising, branding, digital, social media, design and production services, serving multinational clients around the world. The Global Integrated Agencies reportable segment includes 72andSunny, Anomaly, Crispin Porter + Bogusky, Doner, Forsman & Bodenfors, and kbs+. These operating segments share similar characteristics related to (i) the nature of their services; (ii) the type of global clients and the methods used to provide services; and (iii) the extent to which they may be impacted by global economic and geopolitical risks. In addition, these operating segments compete with each other for new business and from time to time have business move between them. The Company believes the historic and expected average long-term profitability is similar among the operating segments aggregated in the Global Integrated Agencies reportable segment.

15. Segment Information – (continued)

- The **Domestic Creative Agencies** reportable segment is comprised of four operating segments that are national advertising agencies leveraging creative capabilities at their core. The Domestic Creative Agencies reportable segment includes Colle + McVoy, Laird+Partners, Mono Advertising and Union. These operating segments share similar characteristics related to (i) the nature of their creative advertising services; (ii) the type of domestic client accounts and the methods used to provide services; and (iii) the extent to which they may be impacted by domestic economic and policy factors within North America. In addition, these operating segments compete with each other for new business and from time to time have business move between them. The Company believes the historic and expected average long-term profitability is similar among the operating segments aggregated in the Domestic Creative Agencies reportable segment.

- The **Specialist Communications** reportable segment is comprised of seven operating segments that are each communications agencies with core service offerings in public relations and related communications services. The Specialist Communications reportable segment includes Allison & Partners, Hunter PR, HL Group Partners, Kwittken, Luntz Global, Sloane & Company and Veritas. These operating segments share similar characteristics related to (i) the nature of their public relations and communication services, including content creation, social media and influencer marketing; (ii) the type of client accounts and the methods used to provide services; (iii) the extent to which they may be impacted by domestic economic and policy factors within North America; and (iv) the regulatory environment regarding public relations and social media. In addition, these operating segments compete with each other for new business and from time to time have business move between them. The Company believes the historic and expected average long-term profitability is similar among the operating segments aggregated in the Specialist Communications reportable segment.

- The **Media Services** reportable segment is comprised of a single operating segment known as MDC Media Partners. MDC Media Partners is comprised of the Company's network of stand-alone agencies with media buying and planning as their core competency, including the integrated platform Assembly. The agencies within this single operating segment share a Chief Executive Officer and Chief Financial Officer, who have operational oversight of these agencies. These agencies provide other services, including influencer marketing, content, insights & analytics, out-of-home, paid search, social media, lead generation, programmatic, artificial intelligence, and corporate barter. MDC Media Partners operates primarily in North America.

- **All Other** consists of the Company's remaining operating segments that provide a range of diverse marketing communication services, but generally do not have similar services offerings or financial characteristics as those aggregated in the reportable segments. The All Other category includes 6Degrees, Bruce Mau Design, Concentric Partners, Civilian, Gale Partners, Hello Design, Kenna, Kingsdale, Northstar Research Partners, Redscout, Relevent, Source Marketing, Team, Vitro, Yamamoto and Y Media Labs. The nature of the specialist services provided by these operating segments vary among each other and from those operating segments aggregated into the reportable segments. This results in these operating segments having current and long-term performance expectations inconsistent with those operating segments aggregated in the reportable segments.

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

15. Segment Information – (continued)

- **Corporate** consists of corporate office expenses incurred in connection with the strategic resources provided to the operating segments, as well as certain other centrally managed expenses that are not fully allocated to the operating segments. These office and general expenses include (i) salaries and related expenses for corporate office employees, including employees dedicated to supporting the operating segments, (ii) occupancy expenses relating to properties occupied by all corporate office employees, (iii) other office and general expenses including professional fees for the financial statement audits and other public company costs, and (iv) certain other professional fees managed by the corporate office. Additional expenses managed by the corporate office that are directly related to the operating segments are allocated to the appropriate reportable segment and the All Other category.

	Years Ended December 31,		
	2017	**2016**	**2015**
Revenue:			
Global Integrated Agencies	$ 786,644	$ 696,410	$ 652,987
Domestic Creative Agencies	90,663	85,953	91,658
Specialist Communications	172,565	170,285	153,920
Media Services	142,387	131,498	132,419
All Other	321,520	301,639	295,272
Total	$1,513,779	$1,385,785	$1,326,256
Segment operating income (loss):			
Global Integrated Agencies	$ 74,902	$ 58,505	$ 66,161
Domestic Creative Agencies	16,977	16,583	17,535
Specialist Communications	20,714	1,939	18,047
Media Services	12,963	6,154	20,116
All Other	47,259	9,368	15,423
Corporate	(40,856)	(44,118)	(65,172)
Total	$ 131,959	$ 48,431	$ 72,110
Other Income (Expense):			
Other income, net	1,346	414	7,238
Foreign exchange gain (loss)	18,137	(213)	(39,328)
Interest expense and finance charges, net	(64,364)	(65,858)	(57,436)
Loss on redemption of Notes	—	(33,298)	—
Income (loss) from continuing operations before income taxes and equity in earnings of non-consolidated affiliates	87,078	(49,716)	(17,416)
Income tax expense (benefit)	(168,064)	(9,404)	3,761
Income (loss) from continuing operations before equity in earnings of non-consolidated affiliates	255,142	(40,312)	(21,177)
Equity in earnings (loss) of non-consolidated affiliates	2,081	(309)	1,058
Income (loss) from continuing operations	257,223	(40,621)	(20,119)
Income (loss) from discontinued operations attributable to MDC Partners Inc., net of taxes	—	—	(6,281)
Net income (loss)	257,223	(40,621)	(26,400)
Net income attributable to the noncontrolling interest	(15,375)	(5,218)	(9,054)
Net income (loss) attributable to MDC Partners Inc.	$ 241,848	$ (45,839)	$ (35,454)

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

15. Segment Information – (continued)

	Years Ended December 31,		
	2017	2016	2015
Depreciation and amortization:			
Global Integrated Agencies	$23,800	$21,447	$20,599
Domestic Creative Agencies	1,434	1,653	1,855
Specialist Communications	4,714	6,637	11,201
Media Services	3,629	5,718	4,660
All Other	8,799	9,406	12,134
Corporate	1,098	1,585	1,774
Total	$43,474	$46,446	$52,223
Stock-based compensation:			
Global Integrated Agencies	$15,203	$12,141	$ 6,981
Domestic Creative Agencies	845	634	644
Specialist Communications	2,954	3,629	1,510
Media Services	614	301	471
All Other	2,600	1,773	5,450
Corporate	2,134	2,525	2,740
Total	$24,350	$21,003	$17,796
Capital expenditures:			
Global Integrated Agencies	$20,748	$16,439	$17,043
Domestic Creative Agencies	1,032	1,055	1,321
Specialist Communications	1,288	2,741	1,311
Media Services	3,035	5,110	825
All Other	6,832	4,054	2,704
Corporate	23	33	371
Total	$32,958	$29,432	$23,575

A summary of the Company's long-lived assets, comprised of fixed assets, goodwill and intangibles, net, by geographic region at December 31, is set forth in the following table.

	United States	Canada	Other	Total
Long-lived Assets				
2017	$ 77,163	$ 5,638	$ 7,505	$ 90,306
2016	$ 67,617	$ 5,887	$ 4,873	$ 78,377
Goodwill and Intangible Assets				
2017	$706,241	$127,014	$73,285	$906,540
2016	$736,334	$121,987	$71,509	$929,830

The Company's CODM does not use segment assets to allocate resources or to assess performance of the segments and therefore, total segment assets have not been disclosed.

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

15. Segment Information – (continued)

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

	United States	Canada	Other	Total
Revenue:				
2017	$1,172,364	$123,092	$218,323	$1,513,779
2016	$1,103,714	$124,101	$157,970	$1,385,785
2015	$1,085,051	$129,039	$112,166	$1,326,256

16. Related Party Transaction

Scott L. Kauffman is Chairman and Chief Executive Officer of the Company. His daughter, Sarah Kauffman, has been employed by Partner Firm kbs since July 2011, and currently acts as Director of Operations, Attention Partners. In 2017 and 2016, her total compensation, including salary, bonus and other benefits, totaled approximately $155 and $145, respectively. Her compensation is commensurate with that of her peers.

17. 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.

Options to Purchase. Noncontrolling shareholders in certain subsidiaries have the right in certain circumstances to require the Company to acquire the remaining ownership interests held by them. The noncontrolling shareholders' ability to exercise any such option right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise and specific employment termination conditions. 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 2017 to 2023. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

The amount payable by the Company in the event such 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, 2017 perform over the relevant future periods at their trailing twelve-month earnings levels, that these rights, if all exercised, could require the Company to pay an aggregate amount of approximately $15,864 to the owners of such rights in future periods to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately $184 by the issuance of share capital.

In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $41,748 only upon termination of such owner's employment with the applicable subsidiary or death.

The amount the Company would be required to pay to the noncontrolling interest holders should the Company acquire the remaining ownership interests is $5,272 less than the initial redemption value recorded in redeemable noncontrolling interests.

Included in redeemable noncontrolling interests at December 31, 2017 was $62,886 of these put options because they are not within the control of the Company. 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 these rights are exercised.

17. Commitments, Contingencies and Guarantees – (continued)

Natural Disasters. Certain of the Company's operations are located in regions of the United States which typically are subject to hurricanes. During the years ended December 31, 2017, 2016, and 2015, these operations did not incur any material costs related to damages resulting from hurricanes.

Guarantees. Generally, the Company has indemnified the purchasers of certain assets in the event that a third party asserts a claim against the purchaser that relates to a liability retained by the Company. These types of indemnification guarantees typically extend for a number of years. Historically, the Company has not made any significant indemnification payments under such agreements and no amount has been accrued in the accompanying consolidated financial statements with respect to these indemnification guarantees. The Company continues to monitor the conditions that are subject to guarantees and indemnifications to identify whether it is probable that a loss has occurred and would recognize any such losses under any guarantees or indemnifications in the period when those losses are probable and estimable.

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

MDC Partners remains committed to the highest standards of corporate governance and transparency in its reporting practices. In April 2015, the Company announced it was actively cooperating in connection with an SEC investigation of the Company. On January 18, 2017, the Company announced that it reached a final settlement agreement with the Philadelphia Regional Office of the SEC, and that the SEC entered an administrative Order concluding its investigation of the Company.

Under the Order, without admitting or denying liability, the Company agreed that it will not in the future violate Section 17(a)(2) of the Securities Act of 1933 and Sections 13(a), 13(b) and 14(a) of the Securities Exchange Act of 1934 and related rules requiring that periodic filings be accurate; that accurate books and records and a system of internal accounting controls be maintained; and that solicitations of proxies comply with the securities laws. In addition, the Company agreed to comply with all requirements under Regulation G relating to the disclosure and reconciliation of non-GAAP financial measures. Pursuant to the Order, and based upon the Company's full cooperation with the investigation, the SEC imposed a civil penalty of $1,500 on the Company to resolve all potential claims against the Company relating to these matters. In 2016, the Company recorded a charge of $1,500 related to such penalty. There will be no restatement of any of the Company's previously-filed financial statements.

On July 31, 2015, North Collier Fire Control and Rescue District Firefighter Pension Plan (''North Collier'') filed a putative class action suit in the Southern District of New York, naming as defendants MDC, CFO David Doft, former CEO Miles Nadal, and former CAO Mike Sabatino. On December 11, 2015, North Collier and co-lead plaintiff Plymouth County Retirement Association filed an amended complaint, adding two additional defendants, Mitchell Gendel and Michael Kirby, a former member of MDC's Board of Directors. The plaintiff alleges in the amended complaint violations of §10(b), Rule 10b-5, and §20 of the Securities Exchange Act of 1934, based on allegedly materially false and misleading statements in the Company's SEC filings and other public statements regarding executive compensation, goodwill accounting, and the Company's internal controls. The Company filed a motion to dismiss the amended complaint on February 9, 2016, the lead plaintiffs filed an opposition to that motion on April 8, 2016, and the Company filed a reply brief on May 9, 2016. By order granted on September 30, 2016, the U.S. District Court presiding over the case granted the Company's motion to dismiss the plaintiffs' amended complaint in its entirety with prejudice. On November 2, 2016, the lead plaintiffs filed a notice to appeal the U.S. District Court's ruling to the U.S. Court of Appeals for the Second Circuit. On February 21, 2017, the lead plaintiffs voluntarily dismissed their appeal.

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

17. Commitments, Contingencies and Guarantees – (continued)

On August 7, 2015, Roberto Paniccia issued a Statement of Claim in the Ontario Superior Court of Justice in the City of Brantford, Ontario seeking to certify a class action suit naming the following as defendants: MDC, former CEO Miles S. Nadal, former CAO Michael C. Sabatino, CFO David Doft and BDO U.S.A. LLP. The Plaintiff alleges violations of section 138.1 of the Ontario Securities Act (and equivalent legislation in other Canadian provinces and territories) as well as common law misrepresentation based on allegedly materially false and misleading statements in the Company's public statements, as well as omitting to disclose material facts with respect to the SEC investigation. The Company intends to continue to vigorously defend this suit. The plaintiff has served his material for leave to proceed under the Ontario Securities Act and that motion is currently scheduled to be heard in April 2018. A motion by the Company and other defendants to address the scope of the proposed class definition was dismissed and the Company is appealing that decision.

In June 2016, one of the Company's subsidiaries received a subpoena from the U.S. Department of Justice Antitrust Division concerning the Division's ongoing investigation of production practices in the advertising industry. The Company and its subsidiary are continuing to fully cooperate with this confidential investigation.

Commitments. At December 31, 2017, the Company had $5,056 of undrawn letters of credit. In addition, the Company has commitments to fund investments in an aggregate amount of $148.

Leases. The Company and its subsidiaries lease certain facilities and equipment. For the years ended December 31, 2017, 2016, and 2015, gross premises rental expense amounted to $64,086, $56,725, and $47,583, respectively, which was reduced by sublease income of $2,797, $3,027, and $1,739, respectively. 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 the years ending December 31, 2018 and thereafter, are as follows:

Period	Amount
2018	$ 58,172
2019	56,751
2020	55,065
2021	41,830
2022	32,595
2023 and thereafter	122,947
	$367,360

At December 31, 2017, the total future cash to be received on sublease income is $17,369.

18. New Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which will replace all existing revenue guidance under U.S GAAP. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. ASU 2014-09 provides for one of two methods of transition: (i) retrospective application to each prior period presented (Full Retrospective); or (ii) recognition of the cumulative effect of retrospective application of the new standard as of the beginning of the period of initial application (Modified Retrospective).

18. New Accounting Pronouncements – (continued)

The Company will adopt ASU 2014-09 on the effective date of January 1, 2018, and will apply the Modified Retrospective method. The cumulative effect of the initial adoption is recognized as an adjustment to opening retained earnings at January 1, 2018. The Company is in the process of calculating this adjustment, however has not completed the calculation as of the filing date of this Form 10-K. As a result, the adjustment will be reflected and disclosed in its financial statements included within its Quarterly Report on Form 10-Q for the three months ending March 31, 2018. Effective January 1, 2018, the Company has implemented new policies and procedures to ensure the appropriate application of the new standard during the first quarter of 2018.

The Company's assessment of the impact of adopting the new standard on its accounting policies is essentially complete. The greatest impact the standard will have is on the timing in which revenue is recognized. There are several areas where the Company's revenue recognition is expected to change as compared with historical GAAP. The more significant of these areas are as follows:

i. The standard will result in an increase in the number of performance obligations within certain of our contractual arrangements, whereby most of our contractual arrangements will have more than one performance obligation.

ii. Under the guidance in effect through December 31, 2017, performance incentives are recognized in revenue when specific quantitative goals are achieved, or when the Company's performance against qualitative goals is determined by the client. Under the new standard, the Company will be required to estimate the amount of the incentive that will be earned at the inception of the contract and recognize such incentive over the term of the contract. This will result in an acceleration of revenue recognition for certain contract incentives compared to the current method.

iii. Under the guidance in effect through December 31, 2017, non-refundable retainer fees are generally recognized on a straight-line basis over the term of the specific customer arrangement. Under the new standard, an input method will be used to measure progress and record revenue for these types of arrangements. Based on the Company's assessment, an input measure such as cost-to-cost or labor hours will be an appropriate measure of progress in the majority of situations for which over time revenue recognition is applied. The change is expected to either defer or accelerate revenue recognition in certain instances. Revenue recognition for commission-based arrangements will continue to be recognized point-in-time.

In certain businesses, the Company records revenue as a principal and includes within revenue certain third-party-pass-through and out-of-pocket costs, which are billed to clients in connection with the services provided. In other businesses, the Company acts as an agent within our arrangements and records revenue equal to the net amount retained. In March 2016, the FASB issued further guidance on principal versus agent considerations; however, our assessments indicate that such change is not expected to have a material effect on the Company's results of operations.

Other

In January 2018, the FASB released guidance on the accounting for tax on the global intangible low-taxed income (''GILTI'') provisions of the Tax Cuts and Jobs Act (the ''Act''). The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance indicates that either accounting for deferred taxes related to GILTI inclusions or treating any taxes on GILTI inclusions as period cost are both acceptable methods subject to an accounting policy election. The Company continues to assess the impact of GILTI provisions on its financial statements and whether it will be subject to U.S. GILTI inclusion in future years. As such, the Company has not made a policy election on whether to record tax effects of GILTI when paid as a period expense or to record deferred tax assets and liabilities on basis differences that are expected to affect the amount of GILTI inclusion.

18. New Accounting Pronouncements – (continued)

In May 2017, the FASB issued ASU 2017-09, Compensation — Stock Compensation: Scope of Modification Accounting, which provides guidance concerning which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in ASC 718. This guidance is effective for annual and interim periods beginning after December 15, 2017, and early adoption is permitted. Amendments in this ASU will be applied prospectively to any award modified on or after the adoption date. The Company does not expect the application of this guidance to have a significant impact on its consolidated financial position or results of operations.

In March 2017, the FASB issued ASU 2017-07, Compensation — Retirement Benefits, which requires the presentation of the service cost component of the net periodic pension and postretirement benefits costs in the same line item in the statement of operations as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of the net periodic pension and postretirement benefits costs are required to be presented as non-operating expenses in the statement of operations. This guidance is effective for annual periods beginning after December 15, 2017 and early adoption is permitted. The Company does not expect the application of this guidance to have a significant impact on its consolidated financial position or results of operations.

In January 2017, the FASB issued ASU 2017-04, Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment, which eliminates step two from the two-step goodwill impairment test. Under the new guidance, an entity will perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value provided the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit. This guidance is effective for annual or interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019. The Company early adopted this guidance for its impairment test performed during 2017. The application of this guidance did not have a significant impact on its consolidated financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows. This new guidance is intended to reduce diversity in practice regarding the classification of certain transactions in the statement of cash flows. This guidance is effective January 1, 2018 and requires a retrospective transition method. Early adoption is permitted. The Company currently classifies all cash outflows for contingent consideration as a financing activity. Upon adoption the Company is required to classify only the original estimated liability as a financing activity and any changes as an operating activity.

In February 2016, the FASB issued ASU 2016-02, which amends the ASC and creates Topic 842, Leases. Topic 842 will require lessees to recognize right-to-use assets and lease liabilities for those leases classified as operating leases under previous U.S. GAAP on the balance sheet. This guidance is effective for annual periods beginning after December 15, 2018 and early adoption is permitted. While not yet in a position to assess the full impact of the application of the new standard, the Company expects that the impact of recording the lease liabilities and the corresponding right-to-use assets will have a significant impact on its total assets and liabilities with a minimal impact on equity.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Liabilities, which will require equity investments, except equity method investments, to be measured at fair value and any changes in fair value will be recognized in results of operations. This guidance is effective for annual and interim periods beginning after December 15, 2017 and early application is not permitted. Additionally, this guidance provides for the recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. The Company does not expect the application of this guidance to have a significant impact on its consolidated financial position or results of operations.

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

19. Employee Benefit Plans

A subsidiary acquired in 2012 sponsors a defined benefit plan. The benefits under the defined benefit plan are based on each employee's years of service and compensation. Effective March 1, 2006, the plan was frozen to all new employees. The Company's policy is to contribute the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The assets of the plan are invested in an investment trust fund and consist of investments in money market funds, bonds and common stock, mutual funds, preferred stock, and partnership interests.

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

	Pension Benefits 2017	Pension Benefits 2016
Service cost	$ —	$ —
Interest cost on benefit obligation	1,725	1,855
Expected return on plan assets	(1,830)	(1,863)
Curtailment and settlements	—	929
Amortization of actuarial losses	222	137
Net periodic benefit cost	$ 117	$ 1,058

ASC 715-30-25 requires an employer to recognize the funded status of its defined pension benefit plan as a net asset or liability in its statement of financial position with an offsetting amount in accumulated other comprehensive income, and to recognize changes in that funded status in the year in which changes occur through comprehensive income.

Other changes in plan assets and benefit obligation recognized in Other Comprehensive Loss consist of the following components for the years ended December 31:

	Pension Benefits 2017	Pension Benefits 2016
Curtailment/settlement	$ —	$ —
Current year actuarial (gain) loss	1,558	3,238
Amortization of actuarial gain (loss)	(222)	(137)
Total recognized in other comprehensive (income) loss	$1,336	$3,101
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$1,453	$4,159

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

19. Employee Benefit Plans – (continued)

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

	2017	2016
Change in benefit obligation:		
Benefit obligation, Beginning balance	$40,722	$40,296
Interest Cost	1,725	1,855
Actuarial losses	3,088	2,502
Benefits paid	(1,785)	(3,931)
Benefit obligation, Ending balance	43,750	40,722
Change in plan assets:		
Fair value of plan assets, Beginning balance	24,482	25,190
Actual return on plan assets	3,360	198
Employer contributions	1,920	3,025
Benefits paid	(1,785)	(3,931)
Fair value of plan assets, Ending balance	27,977	24,482
Unfunded status	$15,773	$16,240

Accumulated benefit obligation generally measures the value of benefits earned to date. Projected benefit obligation also includes the effect of assumed future compensation increases for plans in which benefits for prior service are affected by compensation changes. This pension plan has asset values less than these measures. Plan funding amounts are calculated pursuant to ERISA and Internal Revenue Code rules.

Amounts recognized in the balance sheet at December 31 consist of the following:

	Pension Benefits 2017	Pension Benefits 2016
Non-current liability	$15,773	$16,240
Net amount recognized	$15,773	$16,240

Amounts recognized, net of tax, in Accumulated Other Comprehensive Loss consists of the following components for the years ended December 31:

	Pension Benefits 2017	Pension Benefits 2016
Accumulated net actuarial losses	$13,656	$12,320
Amount recognized, net of tax	$13,656	$12,320

The following weighted average assumptions were used to determine benefit obligations as of December 31:

	Pension Benefits 2017	Pension Benefits 2016
Discount rate	3.83%	4.32%
Rate of compensation increase	N/A	N/A

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

19. Employee Benefit Plans – (continued)

The discount rate assumptions at December 31, 2017 and 2016 were determined independently. A yield curve was produced for a universe containing the majority of U.S.-issued AA-graded corporate bonds, all of which were non-callable (or callable with make-whole provisions). The discount rate was developed as the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The following weighted average assumptions were used to determine net periodic costs at December 31:

	Pension Benefits 2017	Pension Benefits 2016
Discount rate	4.32%	4.69%
Expected return on plan assets	7.40%	7.40%
Rate of compensation increase	N/A	N/A

The expected return on plan assets is a long-term assumption established by considering historical and anticipated returns of the asset classes invested in by the pension plan and the allocation strategy currently in place among those classes.

Fair Value of Plan Assets

The Defined Benefit plan assets fall into any of three fair value classifications as defined in the FASB ASC Topic 820, Fair Value Measurements. There are no Level 3 assets held by the plan. The fair value of the plan assets as of December 31 is as follows:

	December 31, 2017	Level 1	Level 2	Level 3
Asset Category:				
Money Market Fund – Short Term Investments	$ 1,695	$ 1,695	$—	$—
Mutual Funds	26,282	26,282	—	—
Total	$27,977	$27,977	$—	$—

	December 31, 2016	Level 1	Level 2	Level 3
Asset Category:				
Money Market Fund – Short Term Investments	$ 1,687	$ 1,687	$—	$—
Mutual Funds	22,795	22,795	—	—
Total	$24,482	$24,482	$—	$—

The pension plans weighted-average asset allocation for the years ended December 31, 2017, and 2016 are as follows:

	Target Allocation 2017	Actual Allocation 2017	Actual Allocation 2016
Asset Category:			
Equity Securities	68.0%	68.9%	65.5%
Debt Securities	31.0%	25.0%	27.6%
Cash/Cash Equivalents and Short Term Investments	1.0%	6.1%	6.9%
	100%	100%	100%

19. Employee Benefit Plans – (continued)

The investment policy for the plans is formulated by the Company's Pension Plan Committee (the "Committee"). The Committee is responsible for adopting and maintaining the investment policy, managing the investment of plan assets and ensuring that the plans' investment program is in compliance with all provisions of ERISA, as well as the appointment of any investment manager who is responsible for implementing the plans' investment process.

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Company, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and assures timely payment of retirement benefits.

The Company's overall investment strategy is to achieve a mix of approximately 50% of investments for long-term growth and 50% for near-term benefit payments with a wide diversification of asset types and fund strategies.

Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States, as well as a smaller percentage invested in large-cap and mid-cap companies located outside of the United States. Fixed income securities are diversified across different asset types with bonds issued in the United States as well as outside the United States.

The target allocation of plan assets is 50% equity securities and 50% corporate bonds and U.S. Treasury securities.

The Plan invests in various investment securities. These investments are primarily in corporate equity and bond securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the preceding tables.

The above tables present information about the pension plan assets measured at fair value at December 31, 2017 and the valuation techniques used by the Company to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

The net of investment manager fee asset return objective is to achieve a return earned by passively managed market index funds, weighted in the proportions identified in the strategic asset allocation matrix. Each investment manager is expected to perform in the top one-third of funds having similar objectives over a full market cycle.

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

19. Employee Benefit Plans – (continued)

The investment policy is reviewed by the Committee at least annually and confirmed or amended as needed. Under ASC 715-30-25, the transition obligation, prior service costs, and actuarial (gains)/losses are recognized in Accumulated Other Comprehensive Income each December 31 or any interim measurement date, while amortization of these amounts through net periodic benefit cost will occur in accordance with ASC 715-30 and ASC 715-60. The estimated amounts that will be amortized in 2018 are as follows:

Estimated Amortization:	Pension Benefits 2018
Net loss amortization	258
Total	$258

The following estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years ending December 31:

Period	Amount
2018	$ 1,806
2019	1,903
2020	2,090
2021	2,077
2022	2,109
2023 – 2027	12,010

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

20. Changes in Accumulated Other Comprehensive Income (Loss)

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

	Defined Benefit Pension	Foreign Currency Translation	Total
Balance December 31, 2015	$ (9,219)	$15,476	$ 6,257
Other comprehensive income before reclassifications	—	(4,980)	(4,980)
Amounts reclassified from accumulated other comprehensive income (loss)	(3,101)	—	(3,101)
Other comprehensive income (loss)	$ (3,101)	$ (4,980)	$(8,081)
Balance December 31, 2016	$(12,320)	$10,496	$(1,824)
Other comprehensive income before reclassifications	$ —	$ 1,206	$ 1,206
Amounts reclassified from accumulated other comprehensive income (loss) (net of tax benefit of $528)	(1,336)	—	(1,336)
Other comprehensive income (loss)	(1,336)	1,206	(130)
Balance December 31, 2017	$(13,656)	$11,702	$(1,954)

21. Quarterly Results of Operations (Unaudited)

Reclassifications for the years ended December 31, net of tax, were as follows:

	2017	2016
Current year actuarial (gain) loss	$1,558	$3,238
Amortization of actuarial gain (loss)	(222)	(137)
Total amount reclassified from accumulated other comprehensive income (loss), net of tax	$1,336	$3,101

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

	Quarters			
	First	Second	Third	Fourth
Revenue:				
2017	$344,700	$390,532	$375,800	$402,747
2016	$309,042	$337,047	$349,254	$390,442
Cost of services sold:				
2017	$237,563	$267,822	$249,418	$268,673
2016	$211,446	$228,835	$235,659	$260,193
Income (loss) from continuing operations:				
2017	$ (9,683)	$ 13,467	$ 21,984	$231,455
2016	$ (22,773)	$ 2,089	$ (31,081)	$ 11,144
Net income (loss) attributable to MDC Partners Inc.:				
2017	$ (10,566)	$ 11,253	$ 18,493	$222,668
2016	$ (23,632)	$ 835	$ (32,140)	$ 9,098
Income (loss) per common share:				
Basic				
Continuing operations:				
2017	$ (0.21)	$ 0.14	$ 0.25	$ 3.33
2016	$ (0.47)	$ 0.02	$ (0.62)	$ 0.17
Net income (loss):				
2017	$ (0.21)	$ 0.14	$ 0.25	$ 3.33
2016	$ (0.47)	$ 0.02	$ (0.62)	$ 0.17
Diluted				
Continuing operations:				
2017	$ (0.21)	$ 0.14	$ 0.24	$ 3.30
2016	$ (0.47)	$ 0.02	$ (0.62)	$ 0.17[(1)]
Net income (loss):				
2017	$ (0.21)	$ 0.14	$ 0.24	$ 3.30
2016	$ (0.47)	$ 0.02	$ (0.62)	$ 0.17[(1)]

(1) The diluted income per share calculation for the fourth quarter of 2016 excludes the Company's option to settle the deferred acquisition consideration in shares related to F&B. If such shares were included, the diluted income per common share would be $0.14.

21. Quarterly Results of Operations (Unaudited) – (continued)

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

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

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

- The fourth quarter of 2017 and 2016 included a foreign exchange loss of $659 and $10,081, respectively.
- The fourth quarter of 2017 and 2016 included stock-based compensation charges of $7,480 and $5,560, respectively.
- The fourth quarter of 2017 and 2016 included changes in deferred acquisition resulting in income of $18,173 and $9,211, respectively.
- The fourth quarter of 2017 included goodwill and other asset impairment charges of $4,415 and the third and fourth quarter of 2016 included goodwill impairment charges of $29,631 and $18,893, respectively.
- The fourth quarter of 2017 included income tax benefit related to the release of the Company's valuation allowance of $226,466. The fourth quarter of 2016 included income tax expense of $925 relating to the increase to the valuation allowance.

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, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

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

(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). The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of 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.

Management (with the participation of our CEO and CFO) conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the criteria set forth in Internal Control — *Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this evaluation, our CEO and CFO concluded that our internal control over financial reporting was effective as of December 31, 2017.

Our management, including our CEO and CFO, believes there have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2017, that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been independently audited by BDO USA LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
MDC Partners Inc.
New York, New York

Opinion on Internal Control over Financial Reporting

We have audited MDC Partners Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), shareholders' deficit, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and schedules presented in Item 15 and our report dated March 1, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control over Financial Reporting

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.

/s/ BDO USA, LLP

New York, New York
March 1, 2018

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reference is made to the sections captioned ''Nomination of Directors,'' ''Information Concerning Nominees for Election as Directors,'' ''Information Concerning Executive Officers,'' ''Audit Committee,'' ''Ethical Conduct'' and ''Compliance with Section 16(a) of the Exchange Act'' in our Proxy Statement for the 2018 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, 2017, which sections are incorporated herein by reference.

Executive Officers of MDC Partners

The executive officers of MDC Partners as of March 1, 2018 are:

Name	Age	Office
Scott L. Kauffman(1)	62	Chairman of the Board and Chief Executive Officer
David B. Doft	46	Chief Financial Officer
Mitchell S. Gendel	52	Executive Vice President, General Counsel and Corporate Secretary
Bob Kantor	60	Executive Vice President, Global Chief Marketing Officer
Stephanie Nerlich	48	Executive Vice President, Partner Development & Talent
David C. Ross	37	Executive Vice President, Strategy and Corporate Development
Alexandra Delanghe Ewing	38	Chief Communications Officer

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

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

Mr. Kauffman joined MDC Partners in April 2006 as a director on the board of directors and, effective July 20, 2015, assumed the role of Chairman and Chief Executive Officer of MDC Partners. From April 2013 until May 2014, Mr. Kauffman served as the President and Chief Executive Officer, and a member of the Board of Directors, of New Engineering University. From April 2011 until January 2013, Mr. Kauffman was a Board member and then Chairman of LookSmart, Ltd, a publicly-traded, syndicated pay-per-click search network. From January 2009 to August 2010, Mr. Kauffman was President and Chief Executive Officer, and a member of the board, of GeekNet, Inc., a publicly-traded open source software application developer and e-commerce website operator.

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 a Managing Director.

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

Mr. Kantor joined MDC Partners in May 2009, and currently serves as Global Chief Marketing Officer. Prior to joining MDC Partners, he served as CEO of Publicis NY and President of Lowe & Partners NA, and also founded and built Rotter Kantor, an integrated communications company, as well as Hanger Network, the country's largest green-marketing platform.

Ms. Nerlich joined MDC Partners in April 2016, and currently serves as Executive Vice President, Partner Development & Talent. Prior to joining MDC Partners, Ms. Nerlich served as CEO of Grey Canada and President of Lowe Roche, and also as EVP, Executive Managing Director of BBDO, where she spent 12 years servicing the agencies' largest clients.

Mr. Ross joined MDC Partners in March 2010 and currently serves as Executive Vice President, Strategy and Corporate Development. Prior to joining MDC Partners, Mr. Ross was an attorney at Skadden Arps LLP where he represented global clients in a wide range of capital markets offerings, M&A transactions, and general corporate matters.

Ms. Ewing joined MDC Partners in January 2012, and currently serves as Chief Communications Officer. Prior to joining MDC Partners, Ms. Ewing served as U.S. Director of Communications for DDB, managing national communications efforts on behalf of the network and its agencies.

Additional information about our directors and executive officers appears under the captions ''Election of Directors'' and ''Executive Compensation'' in the Company's Proxy Statement for the 2018 Annual General Meeting of Stockholders.

Code of Conduct

The Company has adopted a Code of Conduct, which applies to all directors, officers (including the Company's Chief Executive Officer and Chief Financial Officer) and employees of the Company and its subsidiaries. The Company's policy is to not permit any waiver of the Code of Conduct for any director or executive officer, except in extremely limited circumstances. Any waiver of this Code of Conduct for directors or officers of the Company must be approved by the Company's Board of Directors. Amendments to and waivers of the Code of Conduct will be publicly disclosed as required by applicable laws, rules and regulations. The Code of Conduct is available free of charge on the Company's website at *http://www.mdc-partners.com*, or by writing to MDC Partners Inc., 745 Fifth Avenue, 19th Floor, New York, New York, 10151, Attention: Investor Relations.

Item 11. Executive Compensation

Reference is made to the sections captioned ''Compensation of Directors'' and ''Executive Compensation'' in the Company's next Proxy Statement for the 2018 Annual General Meeting of Stockholders, which are incorporated herein by reference.

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

Reference is made to 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 for the 2018 Annual General Meeting of Stockholders, which are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence

Reference is made to the Note 16 in the Notes to the Consolidated Financial Statements included in Item 8 of this Form 10-K and to ''Certain Relationships and Related Transactions'' in the Company's Proxy Statement for the 2018 Annual General Meeting of Stockholders, which is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Reference is made to the section captioned ''Appointment of Auditors'' in the Company's Proxy Statement for the 2018 Annual General Meeting of Stockholders, which is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Financial Statements and Schedules

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

Schedule II — 1 of 2

MDC PARTNERS INC. & SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended December 31,
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Removal of Uncollectible 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, 2017	$1,523	$1,989	$(924)	$(135)	$2,453
December 31, 2016	$1,306	$1,053	$(830)	$ (6)	$1,523
December 31, 2015	$1,409	$ 750	$(799)	$ (54)	$1,306

Schedule II — 2 of 2

MDC PARTNERS INC. & SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended December 31,
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E	Column F
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Other(1)	Translation Adjustments Increase (Decrease)	Balance at the End of Period
Valuation accounts deducted from assets to which they apply – valuation allowance for deferred income taxes:					
December 31, 2017	$248,867	$(230,358)	$ 4,108	$(3,585)	$ 19,032
December 31, 2016	$247,967	$ 6,605	$ (6,032)	$ 327	$248,867
December 31, 2015	$175,218	$ 3,565	$73,390	$(4,206)	$247,967

(1) Adjustment to reconcile actual net operating loss carry forwards to prior year tax accrued, utilization of net operating loss carry forwards, which were fully reserved, adjustment for net operating loss relating to sale of business and pension plan adjustment.

(b) Exhibits

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

Item 16. Form 10-K Summary

None.

SIGNATURES

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

MDC PARTNERS INC.

Date: March 1, 2018

By: /s/ Scott L. Kauffman
Name: Scott L. Kauffman
Title: Chairman and Chief Executive Officer

Signature	Title	Date
/s/ Scott L. Kauffman Scott L. Kauffman	Chairman and Chief Executive Officer	March 1, 2018
/s/ David Doft David Doft	Chief Financial Officer (Principal Accounting Officer)	March 1, 2018
/s/ Clare Copeland Clare Copeland	Director	March 1, 2018
/s/ Daniel Goldberg Daniel Goldberg	Director	March 1, 2018
/s/ Bradley Gross Bradley Gross	Director	March 1, 2018
/s/ Lawrence S. Kramer Lawrence S. Kramer	Director	March 1, 2018
/s/ Anne Marie O'Donovan Anne Marie O'Donovan	Director	March 1, 2018
/s/ Irwin D. Simon Irwin D. Simon	Director	March 1, 2018

EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amalgamation, dated January 1, 2004 (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on May 10, 2004);
3.1.1	Articles of Continuance, dated June 28, 2004 (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q filed on August 4, 2004);
3.1.2	Articles of Amalgamation, dated July 1, 2010 (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on July 30, 2010);
3.1.3	Articles of Amalgamation, dated May 1, 2011 (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on May 2, 2011);
3.1.4	Articles of Amalgamation, dated January 1, 2013 (incorporated by reference to Exhibit 3.1.4 to the Company's Form 10-K filed on March 10, 2014);
3.1.5	Articles of Amalgamation, dated April 1, 2013 (incorporated by reference to Exhibit 3.1.5 to the Company's Form 10-K filed on March 10, 2014);
3.1.6	Articles of Amalgamation, dated July 1, 2013 (incorporated by reference to Exhibit 3.1.6 to the Company's Form 10-K filed on March 10, 2014);
3.1.7	Articles of Amendment, dated March 7, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on March 7, 2016);
3.2	General By-law No. 1, as amended on April 29, 2005 (incorporated by reference to Exhibit 3.2 to the Company's Form 10-K filed on March 16, 2007);
4.1	Indenture, dated as of March 23, 2016, among the Company, the Guarantors and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on March 23, 2016);
4.1.1	6.50% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on March 23, 2016);
10.1	Second Amended and Restated Credit Agreement, dated as of May 3, 2016, among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Capital Finance, LLC, as agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 4, 2016);
10.2	Securities Purchase Agreement, by and between MDC Partners Inc. and Broad Street Principal Investments, L.L.C., dated as of February 14, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on February 15, 2016);
10.3	Employment Agreement between the Company and Scott Kauffman, dated as of August 6, 2015 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K filed on February 26, 2016);
10.4	Separation Agreement, by and among the Company, Nadal Management Limited, Nadal Financial Corporation and Miles Nadal, dated as of July 20, 2015 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on July 20, 2015);
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);
10.5.1	Amendment No. 1 dated March 7, 2011, to the Amended and Restated Employment Agreement made as of July 19, 2007, by and between the Company and David Doft (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on May 2, 2011);

Exhibit No.	Description
10.6	Amended and Restated Employment Agreement between the Company and Mitchell Gendel, dated as of July 6, 2007 (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed on August 7, 2007);
10.6.1	Amendment No. 1 dated March 7, 2011, to the Amended and Restated Employment Agreement made as of July 6, 2007, by and between the Company and Mitchell Gendel (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on May 2, 2011);
10.7	Amended and Restated Employment Agreement between the Company and Robert Kantor, dated as of May 5, 2014 (incorporated by reference to Exhibit 10.2 to the Company's 10-Q filed on May 4, 2016);
10.8	Second Amended and Restated Employment Agreement between the Company and David Ross, dated as of February 27, 2017 (incorporated by reference to Exhibit 10.7 to the Company's 10-K filed on March 1, 2017);
10.9	Amended and Restated Employment Agreement between the Company and Stephanie Nerlich, dated as of November 1, 2017*;
10.10	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	Amended 2005 Stock Incentive Plan of the Company, as approved and adopted by the shareholders of the Company at the 2009 Annual and Special Meeting of Shareholders on June 2, 2009 (incorporated by reference to Exhibit 10.1 to the Company's 8-K filed on June 5, 2009);
10.12	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);
10.13	2011 Stock Incentive Plan of the Company, as approved and adopted by the shareholders of the Company on June 1, 2011 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on June 1, 2011);
10.14	Form of Incentive/Retention Payment letter agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 1, 2011);
10.15	MDC Partners Inc. 2014 Long Term Cash Incentive Compensation Plan, as adopted March 6, 2014, including forms of 2014 Award Agreement (incorporated by reference to Exhibit 10.12 to the Company's Form 10-K filed on March 10, 2014);
10.16	2016 Stock Incentive Plan, as adopted by the shareholders of the Company at the 2016 Annual and Special Meeting of Shareholders on June 1, 2016 (incorporated by reference to Exhibit 10.14 to the Company's 10-K filed on March 1, 2017);
10.16.1	Form of Financial-Performance Based Restricted Stock Grant Agreement (2017) under the 2016 Stock Incentive Plan (incorporated by reference to Exhibit 10.14.1 to the Company's 10-K filed on March 1, 2017);
12	Statement of computation of ratio of earnings to fixed charges*;
14	Code of Conduct of MDC Partners Inc. (as amended, February 2016) (incorporated by reference to Exhibit 14 to the Company's Form 10-K filed on February 26, 2016);
14.1	MDC Partners' Corporate Governance Guidelines (as amended, February 2016) (incorporated by reference to Exhibit 14.1 to the Company's Form 10-K filed on February 26, 2016);
21	Subsidiaries of Registrant*;
23	Consent of Independent Registered Public Accounting Firm BDO USA LLP*;
31.1	Certification by Chief Executive Officer pursuant to Rules 13a 14(a) and 15d 14(a) under the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002*;

Exhibit No.	Description
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.

Exhibit 21

MDC PARTNERS INC.

SUBSIDIARIES OF THE REGISTRANT

Name	Jurisdiction of Incorporation/Formation
1208075 Ontario Limited	Ontario
2340432 Ontario Inc.	Ontario
6 Degrees Integrated Communications Corp.	Ontario
72andSunny Midco LLC	Delaware
72andSunny NL B.V.	Netherlands
72andSunny Partners LLC	Delaware
72andSunny Partners LLC	New York
72andSunny Pte. Ltd.	Republic of Singapore
72andSunny Pty Ltd	New South Wales
7thfl LLC	Delaware
7thfl LP	Ontario
7thfl, LTD	United Kingdom
939GP Inc.	Ontario
Accumark Partners Inc.	Ontario
ACE Content LLC	Delaware
Albion Brand Communication Limited	United Kingdom
Allegory LLC	Delaware
Allison & Partners Holdings (Thailand) Limited	Bangkok
Allison & Partners LLC	Delaware
Allison & Partners Thailand Limited	Bangkok
Allison and Partners K.K.	Tokyo
Allison Kommunikation GmbH	Berlin
Allison Partners Limited	Wanchai
Allison PR (Beijing) Limited	Beijing
Allison+Partners Singapore Pte Ltd	Republic of Singapore
Allison+Partners UK Limited	England
Alveo LLC	Delaware
Anomaly (Shanghai) Advertising Co., Ltd.	Shanghai
Anomaly B.V.	Netherlands
Anomaly GmbH	Berlin
Anomaly Inc.	Ontario
Anomaly London LLP	United Kingdom
Anomaly Partners LA LLC	Delaware
Anomaly Partners LLC	Delaware
Anomaly UK Limited	United Kingdom
Antidote 360 LLC	Delaware
Apollo Program LLC	Delaware
Attention Partners LLC	Delaware
Boom Marketing Inc.	Ontario
Born AI LLC	Delaware
Bruce Mau Design (USA) LLC	Delaware
Bruce Mau Design Inc.	Ontario
Bruce Mau Holdings Ltd.	Ontario
Capital C Partners GP Inc.	Ontario
Colle & McVoy LLC	Delaware
Com.motion Inc.	Delaware
Com.motion Inc.	Ontario

Name	Jurisdiction of Incorporation/Formation
Concentric Health Experience Limited	United Kingdom
Concentric Partners LLC	Delaware
CP+B – Crispin Porter & Bogusky Brasil Publicidade e Participacao Ltda.	Sao Paulo
Crispin Porter & Bogusky (Hong Kong) Limited	Hong Kong
Crispin Porter & Bogusky LLC	Delaware
Crispin Porter & Bogusky Ltd	United Kingdom
Crispin Porter + Bogusky Denmark ApS	Copenhagen
Doner Limited	United Kingdom
Doner Partners LLC	Delaware
Dotglu LLC	Delaware
Elixir Health Experience LLC	Delaware
Enplay Partners LLC	Delaware
Expecting Productions, LLC	California
Forsman & Bodenfors AB	Sweden
Forsman & Bodenfors Factory AB	Sweden
Forsman & Bodenfors Inhouse AB	Sweden
Forsman & Bodenfors Studios AB	Sweden
Gale Creative Agency Private Limited	Bangalore
Gale Partners Inc.	Ontario
Gale Partners LLC	Delaware
Gale Partners LP	Ontario
Happy Forsman & Bodenfors AB	Sweden
Hecho en 72 LLC	Delaware
Hello Design, LLC	California
HL Group Partners Limited	United Kingdom
HL Group Partners LLC	Delaware
HPR Partners, LLC	Delaware
Hudson and Sunset Media, LLC	Delaware
Hunter PR Canada LP	Ontario
Hunter PR UK Limited	United Kingdom
Hunter Public Relations UK Limited	United Kingdom
KBP Holdings LLC	Delaware
KBS (Hong Kong) Limited	Unknown
KBS (Shanghai) Advertising Co., Ltd.	Shanghai
KBS+P Canada LP KBS+P Canada SEC	Ontario
KBS+P Ventures LLC	Delaware
Kenna Communications GP Inc.	Ontario
Kenna Communications LP	Ontario
Kingsdale Partners LP	Ontario
Kingsdale Shareholder Services US LLC	Delaware
Kirshenbaum Bond Senecal & Partners LLC	Delaware
KIS Investor Services Inc. (Barbados)	Barbados
Kollo AB	Sweden
Kwittken & Company Limited	United Kingdom
Kwittken LLC	Delaware
Kwittken LP	Ontario
Kwittken Ltd.	United Kingdom
Laird + Partners New York LLC	Delaware
Laurie, Foard & Wheeler Limited	Hong Kong
Laurie, Ford + Wheeler LLC	Delaware
Legend PR Partners LLC	Delaware

Name	Jurisdiction of Incorporation/Formation
LifeMed Media, Inc.	Delaware
Longacre Square Communications LLC	Delaware
Luntz Global Partners LLC	Delaware
Main North LP	Ontario
Maxxcom (Barbados) Inc.	Barbados
Maxxcom (USA) Finance Company	Delaware
Maxxcom (USA) Holdings Inc.	Delaware
Maxxcom Global Media LLC	Delaware
Maxxcom Inc.	Delaware
MDC Acquisition Inc.	Delaware
MDC Canada GP Inc.	Canada
MDC Corporate (US) Inc.	Delaware
MDC Europe Ltd.	United Kingdom
MDC Gale43 GP Inc.	Ontario
MDC Innovation Partners LLC	Delaware
MDC Kingsdale GP Inc.	Ontario
MDC Partners Inc.	Canada
MDC Partners UK Holdings Limited	United Kingdom
Media Assembly LP	Ontario
Mono Advertising, LLC	Delaware
New Team LLC	Delaware
No Sleep Productions LLC	Delaware
Northstar Management Holdco Inc.	Ontario
Northstar Research GP LLC	Delaware
Northstar Research Holdings Canada Inc.	Ontario
Northstar Research Holdings USA LP	Delaware
Northstar Research Partners (UK) Limited	United Kingdom
Northstar Research Partners (USA) LLC	Delaware
Northstar Research Partners Inc. (ON)	Ontario
Pictor Digital Creative Services LLC	Delaware
Plus Productions, LLC	Delaware
Pt. Northstar Business Consulting Partners	Republic of Indonesia
Redscout LLC	Delaware
Redscout Ltd.	United Kingdom
Relevent Partners LLC	Delaware
Sloane & Company LLC	Delaware
SML Partners Holdings LLC	Delaware
Source Marketing LLC	New York
Studio Pica Inc.	Canada
Sugar Daddy Development, LLC	Delaware
TargetCast LLC	Delaware
Targetcom LLC	Delaware
TC Acquisition Inc.	Delaware
TEAM LP	Ontario
The Arsenal LLC	Delaware
The Path Worldwide Limited	United Kingdom
Trade X Partners LLC	Delaware
Trailer Productions, LLC	California
TS Holdings LP	Ontario
Union Advertising Canada LP	Ontario
Unique Influence Partners LLC	Delaware

Name	Jurisdiction of Incorporation/Formation
Varick Media Management LLC	Delaware
Veritas Communications Inc.	Ontario
Vitro Partners LLC	Delaware
VitroRobertson LLC	Delaware
Walker Brook Capital LLC	Delaware
Y Media Labs LLC	Delaware
Y Media Labs Private Limited	India
Yamamoto Moss Mackenzie, Inc.	Delaware
Zig Management (USA) Inc.	Delaware
Zyman Group, LLC	Delaware

Exhibit 23

Consent of Independent Registered Public Accounting Firm

MDC Partners Inc.
New York, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-212261) and Form S-3 (Nos.333-222101 and 333-222095) of MDC Partners, Inc., of our reports dated March 1, 2018, relating to the consolidated financial statements and financial statement schedules presented in Item 15, and the effectiveness of MDC Partners, Inc.'s internal control over financial reporting which appear in this Form 10-K.

/s/ BDO USA, LLP
New York, New York

March 1, 2018

Exhibit 31.1

Certification Pursuant to Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott L. Kauffman, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2017 of MDC Partners Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

/s/ Scott L. Kauffman

By: Scott L. Kauffman
Title: Chairman and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Doft, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2017 of MDC Partners Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

/s/ David Doft

By: David Doft
Title: Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of MDC Partners Inc. (the ''Company'') on Form 10-K for fiscal year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the ''Report''), I, Scott L. Kauffman, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated as of March 1, 2018

/s/ Scott L. Kauffman

By: Scott L. Kauffman
Title: Chairman and Chief Executive Officer

This certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed ''filed'' by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other documents authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of MDC Partners Inc. (the ‘‘Company’’) on Form 10-K for fiscal year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the ‘‘Report’’), I, David Doft, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated as of March 1, 2018	/s/ David Doft
	By: David Doft
	Title: Chief Financial Officer

This certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed ‘‘filed’’ by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other documents authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

MDC Partners Inc. – Directory

New York Headquarters
745 Fifth Avenue
19th Floor
New York, NY 10151
Tel: 646-429-1800
Fax: 212-937-4365
www.mdc-partners.com
Chairman & CEO:
Scott L. Kauffman

Toronto
33 Draper Street
Toronto, ON M5V 2M3
Tel: 416-960-9000
Fax: 416-960-9555

6degrees Integrated Communications
2 Bloor Street E.
Suite 2600
Toronto, ON M4W 1A8
Tel: 416-446-7758
Fax: 416-446-1923
www.6deg.ca
President & Partner:
Troy Yung

72andSunny
12101 W. Bluff Creek Drive
Playa Vista, CA 90094
Tel: 310-215-9009
Fax: 310-215-9012
www.72andsunny.com
Partner, CEO: John Boiler
Partner, Chief Strategy Officer: Matt Jarvis
Managing Director LA:
Chris Kay

Amsterdam
Westerhuis, First Floor
Westerstraat 187
1015 MA Amsterdam
Netherlands
Tel: +31-20-218-2400
Managing Director:
Nic Owen

New York
55 Water Street
6th Floor
New York, NY 11201
Tel: 310-215-9009
Managing Director:
James Townsend

Singapore
15A Duxton Hill
Singapore 089598
Contact: Chris Kay

Sydney
120 Bourke Street
Woolloomooloo, NSW 2011
Contact: Chris Kay

Allison + Partners
40 Gold Street
San Francisco, CA 94133
Tel: 415-217-7500
www.allisonpr.com
Chairman & CEO:
Scott Allison

Atlanta
1708 Peachtree Street
Suite 100
Atlanta, GA 30309
Tel: 404-885-1723
Contact:
Brian Feldman

Bangkok
571 RSU Tower, 10th Floor
Units 4-5, Soi Sukumvit 31
Sukumvit Road
Klongton Nua, Wattana
Bangkok, 10110
Thailand
Tel: +66-267-100-61
Contact:
Paul Mottram

Boston
745 Atlantic Avenue
Floor 4
Boston, MA 02111
Tel: 646-428-0645
Contact:
Anne Colaiacovo

Beijing
Suite 2003-2006
Golden Glory Mansion
Beijing 100025
China
Tel: +86-10-8046-4135
Contact:
Jerry Zhu

Berlin
Wolliner Strasse 70
Berlin 10435
Germany
Tel: +49 (0) 173-619-61-88
Contact:
Martina Mueller

Chengdu
Level 18
Shangri-La Office Tower
No. 9 East Binjiang Road
Chengdu 610021
China
Tel: +86-28-6606-5238
Contact:
Nicole Zhang

Chicago
444 N. Michigan Avenue
Suite 3300
Chicago, IL 60611
Tel: 312-635-8202
Contact:
Shane Winn

Dallas
1919 McKinney Avenue
Dallas, TX 75202
Tel: 214-975-8774
Contact:
Tony Katsulos

Hong Kong
Unit 4, 9F, 40 Bonham Strand
Sheung Wan, Hong Kong
China
Tel: +852-9038-8721
Contact:
Paul Mottram

London
The Brassworks
32 York Way
London, N1 9AB
England
Tel: +44-0203-551-7725
Contact:
Jim Selman

Los Angeles
11611 San Vicente Boulevard
Suite 910
Los Angeles, CA 90049
Tel: 310-496-4440
Contact:
Milind Raval

Lyon
31 Rue Mazenod
Lyon 69003
France
Tel: +33-4-72-00-87-87
Contact:
Yann Le Flohic

Mumbai
Tel: +91-982-0454541
Contact:
Pranav Kumar

Munich
79 Eversbuschstrasse
Munich 80999
Germany
Tel: +49 (0) 89-235-20-491
Contact:
Vivian Dadamio

New Delhi
Tel: +91-124-4712000
Contact:
Pranav Kumar

New York
71 Fifth Avenue
7th Floor
New York, NY 10003
Tel: 646-428-0645
Contact:
Tracey Cassidy

Paris
20 Avenue de L'Opera
Paris 75001
France
Tel: +33-4-72-00-87-87
Contact:
Yann Le Flohic

Phoenix
7135 E. Camelback Road
Suite 204
Scottsdale, AZ 85251
Tel: 623-201-5500
Contact:
Lisa Schmidtke

Portland
926 N.W. 13th Avenue
Suite 140
Portland, OR 97209
Tel: 503-290-7301
Contact:
Katy Spaulding

San Diego
2750 Womble Road
Suite 104
San Diego, CA 92106
Tel: 619-533-7971
Contact:
Brian Brokowski

San Francisco
40 Gold Street
San Francisco, CA 94133
Tel: 415-217-7500
www.allisonpr.com
Contact:
Meghan Curtis

Seattle
710 Second Avenue
#500
Seattle, WA 98104
Tel: 206-686-6424
Contact:
Katy Spaulding

Shanghai
#181, Lane 465
Zhen Ning Road
Office Building 3, Suite 1A
Shanghai 200042
China
Tel: +86-182-1701-8948
Contact:
Jerry Zhu

Silicon Valley
55 E. Third Avenue
San Mateo, CA 94401
Tel: 650-343-2735
Contact:
Karyn Barr

Singapore
250 North Bridge Road
Raffles City Tower #13-01A
Singapore 179101
Tel: +65-6661-0600
Contact:
Serina Tan

Sydney
15 Nullaburra Road
Newport, NSW 2106
Australia
Tel: +61-408-441-662
Contact:
Michelle Rovere

Tokyo
5-5-1, Shimbashi
Minatu-Ku
Tokyo 105-0004
Japan
Tel: +81-3-6809-1300
Contact:
Akemi Ichise

Washington D.C.
1129 20th Street N.W.
Suite 250
Washington, DC 20036
Tel: 202-772-1450
Contact:
Tara Chiarell

Anomaly
536 Broadway
11th Floor
New York, NY 10012
Tel: 917-595-2200
Fax: 917-595-2299
www.anomaly.com
CEO:
Carl Johnson

Amsterdam
Herengracht 551
1017 BW Amsterdam
Netherlands
Tel: +31-20-308-0380
Partner & CEO:
Engin Celikbas

Berlin
Linienstraße 214
10119 Berlin
Germany
Contact: Simon Owen

Los Angeles
1319 Abbot Kinney
Boulevard
Venice, CA 90291
Tel: 310-392-3233
Managing Director:
Jiah Choi

London
25 Charterhouse Square
London, EC1M 6AE
England
Tel: +44-020-7843-0600
Partner & CEO:
Camilla Harrisson

Shanghai
No. 205 Wulumugi S. Road
Shanghai 200031
China
Tel: +86-21-5121-9101
Partner & CEO:
Eric Lee

Toronto
46 Spadina Avenue
Suite 200
Toronto, ON M5V 2H8
Tel: 647-547-3440
Partner & CEO:
Franke Rodriguez

Assembly
711 Third Avenue
3rd Floor
New York, NY 10017
Tel: 212-500-6900
Fax: 212-500-6880
CEO:
Martin Cass

Detroit
25900 Northwestern
Highway
Southfield, MI 48075
Tel: 248-354-9700

Los Angeles
1999 Avenue of the Stars
Century City, CA 90067
Tel: 424-220-7200

Enplay
711 Third Avenue
3rd Floor
New York, NY 10017
Tel: 212-500-6900
www.enplay-media.com
Contact:
Connie Garrido

Attention Partners
160 Varick Street
5th Floor
New York, NY 10013
Tel. 917-621-4400
Fax: 917-591-1256
www.attentionusa.com
President:
Tom Buontempo

Los Angeles
2884-2908 Colorado
Avenue
Santa Monica, CA 90404
Managing Director:
George Olexa

Toronto
340 King Street E.
Suite 500
Toronto, ON M5A 1K8

Bruce Mau Design
340 King Street E.
Suite 402
Toronto, ON M5A 1K8
Tel: 416-306-6401
www.brucemaudesign.com
President & CEO:
Hunter Tura

London
The Brassworks
32 York Way
London, N1 9AB
England

New York
711 Third Avenue
2nd Floor
New York, NY 10017

Civilian
444 N. Michigan Avenue
Suite 3300
Chicago, IL 60611
Tel: 312-822-1100
Fax: 312-822-9628
www.civilianagency.com
Executive Creative Director:
Tim Claffey

Colle + McVoy
400 First Avenue N.
Suite 700
Minneapolis, MN 55401
Tel: 612-305-6000
Fax: 612-305-6001
www.collemcvoy.com
CEO:
Christine Fruechte

Concentric
330 Hudson Street
5th Floor
New York, NY 10013
Tel: 212-633-9700
www.concentricpharma.com
Co-CEOs:
Ken Begasse
Michael Sanzen

Crispin Porter + Bogusky
Boulder
6450 Gunpark Drive
Boulder, CO 80301
Tel: 303-628-5100
www.cpbgroup.com
Global CEO:
Erik Sollenberg

Copenhagen
Strandgade 70
2nd Floor
Copenhagen 1401
Denmark
Tel: +45-4278-2099
Managing Director:
Mathias Birkvad

London
The Brassworks
32 York Way
London, N1 9AB
England
Tel: +44-020-7324-8184
CEO:
Richard Pinder

Santa Monica
2110 Colorado Avenue
Suite 200
Santa Monica, CA 90404
Tel: 310-822-3063
Co-Managing Directors:
Ivan Perez-Armandariz
Ryan Skubic

Sao Paulo
Rua Fidêncio Ramos, 302
Torre B, Conjunto 112
São Paulo, SP 04551-010
Tel: +55-11-2589-6733
Chief Operating Officer:
Vinicius Reis

Doner
25900 Northwestern
Highway
Southfield, MI 48075
Tel: 248-354-9700
www.doner.com
CEO & President:
David DeMuth

Cleveland
1001 Lakeside Avenue
Suite 1010
Cleveland, OH 44114
Tel: 216-771-5700

London
60 Charlotte Street
London, W1T 2NU
England
Tel: +44-020-7632-7600
Managing Director:
Nik Margolis

Los Angeles
Water's Edge
5510 Lincoln Boulevard
Suite 220
Playa Vista, CA 90094
Tel: 424-220-7200
Managing Director:
Jason Gaboriau

Exponent Public Relations
400 First Avenue N.
Suite 700
Minneapolis, MN 55401
Tel: 612-305-6003
Fax: 612-305-6501
www.exponentpr.com
Managing Director:
Tom Lindell

Forsman & Bodenfors
Kyrkogatan 48
5th Floor
SE-40 317, Gothenburg
Sweden
Tel: +46-31-17-67-30
www.fb.se
CEO: Silla Levin

Stockholm
Kungsgatan 48
2nd Floor
SE-111 35, Stockholm
Sweden
Tel: +46-84-11-77-11

Gale Partners
171 E. Liberty Street
Suite 360
Toronto, ON M6K 3P6
Tel: 416-306-8000
www.gale.agency
CEO & President:
Brad Simms

Bangalore
#8, 1st Main Road
Vasanth Nagar
Bangalore 560052
India
Tel: +91-80-6999-0163
Managing Director:
Sanjay Krishnamurthy

Los Angeles
2110 Colorado Avenue
Santa Monica, CA 90404
Tel: 310-606-0019

New York
160 Varick Street
12th Floor
New York, NY 10013
Tel: 646-862-3555

Zero & One
160 Varick Street
12th Floor
New York, NY 10013
www.zeroandone.io
Tel: 646-862-3555
CEO & President:
Brad Simms

Hello Design
10305 Jefferson Boulevard
Culver City, CA 90232
Tel: 310-839-4885
Fax: 310-839-4886
www.hellodesign.com
CEO & Creative Director:
David Lai

HL Group
350 Madison Avenue
17th Floor
New York, NY 10017
Tel: 212-529-5533
Fax: 212-529-2131
www.hlgrp.com
Founding Partners:
Hamilton South
Lynn Tesoro

Los Angeles
9300 Wilshire Boulevard
Suite 300
Los Angeles, CA 90212
Tel: 323-966-4600
Fax: 323-966-4601

Hud:sun Media
200 Varick Street
Suite 611
New York, NY 10014
Tel: 646-582-8630
www.hudsunmedia.com
CEO:
Michael Rourke

Hunter Public Relations
41 Madison Avenue
5th Floor
New York, NY 10010
Tel: 212-679-6600
Fax: 212-679-6607
www.hunterpr.com
Managing Partners:
Grace Leong
Jon Lyon

London
The Brassworks
32 York Way
London, N1 9AB
England
Tel: +44-020-7033-8920
Contact:
Alex Conway

Toronto
33 Draper Street
Toronto, ON M5V 2M3

Instrument
3529 N. Williams Avenue
Portland, OR 97227
Tel: 503-928-3188
www.instrument.com
CEO:
Justin Lewis

Kenna
90 Burnhamthorpe Road W.
5th Floor
Mississauga, ON L5B 3C3
Tel: 905-277-2900
Fax: 905-277-2299
www.kenna.ca
President & CEO:
Jeff Bowles

kbs+
160 Varick Street
New York, NY 10013
Tel: 212-633-0080
Fax: 212-633-8643
www.kbsagency.com
Global CEO:
Guy Hayward
CEO US:
Ed Brojerdi

Los Angeles
2884 Colorado Avenue
Santa Monica, CA 90404
Tel: 310-693-0466

Shanghai
#181, Lane 465
Zhen Ning Road
Office Building 3, Suite 1A
Shanghai 200042
China
Tel: +86-156-9219-1540
Managing Director:
Douglas Lin

kbs+ Canada Inc. (Toronto)
340 King Street E.
Suite 400
Toronto, ON M5A 1K8
Tel: 416-260-7000
Fax: 416-260-7100
President:
Nick Dean

kbs+ Canada Inc. (Montréal)
3500-3536 St. Laurent Boulevard
Suite 411
Montréal, QC H2X 2V2
Tel: 514-875-7400
Fax: 514-875-0568
President:
Nick Dean

Albion
1.03 Tea Building
56 Shoreditch High Street
London, E1 6JJ
England
Tel: +44-020-7033-8900
CEO:
Jennifer Burns

Kwittken & Co.
160 Varick Street
5th Floor
New York, NY 10013
Tel: 646-277-7111
Fax: 646-658-0880
www.kwittken.com
President & Partner:
Aaron Kwittken

London
60 Charlotte Street
London, W1T 2NU
England
Tel: +44-020-7401-8001
Contact:
Sarah Moloney

Toronto
340 King Street E.
Suite 500
Toronto, ON M5A 1K8
Tel: 416-323-2059
Contact: Betsy Cooper

The Media Kitchen
160 Varick Street
New York, NY 10013
Tel: 212-663-0080
Fax: 212-633-8644
CEO:
Barry Lowenthal

Kingsdale Advisors
The Exchange Tower
130 King Street W.
Suite 2950
Toronto, ON M5X 1E2
Tel: 416-644-4031
www.kingsdaleadvisors.com
Executive Chairman and Founder:
Wesley Hall
CEO:
Amy Freedman

New York
745 Fifth Avenue
5th Floor
New York, NY 10151
646-651-1640

Laird + Partners
475 Tenth Avenue
7th Floor
New York, NY 10018
Tel: 212-478-8181
Fax: 212-478-5855
www.lairdandpartners.com
CEO:
Trey Laird

Legend
41 Madison Avenue
4th Floor
New York, NY 10010
Tel: 212-679-6844
www.legendpr.com
Contact:
Ariana Macrina

Luntz Global
1401 K Street
Suite 1150
Washington, DC 20005
Tel: 703-330-3784
President:
Alyssa Salvo

MDC Media Partners
711 Third Avenue
3rd Floor
New York, NY 10017
Tel: 212-500-6900
Fax: 212-500-6880
CEO:
Martin Cass

Mono Advertising
1350 Lagoon Avenue
Minneapolis, MN 55408
Tel: 612-454-4900
Fax: 612-822-4136
www.mono-1.com
Founding Partners:
Michael Hart
Chris Lang
James Scott

San Francisco
99 Osgood Place
2nd Floor
San Francisco, CA 94133
Tel: 415-612-2325

Northstar Research Partners
18 King Street E.
Suite 1500
Toronto, ON M5C 1C4
Tel: 416-907-7100
Fax: 416-907-7149
www.northstarhub.com
CEO:
Jeff Histed

London
The City Cloisters
196 Old Street
Suite B3
London, EC1V 9FR
England
Tel: +44-020-7824-9870
Fax: +44-020-7730-6303
COO:
Matthew Sell

New York
160 Varick Street
3rd Floor
New York, NY 10013
Tel: 212-986-4077
Fax: 212-986-4088
Contact:
Vanessa Dziura

Redscout
30 Cooper Square
10th Floor
New York, NY 10003
Tel: 646-336-6028
Fax: 646-336-6122
www.redscout.com
Founder and Chairman:
Jonah Disend

London
The Brassworks
32 York Way
London, N1 9AB
England
Tel: +44-020-7033-7770

Los Angeles
at Neuehouse
6121 Sunset Boulevard
Los Angeles, CA 90028
Tel: 323-821-0649

San Francisco
99 Osgood Place
3rd Floor
San Francisco, CA 94133
Tel: 415-651-4209

Relevent
475 Tenth Avenue
9th Floor
New York, NY 10018
Tel: 212-206-0600
Fax: 212-206-0693
www.relevent.net
CEO:
H. Tony Berger

Carlstadt
217A Washington Avenue
Carlstadt, NJ 07072

Sloane & Company
7 Times Square Tower
17th Floor
New York, NY 10036
Tel: 212-486-9500
Fax: 212-486-9094
www.sloanepr.com
Co-CEOs:
Darren Brandt
Whit Clay

Source Marketing
761 Main Avenue, #2
Norwalk, CT 06851
Tel: 203-291-4000
Fax: 203-229-0865
www.source-marketing.com
CEO:
Kersten Rivas

Cranberry Township
8050 Rowan Road
Suite 200
Cranberry Township,
PA 16066
Tel: 724-742-7100
Fax: 724-935-7080

TEAM Enterprises
1 W. Las Olas
4th Floor
Fort Lauderdale, FL33301
Tel: 954-862-2400
Fax: 954-449-0273
www.teamenterprises.com
CEO:
Dan Gregory

Miramar
11331 Interchange Circle
South
Miramar, FL 33025

Trade X Media
711 Third Avenue
2nd Floor
New York, NY 10017
Tel: 212-541-6770
President:
Vincent Laraia

Unique Influence
1145 W. 5th Street
Suite 300
Austin, TX 78703
Tel: 800-489-8023
www.uniqueinfluence.com
CEO:
Ryan Pitylak

New York
711 Third Avenue
3rd Floor
New York, NY 10017
Tel: 212-500-6900

Union
479 Wellington Street W.
Toronto, ON M5V 1E7
Tel: 416-598-4944
Fax: 416-593-4944
www.unioncreative.com
President:
Subtej Nijjar

Montréal
1751 Richardson, #6.118
Montréal, QC H3K 1G6
Tel: 514-447-9180

Varick Media Management
711 Third Avenue
2nd Floor
New York, NY 10017
Tel: 212-243-8200
Fax: 212-633-6693
www.varickmm.com
President:
Walt Cheruk

Veritas Communications
370 King Street W.
Suite 800, Box 46
Toronto, ON M5V 1J9
Tel: 416-482-2248
Fax: 416-482-2292
www.veritascanada.com
President:
Krista Webster

Montréal
445 rue Saint-Pierre
Suite 202
Montréal, QC H2Y 2M8
Tel: 514-962-3027

Vancouver
838 W. Hastings
Suite 700
Vancouver, BC V6C 0A6
Tel: 604-340-2440

Vitro
2305 Historic Decatur Road
Suite 205
San Diego, CA 92106
Tel: 619-234-0408
Fax: 619-234-4015
www.vitroagency.com
CEO:
Tom Sullivan

Austin
1135 W. 6th Street
Suite 140
Austin, TX 78703
Tel: 512-537-4675

Y Media Labs
255 Shoreline Drive
Suite 600
Redwood City, CA 94065
Tel: 415-839-8584
www.ymedialabs.com
CEO:
Ashish Toshniwal

Atlanta
165 Ottley Drive
Suite 206
Atlanta, GA 30324
Contact:
Atandra Burman

Bangalore
#301, 150
B-1 Lower Floor, Tower B
Diamond District, Kodihalli
Bangalore 560008
India
Tel: +91-80-41106986
Contact:
Raj Shekhar Reddy

Indianapolis
626 N. Illinois Street
Suite 400
Indianapolis, IN 46218

New York
745 Fifth Avenue
19th Floor
New York, NY 10151
Tel: 646-429-1800

Yamamoto
219 2nd Street N.
Suite 200
Minneapolis, MN 55401
Tel: 612-375-0180
Fax: 612-342-2424
www.go-yamamoto.com
CEO:
Kathy McCuskey

Yes and Company
711 Third Avenue
2nd Floor
New York, NY 10017
Tel: 646-412-6893
www.yesandco.com
CEO:
Michael Bassik

Board of Directors and Corporate Officers

Chairman

Scott L. Kauffman
Chairman and Chief Executive Officer
MDC Partners Inc.

Directors

Irwin D. Simon(2)(3)
Presiding Director
President, Chief Executive Officer and Director, The Hain Celestial Group

Clare R. Copeland(2)
Director
Vice Chairman, Falls Management Company
Director, Chesswood
Trustee, RioCan Real Estate Investment Trust
Trustee, Telesat

Daniel S. Goldberg(1)(3)
Director
President and Chief Executive Officer, Telesat

Bradley J. Gross
Director
Managing Director, Goldman Sachs & Co.
Director, Americold Realty Trust
Director, Griffon Corporation
Director, Neovia Logistics Holdings
Director, PSAV Holdings
Director, Proquest Holdings

Larry S. Kramer(1)(2)
Director
Chairman, The Street Inc.
Director, Gannett
Trustee, Syracuse University
Trustee, Harvard Business School Publishing

Anne Marie O'Donovan(1)(3)
Director
President and Director, O'Donovan Advisory Services Ltd.
Director, Indigo Books & Music Inc.
Director, Aviva Canada
Director, Cadillac Fairview

Desirée Rogers(2)(3)
Director
Chairman, Choose Chicago
Director, World Business Chicago
Director, The Economic Club of Chicago
Director, Pinnacle Entertainment Inc.

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(1) Audit Committee

(2) Human Resources & Compensation Committee

(3) Nominating and Corporate Governance Committee

Executive Officers

Scott L. Kauffman
Chairman and Chief Executive Officer

David Doft
Chief Financial Officer

Mitchell Gendel
EVP, General Counsel and Corporate Secretary

Robert Kantor
EVP, Global Chief Marketing Officer

Stephanie Nerlich
EVP, Partner Development and Talent

David Ross
EVP, Strategy and Corporate Development

Alexandra Delanghe Ewing
Chief Communications Officer

Paula Daly
Managing Director

Lotta Malm Hallqvist
Managing Director,
Chief Marketing Officer — Europe

Ryan Linder
Chief Marketing Officer — US

John Rohan
Vice President, Corporate Controller

Randy Duax
Senior Vice President, Talent Recruiting

Kerry Robinson
Senior Vice President,
Compliance and Risk Management

Transfer Agent

AST Trust Company (Canada)

AST operates a telephone information inquiry line available by dialing: (toll-free) 1-800-387-0825; or 416-682-3860.

Correspondence may be addressed to:
MDC Partners Inc.
c/o AST Trust Company (Canada)
P.O. Box 700, Station B
Montreal, QC H3B 3K3
Canada

Investor Relations

For Investor Relations information, please call David B. Doft, Chief Financial Officer, at: 646-429-1818.

Stock Exchange Listing

The Class A shares of the Company are listed on the NASDAQ National Market under trading symbol "MDCA".

Notice of Shareholders' Meeting

The annual meeting of shareholders will be held at The MDC Partners Innovation Center, 745 Fifth Avenue, 19^{th} Floor, New York, NY on Wednesday, June 6, 2018 at 10:00 a.m. E.D.T.