Lloyds Banking Group plc
Form 424B5
February 20, 2013

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Registration Fee (1)
Senior Callable Steepener Notes Linked to the Difference Between CMS30 and CMS5 due February 22, 2033	$17,000,000.00	$2,318.80
Guarantee of Senior Callable Steepener Notes Linked to the Difference Between CMS30 and CMS5 due February 22, 2033	–	(2)
Total	$17,000,000.00	$2,318.80

(1) Calculated in accordance with Rule 457(r)
(2) Pursuant to Rule 457(n), no separate fee is payable with respect to the guarantee

Pricing Supplement No. 34
(To Prospectus Supplement dated June 6, 2011 and
Prospectus dated December 22, 2010)

Filed Pursuant to Rule 424(b)(5)
Registration Nos. 333-167844 and
333-167844-01
February 15, 2013

US $17,000,000
Lloyds TSB Bank plc
fully and unconditionally guaranteed by
Lloyds Banking Group plc

Senior Callable Steepener Notes Linked to the Difference Between CMS30 and CMS5 due February 22, 2033
Medium-Term Notes, Series A

- The Senior Callable Steepener Notes Linked to the Difference Between CMS30 and CMS5 due February 22, 2033, Medium-Term Notes, Series A (each a "Note" and collectively, the "Notes") are senior unsecured obligations of Lloyds TSB Bank plc (the "Issuer") and are fully and unconditionally guaranteed by Lloyds Banking Group plc (the "Guarantor"). Repayment of principal at maturity and all payments of interest on the Notes are subject to the creditworthiness of Lloyds TSB Bank plc, as the Issuer, and Lloyds Banking Group plc, as the Guarantor of the Issuer's obligations under the Notes.

- The Notes will mature on February 22, 2033. At maturity, if the Notes have not been previously redeemed, you will be entitled to receive for each unit of your Notes a cash payment equal to 100% of the principal amount of the Notes, plus any accrued and unpaid interest.

- We may redeem all, but not less than all, of the Notes on February 22, 2017, and on each subsequent interest payment date, provided we give at least 5 business days' prior written notice to each holder of Notes, the trustee and The Depository Trust Company ("DTC"). The redemption price that you will be entitled to receive upon redemption will be 100% of the principal amount of the Notes, together with any accrued and unpaid interest to, but excluding, the date on which we exercise our redemption option.

- Interest will be paid quarterly on the 22nd day of each February, May, August and November, commencing on May 22, 2013 and ending on the maturity date or upon early redemption (as described below). If such day is not a business day, then payment will be made on the next business day, and no additional interest will accrue with respect to such delayed payment.

- For each Interest Period commencing on or after the Issue Date to and including the Interest Period ending on February 22, 2014 (each, an "Initial Interest Rate Interest Period"), the per annum interest rate will be equal to the Initial Interest Rate of 10.00% per annum.

- For each Interest Period commencing on or after February 22, 2014 (each, a "Steepener Rate Interest Period"), the per annum interest rate applicable to such period will be equal to the product of (1) the Multiplier and (2) an amount equal to the applicable CMS30/CMS5 Spread minus the Strike, subject to the Minimum Interest Rate of 0.00% per annum and the Maximum Interest Rate of 9.00% per annum. The Multiplier is equal to 4.25, and the Strike is equal to 0.50. The CMS30/CMS5 Spread for any Steepener Rate Interest Period is equal to CMS30 (as defined on PS-3 of this pricing supplement) for such Interest Period minus CMS5 (as defined on PS-3 of this pricing supplement) for such Steepener Rate Interest Period.

- The Notes are to be issued in minimum denominations of $1,000 and multiples of $1,000 thereafter.

- The Notes will not be listed or displayed on any securities exchange or quotation system.

- In connection with this offering, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") will act as the selling agent (the "Selling Agent").

- We will deliver the Notes in book-entry form only through DTC on or about February 22, 2013 (the "Issue Date") against payment in immediately available funds.

- The CUSIP number for the Notes is 5394E8BN8 and the ISIN number for the Notes is US5394E8BN86.

The Notes:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value

Investing in the Notes involves significant risks. See "Risk Factors" beginning on page S-2 of the prospectus supplement and "Risk Factors" beginning on page PS-6 of this pricing supplement.

The Notes are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

None of the Securities and Exchange Commission, any state securities commission and any other regulatory body has approved or disapproved of these Notes or passed upon the adequacy or accuracy of this pricing supplement, the accompanying prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Price to Public (1) (2)	At variable prices	At variable prices
Selling Agent's Commission (3)	$47.06	$800,003.00
Proceeds to Lloyds TSB Bank plc (4)	$952.94	$16,199,997.00

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(1) The Notes will be offered from time to time in one or more negotiated transactions at varying prices to be determined at the time of each sale, which may be at prevailing market prices, at prices related to such prevailing

prices, or at negotiated prices; provided, however, that such price will not be less than $940.00 per $1,000.00 principal amount of the notes or more than $1,000.00 per $1,000.00 principal amount of the Notes. See "Risk Factors—The price you pay for the Notes may be higher than the prices other investors pay for the Notes." on page PS-6 of this pricing supplement.

(2) The proceeds you might expect to receive if you were able to resell the Notes on the Issue Date are expected to be less than the price you paid for the Notes. This is because the price you paid for the Notes includes the Selling Agent's commission set forth above and also reflects certain hedging costs associated with the Notes. For additional information, see "Risk Factors—The price you pay for the Notes has certain built-in costs, including the Selling Agent's commission and our cost of hedging, both of which are expected to be reflected in secondary market prices" on page PS-6 of this pricing supplement and "Supplemental Plan of Distribution" on page PS-16 of this pricing supplement.

(3) The Selling Agent will receive commissions from the Issuer equal to $47.06 per $1,000.00 principal amount of the Notes, or $800,003.00 of the aggregate principal amount of the Notes, and may retain all or a portion of these commissions or use all or a portion of these commissions to pay selling concessions or fees to other dealers. See "Supplemental Plan of Distribution" beginning on page PS-16 of this pricing supplement.

(4) The Issuer will receive proceeds equal to $952.94 per $1,000.00 principal amount of the Notes, or $16,199,997.00 of the aggregate principal amount of the Notes. See "Supplemental Plan of Distribution" beginning on page PS-16 of this pricing supplement.

BofA Merrill Lynch
February 15, 2013

SUMMARY OF TERMS

· Title of the Series:	Senior Callable Steepener Notes Linked to the Difference Between CMS30 and CMS5 due February 22, 2033
· Issuer:	Lloyds TSB Bank plc
· Guarantor:	Lloyds Banking Group plc
· Interest Rate Type:	Fixed-to-Floating Rate
· Aggregate Principal Amount:	US$17,000,000
· Denominations:	Minimum denominations of US$1,000 and multiples of US$1,000 thereafter.
· Issue Price:	At variable prices
· Trade Date:	February 15, 2013
· Issue Date:	February 22, 2013
· Maturity Date:	February 22, 2033, subject to redemption at the option of the Issuer (as set forth below)
· Business Day:	New York and London, following, unadjusted
· Redemption at the Option of the Issuer:	We may redeem all, but not fewer than all, of the Notes at the Redemption Price set forth below, on any Interest Payment Date on or after February 22, 2017, provided we give at least 5 business days' prior written notice to each holder of Notes, the trustee and DTC. If we exercise our redemption option, the Interest Payment Date on which we so exercise it will be referred to as the "Early Redemption Date," which will be the date the Redemption Price will become due and payable and on which payments of interest will cease to accrue.
· Redemption Price:	If we exercise our redemption option, you will be entitled to receive on the Early Redemption Date 100% of the principal amount together with any accrued and unpaid interest to but excluding the Early Redemption Date.
· Day-Count Convention:	30/360
· Ranking:	The Notes will constitute our direct, unconditional, unsecured and unsubordinated obligations ranking pari passu, without any preference among themselves, with all our

other outstanding unsecured and unsubordinated obligations, present and future, except such obligations as are preferred by operation of law.

- Guarantee: The Notes are fully and unconditionally guaranteed by the Guarantor. The Guarantee will constitute the Guarantor's direct, unconditional, unsecured and unsubordinated obligations ranking pari passu with all of the Guarantor's other outstanding unsecured and unsubordinated obligations, present and future, except such obligations as are preferred by operation of law.

- Payment at Maturity: 100% repayment of principal, plus any accrued and unpaid interest, at maturity or upon early redemption. Repayment of principal at maturity or upon early redemption and all payments of interest are subject to the creditworthiness of Lloyds TSB Bank plc, as the Issuer, and Lloyds Banking Group plc, as the Guarantor of the Issuer's obligations under the Notes.

- Interest Rate: For each Interest Period commencing on or after the Issue Date to and including the Interest Period ending on February 22, 2014 (each, an "Initial Interest Rate Interest Period"), the per annum interest rate will be equal to the Initial Interest Rate.
  For each Interest Period commencing on or after February 22, 2014 (each, a "Steepener Rate Interest Period"), the per annum interest rate applicable to such period (the "Steepener Rate") will be equal to the product of (1) the Multiplier and (2) an amount equal to the applicable CMS30/CMS5 Spread minus the Strike, subject to the Minimum Interest Rate of 0.00% per annum and the Maximum Interest Rate of 9.00% per annum.

- Initial Interest Rate: 10.00% per annum

- CMS Rates: The CMS Rate, expressed as a percentage, with a maturity of 30 years ("CMS30") and the CMS Rate, expressed as a percentage, with a maturity of 5 years ("CMS5"), which appears on Reuters ISDAFIX3 page (the "ISDAFIX3 Page") as of 11:00 a.m., New York City time, on the relevant Interest Determination Date, subject to the provisions set forth under "CMS Rates—Unavailability of CMS Rates" in this pricing supplement.

- Strike: 0.50

- Multiplier: 4.25

- CMS30/CMS5 Spread: With respect to any Steepener Rate Interest Period, CMS30 for such Steepener Rate Interest Period minus CMS5 for such Steepener Rate Interest Period

- Maximum Interest Rate: 9.00% per annum

- Minimum Interest Rate: 0.00% per annum

- Interest Payment Dates: Quarterly, payable in arrears on the 22nd day of each February, May, August and November, commencing on May 22, 2013, and ending on the Maturity Date or the Early Redemption Date, if applicable. If such day is not a business day, then payment will be made on the next business day, and no additional interest will accrue with respect to such delayed payment.

- Interest Periods: The first period will begin on, and will include, the Issue Date and end on, but exclude, the first Interest Payment Date. Each subsequent Interest Period will begin on, and include, the Interest Payment Date for the preceding Interest Period and end on, but exclude, the next following Interest Payment Date. The final Interest Period will end on, but exclude, the Maturity Date (or the Early Redemption Date, if applicable).

- Interest Reset Dates: For each Interest Period commencing on or after February 22, 2014, the first day of such Interest Period

· Interest Determination The second U.S. Government Securities Business Day prior to the

PS-3

Dates:	relevant Interest Reset Date
· U.S. Government Securities Business Day:	Any day, other than a Saturday, Sunday, or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.
· Payment Determination:	The Paying Agent will calculate the amount you will be entitled to receive on each Interest Payment Date, at maturity or upon early redemption, if applicable. For each Interest Determination Date, the Calculation Agent will cause to be communicated to us, the trustee and the Paying Agent, the relevant Interest Rate. The Paying Agent will calculate the amount you will be entitled to receive on each Interest Payment Date, at maturity or upon early redemption, if applicable, using the Interest Rate as so provided.
· Record Dates:	Interest will be paid to holders of record of each Note in respect of the principal amount thereof outstanding as of 15 days preceding the relevant Interest Payment Date.
· No Survivor's Option:	Holders of the Notes will NOT have the right to require us to redeem their Notes following the death of the beneficial owner.
· Tax Redemption:	Following the occurrence of one of certain tax law changes that would require the Issuer or the Guarantor to pay additional amounts and in other limited circumstances as described under "Description of the Notes and the Guarantees—Redemption for Tax Reasons" in the prospectus supplement and "Description of Debt Securities—Redemption" in the prospectus, the Issuer may redeem, all, but not fewer than all, of the Notes prior to maturity.
· Repayment at the Option of Holder:	None
· Settlement and Clearance:	DTC; Book-entry
· Listing:	The Notes will not be listed or displayed on any U.S. securities exchange or quotation system.
· Calculation Agent:	Merrill Lynch Capital Services
· Trustee and Paying Agent:	The Bank of New York Mellon, acting through its London Branch
· Governing Law:	New York

ABOUT THIS PRICING SUPPLEMENT

Unless otherwise defined herein, terms used in this pricing supplement are defined in the accompanying prospectus supplement or in the accompanying prospectus. As used in this pricing supplement:

- "we," "us," "our," the "Issuer" and "Lloyds Bank" mean Lloyds TSB Bank plc;
- "LBG" and "Guarantor" mean Lloyds Banking Group plc;
- "Notes" refers to the Senior Callable Steepener Notes Linked to the Difference Between CMS30 and CMS5 due February 22, 2033, Medium-Term Notes, Series A, together with the related Guarantee, unless the context requires otherwise; and
- "SEC" refers to the Securities and Exchange Commission.

LBG and Lloyds Bank have filed a registration statement (including a prospectus) with the SEC for the offering to which this pricing supplement relates. Before you invest, you should read this pricing supplement together with the accompanying prospectus dated December 22, 2010 (the "prospectus") in that registration statement and other documents, including the more detailed information contained in the accompanying prospectus supplement dated June 6, 2011 (the "prospectus supplement"), that LBG and Lloyds Bank have filed with the SEC for more complete information about Lloyds Bank and LBG and this offering.

This pricing supplement, together with the prospectus supplement and the prospectus, contains the terms of the Notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours.

If the information in this pricing supplement differs from the information contained in the prospectus supplement or the prospectus, you should rely on the information in this pricing supplement.

You may access these documents for free by visiting EDGAR on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- the prospectus supplement dated June 6, 2011 and the prospectus dated December 22, 2010 can be accessed at the following hyperlink:

Prospectus Supplement dated June 6, 2011 and Prospectus dated December 22, 2010

Our Central Index Key, or CIK, on the SEC website is 1167831.

Alternatively, LBG, Lloyds Bank, the Selling Agent, any underwriter or any dealer participating in the offering will arrange to send you the prospectus, prospectus supplement and pricing supplement if you request them by calling your MLPF&S sales representative, such dealer or toll free 1-800-294-1322. A copy of these documents may also be obtained from MLPF&S by writing to them at 100 West 33rd Street, 3rd Floor, New York, NY 10001, attention: Syndicate Operations or by e-mail to dg.prospectus_requests@baml.com.

You should rely only on the information provided or incorporated by reference in this pricing supplement, the prospectus supplement and the prospectus. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information that others may give you. We and MLPF&S are offering to sell the Notes and seeking offers to buy the Notes only in jurisdictions where it is lawful to do so. Each of this pricing supplement, the prospectus supplement and the prospectus is current only as of its respective date.

RISK FACTORS

Your investment in the Notes involves significant risks. Your decision to purchase the Notes should be made only after carefully considering the risks of an investment in the Notes, including those discussed below and in the section entitled "Risk Factors" beginning on page S-2 of the prospectus supplement, with your advisers in light of your particular circumstances. The Notes are not an appropriate investment for you if you are not knowledgeable about significant elements of the Notes or financial matters in general. We also urge you to consult with your investment, legal, accounting, tax, and other advisers before you invest in the Notes.

The credit risk of Lloyds Bank and LBG and their credit ratings and credit spreads may adversely affect the value of the Notes. You are dependent on Lloyds Bank's ability to pay all amounts due on the Notes, and therefore you are subject to the credit risk of Lloyds Bank and to changes in the market's view of Lloyds Bank's creditworthiness. In addition, because the Notes are fully and unconditionally guaranteed by Lloyds Bank's parent company, LBG, you are dependent on the credit risk of LBG in the event that Lloyds Bank fails to make any payment or delivery required by the terms of the Notes. If Lloyds Bank and LBG were to default on their respective payment obligations, you may not receive any amounts owed to you under the Notes and you could lose your entire investment. The credit ratings of Lloyds Bank and LBG are an assessment by rating agencies of their ability to pay their obligations, including those under the Notes. Any actual or anticipated decline in Lloyds Bank's and LBG's credit ratings, or increase in the credit spreads charged by the market for taking credit risk, is likely to adversely affect the value of the Notes. However, because the return on the Notes is dependent upon factors in addition to Lloyds Bank's and LBG's credit ratings, an improvement in their credit ratings will not necessarily increase the value of the Notes and will not reduce market risk and other investment risks related to the Notes.

The Notes will be subject to early redemption at our option. We may redeem the Notes prior to the Maturity Date on any quarterly Interest Payment Date, beginning on February 22, 2017. In addition, we have the right to redeem the Notes following the occurrence of one of certain tax law changes that would require the Issuer or the Guarantor to pay additional amounts and in other limited circumstances as described under "Description of the Notes and the Guarantees—Redemption for Tax Reasons" in the prospectus supplement and "Description of Debt Securities—Redemption" in the prospectus. If you intend to purchase the Notes, you must be willing to have your Notes redeemed early. We are generally more likely to redeem the Notes during periods when we expect that interest will accrue on the Notes at a rate that is greater than that which we would pay on our traditional interest-bearing deposits or debt securities having a maturity equal to the remaining term of the Notes. In contrast, we are generally less likely to redeem the Notes during periods when we expect interest to accrue on the Notes at a rate that is less than that which we would pay on those instruments. If we redeem the Notes prior to the Maturity Date, accrued interest will be paid on the Notes prior to such early redemption, but you will not receive any future interest payments from the Notes redeemed and you may be unable to reinvest your proceeds from the redemption in an investment with a return that is as high as the return on the Notes would have been if they had not been redeemed.

The price you pay for the Notes has certain built-in costs, including the Selling Agent's commission and our cost of hedging, both of which are expected to be reflected in secondary market prices. In determining the economic terms of the Notes, and consequently the potential return on the Notes to you, we have taken into account compensation to the Selling Agent for distributing the Notes, which is reflected in the Selling Agent's commission described on the cover of this pricing supplement, as well as certain costs associated with hedging the obligations under the Notes. The price you pay for the Notes reflects these factors. As a result, the value of the Notes on the Issue Date is expected to be less than the price you paid for the Notes. Assuming no change in market conditions or any other relevant factors, the price, if any, at which the Selling Agent or another purchaser may be willing to purchase the Notes in secondary market transactions will likely be less than the price you paid for the Notes. This is due, among other things, to the fact that the price you paid for the Notes includes, and secondary market prices are likely to exclude, the Selling Agent's commission with respect to the Notes. A profit may be realized from the hedging activity even if investors do not receive a favorable investment return under the terms of the Notes or in any secondary market transaction. In addition, any secondary market prices may differ from values determined by pricing models used by the Selling Agent, as a result of dealer discounts, mark-ups or other transaction costs.

The price you pay for the Notes may be higher than the prices other investors pay for the Notes. The Selling Agent proposes to offer the Notes from time to time for sale to investors in one or more negotiated transactions, or otherwise, at prevailing market prices at the time of sale, at prices related to then-prevailing prices, at negotiated prices, or otherwise. Accordingly, there is a risk that the price you pay for your Notes will be higher than the prices other investors pay for their Notes based on the date and time you made your purchase, from whom you purchased the Notes, any related transaction cost, whether you hold your Notes in a brokerage account, a fiduciary or fee-based account or another type of account and other market factors.

After the first year, the Notes are subject to interest payment risk based on the Steepener Rate. Investing in the Notes is not equivalent to investing in securities directly linked to CMS30 or CMS5. Instead, the amount of interest payable on the Notes (after the initial Interest Periods for which the Initial Interest Rate is payable) will be equal to the Steepener Rate, which is the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, subject to the Minimum Interest Rate of 0.00% per annum and the Maximum Interest Rate of 9.00% per annum. Accordingly, the amount of interest payable on the Notes is dependent on whether, and the extent to which, the Steepener Rate is greater than the Minimum Interest Rate on the Interest Determination Date. If the Steepener Rate is equal to zero, you would not receive any interest on the related Interest Payment Date. If the Steepener Rate is equal to zero on every Interest Determination Date throughout the term of the Notes, then you would not receive any interest in respect of any Steepener Rate Interest Period.

The amount of interest payable on the Notes will vary after the first year. Because the CMS Rates are floating rates, the Steepener Rate, which is linked to the difference between CMS30 and CMS5, will fluctuate. From and including February 22, 2014 to but excluding the Maturity Date, the Notes will bear interest during each quarterly Interest Period at a per annum rate equal to the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, as determined on the second U.S. Government Securities Business Day prior to the relevant Interest Reset Date, subject to the Minimum Interest Rate and the Maximum Interest Rate. The per annum interest rate that is determined on the relevant Interest Determination Date will apply to the entire Interest Period following that Interest Determination Date, even if the CMS30/CMS5 Spread increases during that Interest Period, but is applicable only to that quarterly Interest Period; interest payments for any other quarterly Interest Periods will vary.

The amount of interest payable on the Notes on each Interest Payment Date for any Steepener Rate Interest Period is capped, and the amount of interest you will be entitled to receive may be less than the return you could earn on other investments with a comparable maturity. The Steepener Rate on the Notes for each Steepener Rate Interest Period is capped for that period at the Maximum Interest Rate. Interest rates may change significantly over the term of the Notes, and it is impossible to predict what interest rates will be at any point in the future. Although the Steepener Rate on the Notes will be based on the levels of the CMS Rates, the Steepener Rate that will apply during each Steepener Rate Interest Period on the Notes may be more or less than other prevailing market interest rates at such time and in any event will never exceed the Maximum Interest Rate regardless of the levels of the CMS Rates on any relevant Interest Determination Date. In addition, if the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50 is less than the Maximum Interest Rate for any Steepener Rate Interest Period, the cumulative interest rate for such year will be less than the Maximum Interest Rate. As a result, the amount of interest you receive on the Notes may be less than the return you could earn on other investments with a comparable maturity.

If the CMS Rates change, the value of the Notes may not change in the same manner. The price of your Notes may move differently than the CMS Rates. Changes in the CMS Rates may not result in a comparable change in the value of your Notes. We discuss some of the reasons for this disparity under "—After the first year, the Notes are subject to interest payment risk based on the Steepener Rate," "—The amount of interest payable on the Notes will vary after the first year," "—The amount of interest payable on the Notes on each Interest Payment Date for any Steepener Rate Interest Period is capped, and the amount of interest you will be entitled to receive may be less than the return you could earn on other investments with a comparable maturity" above and "—The value of the Notes prior to maturity will be influenced by many unpredictable factors, and the value of the Notes may be less than the price you paid for the Notes" below.

The Notes will not be listed or displayed on any securities exchange or quotation system, and there may be little or no secondary market for the Notes. The Notes will not have an established trading market when issued and the Notes will not be listed or displayed on any securities exchange or quotation system; accordingly, there may be little or no secondary market for the Notes and, as such, information regarding independent market pricing for the Notes may be very limited or non-existent. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Notes easily. We, the Selling Agent and/or its affiliates may purchase and sell the Notes from time to time in the secondary market, but we, the Selling Agent and/or its affiliates are not obligated to do so. If we, the Selling Agent and/or its affiliates make such a market in the Notes, we, the Selling Agent and/or any such affiliate may stop doing so at any time and for any reason without notice. Because other dealers are not likely to make a secondary market for the Notes, the prices at which you may be able to trade your Notes will probably depend on the price, if any, at which we, the Selling Agent and/or its affiliates may be willing to buy the Notes. It is expected that transaction costs in any secondary market would be high and, as a result, the difference between bid and asked prices for the Notes in any secondary market could be substantial. There is no assurance that there will be a secondary market for any of the Notes. Accordingly, you should be willing to hold the Notes until the Maturity Date, and you may incur a loss if you sell your Notes prior to the Maturity Date or the Early Redemption Date, as applicable.

The value of the Notes prior to maturity will be influenced by many unpredictable factors, and the value of the Notes may be less than the price you paid for the Notes. The value of the Notes may be less than the price you paid for the Notes. The value of the Notes may be affected by a number of factors that may either offset or magnify each other, including the following:

- the CMS30/CMS5 Spread - in general, the value of the Notes will increase when the CMS30/CMS5 Spread increases (to the extent that CMS30 is greater than CMS5), and the value of the Notes will decrease when the CMS30/CMS5 Spread decreases (to the extent that the difference between CMS30 and CMS5 decreases or that CMS5 is greater than CMS30). Because short-term interest rates are more sensitive than long-term interest rates, a decreasing interest rate environment may increase the value of the Notes (by widening the spread between the short-term and long-term rates) while an increasing interest rate environment may decrease the value of the Notes (by narrowing the spread between the short-term and long-term rates);

- the volatility (i.e., the frequency and magnitude of changes in the level) of the difference between the CMS Rates, which may have an adverse impact on the value of the Notes;

- the fluctuations of the CMS Rates and the possibility that the interest rate on the Notes will decrease so that only the Minimum Interest Rate will be paid during the term of the Notes following the first year;

- the time remaining to maturity of the Notes; in particular, as a result of a "time premium," the Notes may have a value above that which would be expected based on the levels of interest rates and the levels of the CMS Rates at such time the longer the time remaining to maturity. A "time premium" results from expectations concerning the levels of the CMS Rates during the period prior to maturity of the Notes. As the time remaining to the maturity of the Notes decreases, this time premium will likely decrease and, depending on the levels of the CMS Rates at such time, may adversely affect the value of the Notes;

- the aggregate amount of the Notes outstanding;

- our right to redeem the Notes;

- the level, direction, and volatility of market interest and yield rates generally;

- geopolitical conditions and economic, financial, political, regulatory, geographical, agricultural, judicial or other events that affect the markets generally;

- the supply and demand for the Notes in the secondary market, if any; or

- the actual or perceived creditworthiness of Lloyds Bank, as the Issuer of the Notes, and LBG, as the Guarantor of Lloyds Bank's obligations under the Notes, including actual or anticipated downgrades in LBG's or Lloyds Bank's credit ratings.

Some or all of these factors will influence the price that you will receive if you sell your Notes prior to the Maturity Date or the Early Redemption Date in the secondary market, if any. If you sell your Notes before the Maturity Date or the Early Redemption Date, the price that you receive may be less, and may be substantially less, than the price you paid for the Notes.

Because the Notes accrue interest at a fixed rate during the first year of their term, the amount of interest payable on your Notes on each Interest Payment Date for any Initial Interest Rate Interest Period may be below market interest rates. Because interest payable on your Notes during the Initial Interest Rate Interest Periods accrues at a fixed rate, there can be no guarantee that the interest you will receive on one or more of the Interest Payment Dates for the Initial Interest Rate Interest Periods will be equal to or greater than the market interest rate on such dates. We have no control over a number of factors that may affect market interest rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results. See "—The value of the Notes prior to maturity will be influenced by many unpredictable factors, and the value of the Notes may be less than the price you paid for the Notes." above. You should have a view as to the Initial Interest Rate on the Notes (as specified on the cover of this pricing supplement) and its level relative to market interest rates before investing, and you must be willing to forgo guaranteed market interest rates for the first year of the term of the Notes.

Because the Notes accrue interest at a floating rate after the first year of their term, you may receive a lesser amount of interest in the future. Following the first year, the interest payable on the Notes during each quarterly Steepener Rate Interest Period will accrue at a per annum rate equal to the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, as determined on the second U.S. Government Securities Business Day prior to the relevant Interest Reset Date, subject to the Minimum Interest Rate of 0.00% per annum and the Maximum Interest Rate of 9.00% per annum. The CMS30/CMS5 Spread may vary from time to time and there will be significant risks not associated with a conventional fixed-rate debt security. These risks include fluctuation of the CMS rates and the possibility that, in the future, the interest rate on the Notes will decrease and may be as low as the Minimum Interest Rate for any Steepener Rate Interest Period. We have no control over a number of factors that may affect the CMS Rates, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results. See "—The value of the Notes prior to maturity will be influenced by many unpredictable factors, and the value of the Notes may be less than the price you paid for the Notes." above.

There may be potential conflicts of interest between investors in the Notes and us and our affiliates and the Selling Agent and its affiliates. We and our affiliates and the Selling Agent and its affiliates play a variety of roles in connection with the issuance of the Notes. Trading activities related to short-term and long-term interest rate swaps and other instruments that may affect interest rates have been entered into or may be entered into on behalf of us, our affiliates, the Selling Agent, its affiliates or their respective customers that are not for the account of the investors in the Notes or on their behalf. In particular, as described below under "Use of Proceeds; Hedging", we, the Selling Agent and/or its affiliates may hedge our obligations under the Notes by purchasing securities, futures, options or other derivative instruments, and we may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. These trading activities may present a conflict between the investors' interests in the Notes and the interests we, our affiliates and the Selling Agent and its affiliates will have in each of their respective proprietary accounts and in facilitating transactions, including block trades and options and other derivatives transactions, for their respective customers and in accounts under each of their respective management. In performing these activities, the economic interests of us and our affiliates and the Selling Agent and its affiliates are potentially adverse to your interests as an investor in the Notes.

In addition, in the ordinary course of their business activities, MLPF&S and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. MLPF&S or its affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically MLPF&S and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby.

There may be potential conflicts of interest between investors in the Notes and the Calculation Agent. As Calculation Agent for your Notes, Merrill Lynch Capital Services, an affiliate of the Selling Agent, will have discretion in making certain determinations that affect your Notes, including determining the CMS Rates on any Interest Determination Date, which the Paying Agent will use to determine the amount we will pay on any applicable Steepener Rate Interest Payment Date during the Steepener Rate Interest Periods. The exercise of this discretion by the Calculation Agent could adversely affect the value of your Notes and may present a conflict of interest between the investors' interests in the Notes and the interests of the Calculation Agent. We may change the Calculation Agent at any time without notice to you.

We and our affiliates and the Selling Agent and its affiliates have published or may in the future publish reports, express opinions or provide recommendations and engage in other transactions that could adversely affect the value of the Notes. We and our affiliates and the Selling Agent and its affiliates have published or may in the future publish reports from time to time on financial markets and other matters that may influence the value of the Notes or express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any such reports, opinions or recommendations may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Notes.

We and the Selling Agent or any of its affiliates also may issue, underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments that may have features similar to those of the

Notes, including similar rates of interest or maturities. By introducing competing products into the marketplace in this manner, we and the Selling Agent or its affiliates could adversely affect the value of the Notes.

The historical levels of the CMS Rates should not be taken as an indication of the future levels of such rates. In the past, the levels of the CMS Rates have experienced significant fluctuations. You should note that historical levels, fluctuations and trends of the CMS Rates are not necessarily indicative of future levels. Any historical upward or downward trend in the CMS Rates is not an indication that the CMS Rates are more or less likely to increase or decrease at any time during the Steepener Rate Interest Periods. Changes in the levels of CMS Rates will affect the value of the Notes, but neither we nor you can predict the future performances of the CMS Rates based on their historical performances. The actual performances of the CMS Rates during the Steepener Rate Interest Periods, as well as the interest payable on each Interest Payment Date for any Steepener Rate Interest Periods, may bear little or no relation to the hypothetical levels of the CMS Rates or to the hypothetical examples shown in this pricing supplement.

The Notes may not be a suitable investment for you. The Notes may not be a suitable investment for you, if, among other things:

- you are unwilling to forgo guaranteed market interest rates for the term of the Notes;
- you anticipate that, after the first year of the term of the Notes, the Steepener Rate will not be sufficient to provide you with your desired return;
- you are unable to accept the risk that the Notes may pay interest at the Minimum Interest Rate, or interest at a very low rate, in respect of any Interest Payment Date for any Steepener Rate Interest Period;
- you seek a return on your investment that will not be capped at the Maximum Interest Rate with respect to each Steepener Rate Interest Period;
- you seek assurances that there will be a liquid market if and when you want to sell the Notes prior to maturity;
- you are unwilling to accept the risk that the Notes may be redeemed prior to maturity, and are unwilling or unable to accept the risk that you may be unable to reinvest the proceeds of such redemption in an investment with a return that is as high as the return on the Notes would have been if they had not been redeemed; or
- you are unwilling or are unable to assume the credit risk associated with Lloyds Bank, as the Issuer of the Notes, and LBG, as the Guarantor of the Issuer’s obligations under the Notes.

CMS RATES

Payments on the Notes are determined with reference to the CMS Rates, which are "constant maturity swap rates" that measure the fixed rate of interest payable on a hypothetical fixed-for-floating U.S. dollar interest rate swap transaction with a maturity of thirty years and five years, respectively. In such a hypothetical swap transaction, the fixed rate of interest, payable semi-annually on the basis of a 360-day year consisting of twelve 30-day months, is exchangeable for a floating 3-month LIBOR-based payment stream that is payable quarterly on the basis of the actual number of days elapsed during a quarterly period in a 360-day year. "LIBOR" is the London Interbank Offered Rate, and is the rate of interest at which banks borrow funds from each other in the London interbank market. 3-Month LIBOR is the rate of interest which banks in London charge each other for loans for a period of three months.

"CMS30" means, the CMS Rate with a maturity of 30 years which appears on Reuters ISDAFIX3 page (the "ISDAFIX3 Page") as of 11:00 a.m., New York City time, on the relevant Interest Determination Date.

"CMS5" means, the CMS Rate with a maturity of 5 years which appears on the ISDAFIX3 Page as of 11:00 a.m., New York City time, on the relevant Interest Determination Date (CMS5, together with CMS30, the "CMS Rates," and each, a "CMS Rate").

"Interest Determination Dates" means, the second U.S. Government Securities Business Day prior to the relevant Interest Reset Date.

"US Government Securities Business Day" means, any day, other than a Saturday, Sunday, or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

UNAVAILABILITY OF CMS RATES

The following procedures will be used if the CMS rate cannot be determined as described above:

1) If either CMS Rate is no longer displayed on the ISDAFIX3 Page, or if not displayed by 11:00 a.m., New York City time, on the Interest Determination Date, then CMS30 or CMS5, as the case may be, will be the rate for U.S. dollar swaps with a maturity equal to 30 or 5 years (for purposes of determining CMS30 and CMS5, respectively), expressed as a percentage, which appears on the ISDAFIX1 Page as of 11:00 a.m., New York City time, on the Interest Determination Date.

2) If that information is no longer displayed by 11:00 a.m., New York City time, on the Interest Determination Date, then CMS30 or CMS5, as the case may be, will be a percentage determined on the basis of the mid-market, semi-annual swap rate quotations provided by five leading swap dealers in the New York City interbank market at approximately 11:00 a.m., New York City time, on the Interest Determination Date. For this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. dollar interest rate swap transaction with a term equal to 30 or 5 years (for purposes of determining CMS30 and CMS5, respectively), commencing on that Interest Determination Date with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the rate for deposits in U.S. dollars with a maturity of three months which appears on Reuters (or any successor service) on the LIBOR01 page (or any other page as may replace such page on such service). The Calculation Agent will select the five swap dealers after consultation with us and will request the principal New York City office of each of those dealers to provide a quotation of its rate. If at least three quotations are provided, the relevant CMS rate for that Interest Determination Date will be the arithmetic mean of the quotations, eliminating the highest and lowest quotations or, in the event of equality, one of the highest

and one of the lowest quotations.

3) If fewer than three leading swap dealers selected by the Calculation Agent are quoting as described above, the relevant CMS rate will remain the relevant CMS rate in effect on that Interest Determination Date or, if that Interest Determination Date is the first Interest Determination Date, the Initial Interest Rate.

HYPOTHETICAL STEEPENER RATE AND INTEREST PAYMENT CALCULATIONS

As described above, after the Initial Interest Rate Interest Periods, the Notes will pay interest on each Interest Payment Date at the Steepener Rate. The following illustrates the process by which the interest rate and interest payment amount are determined for any such Steepener Rate Interest Periods.

For purposes of these examples, we assume that the Notes are not being redeemed on the applicable Interest Payment Date pursuant to the Redemption at the Option of the Issuer provisions above. If we exercise our redemption option, you will receive on the Early Redemption Date the Redemption Price applicable to that Early Redemption Date, calculated as described above.

Steepener Rate Calculation

Step 1: Calculate the applicable CMS30/CMS5 Spread.

For each Steepener Rate Interest Period, a value for the Steepener Rate is determined, in part, by calculating the CMS Spread, which is the difference between the CMS Rates of the two maturities identified on the cover page hereof on the Interest Determination Date for that Interest Period (that is, two U.S. Government Securities Business Days prior to the first day of the Interest Period). If the value of CMS30 is not greater than CMS5, the subtraction of CMS5 from CMS30 will result in a negative CMS30/CMS5 Spread, and therefore a Steepener Rate equal to the Minimum Interest Rate of 0.00%.

Step 2: Calculate the Steepener Rate.

For each Steepener Rate Interest Period, the per annum Steepener Rate is equal to the product of (1) the Multiplier of 4.25 by (2) the CMS30/CMS5 Spread minus the Strike of 0.50, subject to the Minimum Interest Rate of 0.00% and the Maximum Interest Rate of 9.00%, determined on the Interest Determination Date applicable to the relevant Interest Period as described above. If the Steepener Rate is equal to or less than zero, you would receive a per annum interest payment at the Minimum Interest Rate on the related Interest Payment Date. See "Risk Factors— The Notes are subject to interest payment risk based on the Steepener Rate". The per annum interest rate will also be limited to the Maximum Interest Rate specified on the cover page hereof.

Step 3: Calculate the interest payment amount payable for each Interest Payment Date.

For each Steepener Rate Interest Period, the Calculation Agent will calculate the effective interest rate for that Interest Period by multiplying the per annum Steepener Rate determined for that Steepener Rate Interest Period by the applicable day count fraction. The resulting effective interest rate is then multiplied by the relevant principal amount of the Notes to determine the actual interest amount payable on the related Interest Payment Date. No adjustments to the amount of interest calculated will be made in the event an Interest Payment Date is not a business day.

Example Steepener Rate and Interest Payment Calculations

The following examples illustrate how the per annum interest rate and interest payment amounts would be calculated for a given Steepener Rate Interest Period under scenarios for the CMS Rates and the Steepener Rate. These examples are based on a range of hypothetical values for the CMS30/CMS5 Spread, the Strike of 0.50, the Multiplier of 4.25, the Minimum Interest Rate of 0.00% per annum and the Maximum Interest Rate of 9.00% per annum. We have assumed that the Notes have quarterly Interest Payment Dates, and that interest payments will be calculated using a 30/360 day count basis (such that the applicable day count fraction for the quarterly interest payment for the Interest Period will be 90/360).

These values and assumptions have been chosen arbitrarily for the purpose of these examples, and should not be taken as indicative of the terms of any particular Notes or the future performance of the CMS Rates or the Steepener Rate. The specific terms for each issuance of Notes will be determined at the time such Notes are priced. Numbers in the table below have been rounded for ease of analysis. These examples assume that the Notes are held until maturity and do not take into account any tax consequences from investing in the Notes.

CMS30	CMS5	CMS30/CMS5 Spread	Product of Multiplier * (CMS30/CMS5 Spread minus Strike)	Steepener Rate (per annum)1	Effective Steepener Rate for a Steepener Rate Interest Period4	Interest Payment Amount for a Steepener Rate Interest Period (per $1,000 Note)5
3.00%	4.20%	-1.20%	-7.23%	0.00%2	0.000%	$0.00
4.00%	4.60%	-0.60%	-4.68%	0.00%2	0.000%	$0.00
4.50%	4.50%	0.00%	-2.13%	0.00%2	0.000%	$0.00

CMS30	CMS5	CMS30/CMS5 Spread	Product of Multiplier * (CMS30/CMS5 Spread minus Strike)	Steepener Rate (per annum)1	Effective Steepener Rate for a Steepener Rate Interest Period4	Interest Payment Amount for a Steepener Rate Interest Period (per $1,000 Note)5
4.50%	4.00%	0.50%	0.00%	0.00%	0.000%	$0.00
5.00%	4.00%	1.00%	2.13%	2.13%	0.53%	$5.30
6.00%	4.50%	1.50%	4.25%	4.25%	1.06%	$10.60
7.00%	4.00%	3.00%	10.63%	9.00%3	2.25%	$22.50

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1. For the Interest Period, the value of the per annum Steepener Rate is equal to the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, subject to the Minimum Interest Rate of 0.00% and the Maximum Interest Rate of 9.00%, as determined by the Calculation Agent on the related Interest Determination Date.

2. The interest rate per annum for any Interest Period shall not be less than the Minimum Interest Rate, in this case 0.00% per annum.

3. The interest rate per annum for any Interest Period shall not be greater than the Maximum Interest Rate, in this case 9.00% per annum.

4. The effective interest rate for any Interest Period equals the applicable interest rate per annum multiplied by the day count fraction (90/360).

5. The interest payment amount for an Interest Payment Date equals the principal amount multiplied by the effective interest rate for the related Interest Period.

Example 1: If on the Interest Determination Date for the relevant Steepener Rate Interest Period the value of CMS30 is 6.50% and CMS5 is 5.30%, the per annum Steepener Rate for the corresponding Interest Period would be 2.98% (equal to the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, subject to the Minimum Interest Rate of 0.00% and the Maximum Interest Rate of 9.00%). In this case, the per annum Steepener Rate for that Interest Period would be 2.98%, and you would receive an interest payment of $7.50 per $1,000 principal amount of Notes on the related quarterly Interest Payment Date, calculated as follows:

Effective Interest Rate = 2.98% x (90/360) = 0.75%
Interest Payment = $1,000 x 0.75% = $7.50

Example 2: If on the Interest Determination Date for the relevant Steepener Rate Interest Period the value of CMS30 is 4.00% and CMS5 is 4.60%, the per annum Steepener Rate for the Interest Period would be 0.00% (equal to the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, subject to the Minimum Interest Rate of 0.00% and the Maximum Interest Rate of 9.00%). Because the product of 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50 is -4.68%, which is less than zero, the per annum Steepener Rate applicable to that Interest Period is equal to the Minimum Interest Rate of 0.00%, and you would not receive any interest payment on the related quarterly Interest Payment Date.

Example 3: If on the Interest Determination Date for the relevant Steepener Rate Interest Period the value of CMS30 is 7.00% and CMS5 is 4.20%, the Steepener Rate for the Interest Period would be 9.78% (equal to the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, subject to the Minimum Interest Rate of 0.00% and the Maximum Interest Rate of 9.00%). Because the product of 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50 is 9.78%, which is greater than the Maximum Interest Rate of 9.00% per annum, the per annum Steepener Rate for that Interest Period would be equal to the Maximum Interest Rate of 9.00% per annum, and you would receive an interest payment of $22.50 per $1,000 principal amount of Notes on the related quarterly Interest Payment Date, calculated as follows:

Effective Interest Rate = 9.00% x (90/360) = 2.25%
Interest Payment = $1,000 x 2.25% = $22.50

We cannot predict the actual CMS Rates on any day or the value of the Notes, and we cannot predict the relationship between the CMS Rates and the value of the Notes at any time prior to the Maturity Date or the Early Redemption Date, if applicable. The actual interest payment that a holder of the Notes will receive on each Interest Payment Date for any Steepener Rate Interest Period and the rate of return on the Notes will depend on the actual CMS Rates determined by the Calculation Agent over the term of the Notes. Consequently, the interest amount to be paid in respect of the Notes on each Interest Payment Date for any Steepener Rate Interest Period may be very different from the information reflected in the table above.

HISTORICAL INFORMATION

We have provided the following historical information to help you evaluate the behavior of CMS30 and CMS5 (the "CMS Rates") in various periods. The historical difference between the CMS Rates should not be taken as an indication of the future difference between the CMS Rates or the performance of the Notes. Fluctuations in the CMS Rates make the interest rate on the Notes difficult to predict and can result in an interest rate to investors that is lower than anticipated. Fluctuations in the CMS Rates and interest rate trends that have occurred in the past are not necessarily indicative of fluctuations that may occur in the future, which may be wider or narrower than those that have occurred historically.

Neither LBG, Lloyds Bank nor the Selling Agent can guarantee that the difference between the CMS Rates will be maintained or will increase or that CMS30 will be sufficiently greater than CMS5 over the term of the Notes so that you will receive a rate of interest greater than the Minimum Interest Rate for any Steepener Rate Interest Period over the term of the Notes. The actual interest rate on the Notes for any Steepener Rate Interest Period will depend on the actual CMS Rates on the applicable Interest Determination Dates.

The following table shows historical month-end differences between the CMS Rates from January 2008 through February 15, 2013 based on the CMS Rates as published by Bloomberg L.P. The graph below shows historical daily differences between the CMS Rates from June 26, 2000 through February 15, 2013 based on the CMS Rates as published by Bloomberg L.P. We do not make any representation or warranty as to the accuracy or completeness of the historical data in the table and graph below. The Calculation Agent will determine the actual interest rate on the Notes for any Steepener Rate Interest Period by reference to the CMS Rates as published on the ISDAFIX3 Page.

Historical Difference between CMS30 and CMS5(1)

	2008	2009	2010	2011	2012	2013
January	1.27700	0.90300	1.74100	2.13600	1.67900	1.99000
February	1.46600	0.74900	1.82200	1.94700	1.65500	2.01800(2)
March	1.33100	1.03600	1.79800	1.88700	1.73300	
April	1.00400	1.01400	1.68400	2.00000	1.70500	
May	0.89200	1.33300	1.60800	2.03200	1.35800	
June	0.69700	1.21000	1.66400	2.06800	1.51500	
July	0.82800	1.30800	1.92700	2.17900	1.55000	
August	0.76600	1.32800	1.59300	1.93500	1.70100	
September	0.61800	1.27100	1.82000	1.45900	1.80000	
October	0.57700	1.48200	2.21600	1.67800	1.78900	
November	0.22900	1.68900	2.06800	1.42300	1.79700	
December	0.59300	1.54800	1.95200	1.35800	1.90700	

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(1) The Steepener Rate will be an amount determined by the Calculation Agent equal to the product of (1) 4.25 and (2) an amount equal to the applicable CMS30/CMS5 Spread minus 0.50, subject to the Minimum Interest Rate of 0.00% and the Maximum Interest Rate of 9.00%)

(2) As measured on February 15, 2013.

TAX CONSEQUENCES

You should review carefully the section in the prospectus supplement entitled "U.S. Federal Income Tax Consequences." The Notes will be treated as "contingent payment debt instruments" for U.S. federal income tax purposes, as described under "—Notes Treated as Contingent Payment Debt Instruments" in that section. It is expected that the "issue price" of the Notes for U.S. federal income tax purposes will be $1,000 for each $1,000 principal amount Note.

Regardless of your method of accounting for U.S. federal income tax purposes, you generally will be required to accrue taxable interest income in each year on a constant yield to maturity basis at the "comparable yield," as determined by us, with certain adjustments in each year to reflect the difference, if any, between the actual and the projected amounts of the interest payments on the Notes (if any) in that year. Any income recognized upon a sale or exchange of a Note (including early redemption or redemption at maturity) will be treated as interest income for U.S. federal income tax purposes.

After the Issue Date, you may obtain the issue price, comparable yield and projected payment schedule by contacting Lloyds Investor Relations at investor.relations@ltsb-finance.co.uk. Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual Steepener Rate interest payments (if any) that we will make on the Notes.

If you purchase Notes for an amount that is different from their issue price, you will be required to account for this difference, generally by allocating it reasonably among projected payments on the Notes or daily portions of interest that you are required to accrue with respect to the Notes and treating these allocations as adjustments to your income when the payment is made or the interest accrues. You should consult your tax adviser regarding the treatment of the difference between your basis in your Notes and their issue price.

For a discussion of U.K. tax considerations relating to the Notes, you should refer to the section in the prospectus supplement entitled "Taxation in the United Kingdom."

You should consult your tax adviser regarding the U.S. federal tax consequences of an investment in the Notes, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

VALIDITY OF THE NOTES

In the opinion of Davis Polk & Wardwell LLP, when the Notes have been executed and issued by the Issuer and the Guarantor and authenticated by the trustee pursuant to the Indenture, and delivered against payment as contemplated herein, the Notes will constitute valid and binding obligations of the Issuer, and the related guarantee will constitute a valid and binding obligation of the Guarantor, in each case enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability. This opinion is given as of the date hereof and is limited to the laws of the State of New York. Insofar as this opinion involves matters governed by Scots law, Davis Polk & Wardwell LLP has relied, without independent inquiry or investigation, on the opinion of Dundas & Wilson CS LLP, dated December 20, 2012 and filed by the Guarantor as an exhibit to a Report on Form 6-K on December 20, 2012. Insofar as this opinion involves matters governed by English law, Davis Polk & Wardwell LLP has relied, without independent inquiry or investigation, on the opinion of Linklaters LLP, dated December 20, 2012 and filed by the Guarantor as an exhibit to a Report on Form 6-K on December 20, 2012. The opinion of Davis Polk & Wardwell LLP is subject to the same assumptions, qualifications and limitations with respect to such matters as are contained in the opinions of Dundas & Wilson CS LLP and Linklaters LLP. In addition, the opinion of Davis Polk & Wardwell LLP is subject to customary assumptions about the establishment of the terms of the Notes, the trustee's authorization, execution and delivery of the Indenture and its authentication of the Notes, and the validity, binding nature and enforceability of the Indenture with respect to the trustee, all as stated in the opinion of Davis Polk & Wardwell LLP dated December 20, 2012, which was filed by the Guarantor as an exhibit to a Report on Form 6-K on December 20, 2012.

USE OF PROCEEDS; HEDGING

The net proceeds from the sale of the Notes will be used as described under “Use of Proceeds” in the prospectus and to hedge market risks of Lloyds Bank associated with its obligation to pay the applicable interest payments and the payment amount at maturity or upon early redemption of the Notes.

We and/or our affiliates may hedge our obligations under the Notes by purchasing securities, futures, options or other derivative instruments, and may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. Our cost of hedging will include a projected profit that our counterparty expects to realize in consideration for assuming the risks inherent in hedging our obligations under the Notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our counterparty’s control, such hedging may result in a profit that is more or less than expected, or could result in a loss. It is possible that we or our affiliates could receive substantial returns from these hedging activities while the value of the Notes declines.

We have no obligation to engage in any manner of hedging activity and we will do so solely at our discretion and for our own account. No holder of the Notes will have any rights or interest in our hedging activity or any positions we or any unaffiliated counterparty may take in connection with our hedging activity.

The hedging activity discussed above may adversely affect the value of the Notes from time to time. See “Risk Factors — The price you pay for the Notes has certain built-in costs, including the Selling Agent’s commission and our cost of hedging, both of which are expected to be reflected in secondary market prices” and “Risk Factors — There may be potential conflicts of interest between investors in the Notes and us and our affiliates and the Selling Agent and its affiliates” in this pricing supplement for a discussion of these adverse effects.

SUPPLEMENTAL PLAN OF DISTRIBUTION

We have agreed to sell to MLPF&S and MLPF&S has agreed to purchase from us, as principal, the aggregate principal amount of the Notes specified on the front cover of this pricing supplement at a price equal to $952.94 per $1,000.00 of the principal amount of the Notes, resulting in aggregate proceeds to us of $16,199,997.00. MLPF&S will receive commissions from us equal to $47.06 per $1,000.00 principal amount of the Notes, or $800,003.00 of the aggregate principal amount of the notes.

We have entered or will enter into one or more hedging transactions in connection with this offering of Notes. See “Use of Proceeds; Hedging” above. In addition, from time to time, MLPF&S and its affiliates have engaged, and in the future may engage, in transactions with us and have performed, and in the future may perform, services for us for which they have been, and may be, paid customary fees.

All costs and charges related to the Notes, including the underwriting discount and the hedging costs, reduce the economic terms of the Notes to you. For more information regarding these charges, our trading and hedging activities and conflicts of interest, see “Risk Factors—The price you pay for the Notes has certain built-in costs, including the Selling Agent’s commission and our cost of hedging, both of which are expected to be reflected in secondary market prices” on page PS-6 of this pricing supplement and “Use of Proceeds; Hedging” above.

You can find more information in the section entitled “Supplemental Plan of Distribution” on page S-26 of the prospectus supplement.

The Notes will be offered from time to time in one or more negotiated transactions at varying prices to be determined at the time of each sale, which may be at prevailing market prices, at prices related to such prevailing prices, or at negotiated prices; provided, however, that such price will not be less than $940.00 per $1,000.00 principal amount of the Notes and will not be greater than $1,000.00 per $1,000.00 principal amount of the Notes.

MLPF&S has agreed to reimburse us for certain expenses relating to the offering in an amount up to $20,000.00.

In the future, the Selling Agent or any of its affiliates may repurchase and resell the offered Notes in market-making transactions, with resales being made at prices related to prevailing market prices at the time of resale or at negotiated prices. The Selling Agent may act as principal or agent in these market-making transactions; however it is not obligated to engage in any such transactions. The distribution of this pricing supplement in connection with these offers or sales will be solely for the purpose of providing investors with the description of the terms of the Notes that was made available to investors in connection with their initial offering. Secondary market investors should not, and will not be authorized to, rely on the pricing supplement for information regarding the Issuer or the Guarantor or for any purpose other than that described in the immediately preceding sentence.

The Notes are a new issue of securities with no established trading markets. We have been advised by the Selling Agent that the Selling Agent intends to make a market in the Notes, but it is not obligated to do so and may discontinue market making at any time for any reason without notice. No assurance can be given as to the liquidity of the trading market for the Notes.

US $17,000,000

Lloyds TSB Bank plc

fully and unconditionally guaranteed by

Lloyds Banking Group plc

Senior Callable Steepener Notes Linked to the Difference Between
CMS30 and CMS5 due February 22, 2033

Medium-Term Notes, Series A

Pricing Supplement

(to prospectus dated December 22, 2010
and prospectus supplement dated June 6, 2011)

February 15, 2013

BofA Merrill Lynch

ame="s8D7471193758A79D4BB5AF0119A961D3">
Capital Resources
At December 31, 2014, the Company had only utilized the Credit Agreement in the form of undrawn letters of credit of $4.8 million. Cash and undrawn available bank credit facilities to support the Company’s future cash requirements at December 31, 2014 was approximately $320.2 million.
The Company expects to incur approximately $23 million of capital expenditures in 2015. 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 continues to spend capital on future acquisitions, management expects that the Company may need to obtain additional financing in the form of debt and/or equity financing.
Deferred Acquisition and Contingent Consideration (Earnouts)

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

Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period and changes in estimated value are recorded in results of operations. At December 31, 2014, there was $205.4 million of deferred consideration included in the Company’s balance sheet.

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.

Put Rights of Subsidiaries’ Noncontrolling Shareholders

Owners of interests in certain of the Company’s subsidiaries have the right in certain circumstances to require the Company to acquire either a portion of or all of the remaining ownership interests held by them. The owners’ ability to exercise any such “put option” right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during the period 2015 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 put option rights are exercised is dependent on various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through that date of exercise, the growth

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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, 2014, perform over the relevant future periods at their 2014 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately $19.7 million to the owners of such rights to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately $0.1 million by the issuance of the Company's Class A subordinate voting shares. In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $175.2 million only upon termination of such owner's employment with the applicable subsidiary or death. The Company intends to finance the cash portion of these contingent payment obligations using available cash from operations, borrowings under the Credit Agreement (and refinancings thereof) and, if necessary, through incurrence of additional debt. The ultimate amount payable and the incremental operating income in the future relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when these rights are exercised. Approximately $2.5 million of the estimated $19.7 million that the Company would be required to pay subsidiaries noncontrolling shareholders' upon the exercise of outstanding "put" rights, relates to rights exercisable within the next twelve months. Upon the settlement of the total amount of such put options, the Company estimates that it would receive incremental operating income before depreciation and amortization of $5.8 million that would be attributable to MDC Partners Inc.

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

Consideration(4)	2015	2016	2017	2018	2019 & Thereafter	Total
	($ Millions)					
Cash	$2.5	$3.6	$3.9	$4.8	$4.8	$19.6
Shares	—	—	0.1	—	—	0.1
	$2.5	$3.6	$4.0	$4.8	$4.8	$19.7 (1)
Operating income before depreciation and amortization to be received(2)	$3.1	$—	$1.4	$—	$1.3	$5.8
Cumulative operating income before depreciation and amortization(3)	$3.1	$3.1	$4.5	$4.5	$5.8	

(1) This amount is in addition to put options only exercisable upon termination or death of $175.2 million have been recognized in Redeemable Noncontrolling Interests on the Company balance sheet.

(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 2014 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.

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 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.
Transactions With Related Parties
CEO Services Agreement
On April 25, 2007, the Company entered into a new Management Services Agreement (as amended and restated on May 6, 2013, the “Services Agreement”) with Miles Nadal and with Nadal Management, Inc. to set forth the terms and conditions on

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which Miles Nadal will continue to provide services to the Company as its Chief Executive Officer. The Services Agreement is subject to automatic one-year extensions unless either party gives to the other a 60-day advance written notice of its intention not to renew. Effective January 1, 2013, the annual retainer amount (base salary) under the Services Agreement was increased to $1,750,000; effective January 1, 2014, the annual retainer amount was increased to $1,850,000; effective January 1, 2015, the annual retainer amount was increased to $2,000,000.

During 2012 and 2013 and in accordance with this Services Agreement, Mr. Nadal repaid an amount equal to $0.5 million and $5.4 million of loans due to the Company, respectively. As of April 26, 2013, Mr. Nadal has repaid and satisfied in full the remaining principal balance of all previously outstanding loans made by the Company to Mr. Nadal and his affiliates. After giving effect to this final repayment by Mr. Nadal to the Company, there is currently $0 remaining due and owing to the Company in respect of all prior loans. For further information, see Note 15 of the Notes to the Consolidated Financial Statements included herein.

Use of Private Aircraft

Beginning in 2014, MDC has chartered for business purposes an airplane and helicopter (together, the "Aircraft") owned by entities controlled by Mr. Nadal and leased to an independent corporate aircraft management company. Entities controlled by Mr. Nadal paid for the purchases of the Aircraft and are legally responsible and have paid for all operating, personnel and maintenance costs associated with the Aircraft's operations. Payments by third parties to charter the Aircraft from the corporate aircraft management company will offset a portion of the costs. Payments by MDC for the business use of the Aircraft by Mr. Nadal and other Executive employees of MDC are made to the corporate aircraft management company at a fixed hourly rate set forth in the aircraft service agreement between the aircraft management company and entities controlled by Mr. Nadal. In 2014, MDC paid a total of $1.6 million for the business use of the Aircraft.

Trapeze Media

In 2000, the Company purchased 1,600,000 shares in Trapeze Media Limited ("Trapeze"), a Toronto-based digital advertising company, for $0.2 million. At the same time, the Company's CEO purchased 4,280,000 shares of Trapeze for $0.6 million, the Company's former Chief Financial Officer and a Managing Director of the Company each purchased 50,000 Trapeze shares for $7,000 and a Board Member of the Company purchased 75,000 shares of Trapeze for $10,000. In 2001, the Company purchased an additional 1,250,000 shares for $0.2 million, and the Company's CEO purchased 500,000 shares for $0.1 million. In 2002, the Company's CEO purchased 3,691,930 shares of Trapeze for $0.5 million. All of these purchases were made at identical prices (C$0.20/unit). In 2003, the Company and the CEO exchanged their units in Trapeze for non-voting shares and entered into a voting trust agreement.

During 2013, an MDC Partner firm provided services to Trapeze in exchange for fees equal to $0.2 million. Trapeze did not provide any services to MDC nor its partner firms in the three years ended December 31, 2014, prior to the July 31, 2014 acquisition.

On July 31, 2014, Union Advertising Canada LP ("Union"), an MDC Partner firm, acquired 100% of the issued and outstanding stock of Trapeze. Prior to the acquisition, the Company owned 18% of the equity interests in Trapeze, and Miles Nadal (the Company's President and Chief Executive Officer) owned 54% of the equity interests. The total estimated aggregate consideration for 100% of the equity interests in Trapeze was $5.3 million (or $4.4 million excluding the Company's current equity interest). MDC recorded other income of $64,000 representing a gain on the previously held 18% interest in Trapeze. Mr. Nadal recused himself from all Board discussions relating to Trapeze.

The Stock Purchase Agreement for the Trapeze transaction contains customary representations and warranties and covenants of each party. Breaches of any representations and warranties will be subject to customary indemnification provisions.

The acquisition of Trapeze by Union is expected to create an integrated agency with strong digital capabilities and more significant scale. In order to maximize the operating efficiency of the combined operations, the employees of Trapeze relocated into Union's current offices, and certain changes were made to the combined entity's executive

management team.
The Company’s Board of Directors, through its Audit Committee, has reviewed and approved these transactions.
Critical Accounting Policies
The following summary of accounting policies has been prepared to assist in better understanding the Company’s consolidated financial statements and the related management discussion and analysis. Readers are encouraged to consider this information together with the Company’s consolidated financial statements and the related notes to the consolidated financial statements as included herein for a more complete understanding of accounting policies discussed below.
Estimates. The preparation of the Company’s financial statements in conformity with generally accepted accounting principles in the United States of America, or “GAAP”, requires management to make estimates and assumptions. These

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estimates and assumptions affect the reported amounts of assets and liabilities including goodwill, intangible assets, redeemable noncontrolling interests, and deferred acquisition consideration, valuation allowances for receivables and deferred income tax assets and stock based compensation 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 FASB Accounting Standards Codification. 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 state 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.

Valuation of acquired companies are based on a number of factors, including specialized know-how, reputation, competitive position and service offerings. Our acquisition strategy has been to focus on acquiring the expertise of an assembled workforce in order to continue building upon the core capabilities of our various strategic business platforms to better serve our clients. Consistent with our acquisition strategy and past practice of acquiring a majority ownership position, most acquisitions completed after 2010 include an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent payments for these transactions, as well as certain acquisitions completed in prior years, are derived using the performance of the acquired entity and are based on pre-determined formulas. Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at the estimated present value. The estimated liability is determined in accordance with various contractual valuation formulas that may be dependent on future events, such as the growth rate of earnings of the relevant subsidiary during the contractual period, and, in some cases, the currency exchange rate on the date of payment. These estimates are adjusted quarterly based on changes in current information affecting each subsidiaries current operating results and the impact this information will have on future results included in the calculation of the estimated liability. In addition, change in various contractual valuation formulas as well as adjustments to present value impact quarterly adjustments. Changes in estimated value are recorded in results of operations. In addition, certain acquisitions also include put/call obligations for additional equity ownership interests. The estimated value of these interests are recorded as redeemable noncontrolling interests. As of January 1, 2009, the Company expenses acquisition related costs in accordance with the Accounting Standard's Codification's guidance on acquisition accounting.

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

Acquisitions, Goodwill and Other Intangibles. The Company reviews goodwill and other indefinite live intangible assets for impairment annually at the beginning of the fourth quarter and whenever events or circumstances indicate that the carrying amount may not be recoverable.

The Company has the option of assessing qualitative factors to determine whether it is more likely than not that the carrying value of our reporting units exceeds their respective fair value or proceeding directly to the two-step impairment test. If the Company elects to perform a qualitative assessment and concludes it is not more likely than not that the fair value of the reporting unit is less than its carrying value, no further assessment is deemed necessary. Otherwise, goodwill must be tested for impairment using a two-step process. In addition, the two-step process must be applied for any reporting units not included in the qualitative assessment. The first step involves a comparison of the estimated fair value of each of the Company's reporting units to its carrying value, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit using a discounted cash flow ("DCF") analysis. Determining fair value requires the exercise of significant judgment, including judgment about the amount and timing of expected future cash flows and appropriate discount rates.

The expected cash flows used in the DCF analysis are based on the Company's most recent budget and forecasted growth rates. Assumptions used in the DCF analysis, including the discount rate, are assessed annually based on the reporting units' current results and forecast, as well as macroeconomic and industry specific factors.

If the estimated fair value of a reporting unit exceeds its carrying value, then the goodwill of the reporting unit is not impaired. Otherwise, step two must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its carrying value to measure the amount of impairment, if any.

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

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

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

Interest Expense. Interest expense primarily consists of the cost of borrowing on the revolving Credit Agreement and the 6.75% Notes. The Company uses the effective interest method to amortize the original issue discount and original issue premium on the 6.75% Notes. The Company amortizes deferred financing costs using the effective interest method over the life of the 6.75% Notes and straight line over the life of 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. When awards are exercised, share capital is credited by the sum of the consideration paid together with the related portion previously credited to additional paid-in capital when compensation costs were charged against income or acquisition consideration. Stock-based awards that are settled in cash or may be settled in cash at the option of employees are recorded as liabilities. The measurement of the liability and compensation cost for these awards is based on the fair value of the award, and is recorded into operating income over the service period, that is the vesting period of the award. Changes in the Company's payment obligation are revalued each period and recorded as compensation cost over the service period in operating income.

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

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

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New Accounting Pronouncements

Information regarding new accounting guidance can be found in Note 17 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, 2014, the Company's debt obligations consisted of the 6.75% Notes. This facility 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 6.75% Notes bear interest at a fixed rate. The Company's ability to obtain the required bank syndication commitments depends in part on conditions in the bank market at the time of syndication. As of December 31, 2014, the Company had no borrowings on the revolving Credit Agreement. Given that there were no borrowings at December 31, 2014, a 1% increase in the weighted average interest rate, which was 4.25% at December 31, 2014, would have no interest impact.

Foreign Exchange: The Company primarily conducts business in six currencies, the U.S. Dollar, the Canadian Dollar, the Euro, the British Pound, the Swedish Krona, and the Chinese Renminbi. Our results of operations are subject to risk from the translation to the U.S. Dollar of the revenue and expenses of our non-U.S. operations. The effects of currency exchange rate fluctuations on the translation of our results of operations are discussed in the "Management's Discussion and Analysis of Financial Condition and Result of Operations" and in Note 2 of our consolidated financial statements. For the most part, our revenues and expenses incurred related to our non-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 $2.0 million.

Impairment Risk: At December 31, 2014, the Company had goodwill of $851.4 million and other intangible assets of $86.1 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 our capital investment. While the Company did not experience impairment during the year ended December 31, 2014, the Company may incur impairment charges in future periods.

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Item 8. Financial Statements and Supplementary Data

MDC PARTNERS INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm
Board of Directors and Stockholders
MDC Partners Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of MDC Partners Inc. as of December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive loss, shareholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MDC Partners Inc. at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), MDC Partners Inc.'s internal control over financial reporting as of December 31, 2014, 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 2, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
March 2, 2015

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

	Years Ended December 31,		
	2014	2013	2012
Revenue:			
Services	$1,223,512	$1,062,478	$972,973
Operating Expenses:			
Cost of services sold	798,518	704,969	667,329
Office and general expenses	290,073	355,964	281,166
Depreciation and amortization	47,172	36,139	42,447
	1,135,763	1,097,072	990,942
Operating profit (loss)	87,749	(34,594)	(17,969)
Other Income (Expenses)			
Other income	689	2,531	450
Foreign exchange loss	(18,482)	(5,516)	(1,138)
Interest expense and finance charges	(55,265)	(45,110)	(46,501)
Loss on redemption of Notes	—	(55,588)	—
Interest income	418	427	630
	(72,640)	(103,256)	(46,559)
Income (loss) from continuing operations before income taxes and equity in non-consolidated affiliates	15,109	(137,850)	(64,528)
Income tax expense (benefit)	12,422	(4,367)	9,553
Income (loss) from continuing operations before equity in non-consolidated affiliates	2,687	(133,483)	(74,081)
Equity in earnings of non-consolidated affiliates	1,406	281	633
Income (loss) from continuing operations	4,093	(133,202)	(73,448)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes	(21,260)	(9,200)	(5,128)
Net loss	(17,167)	(142,402)	(78,576)
Net income attributable to the non controlling interests	(6,890)	(6,461)	(6,863)
Net loss attributable to MDC Partners Inc.	$(24,057)	$(148,863)	$(85,439)
Loss Per Common Share:			
Basic and Diluted			
Loss from continuing operations attributable to MDC Partners Inc. common shareholders	$(0.06)	$(2.96)	$(1.74)
Discontinued operations attributable to MDC Partners Inc. common shareholders	(0.43)	(0.20)	(0.11)
Net loss attributable to MDC Partners Inc. common shareholders	$(0.49)	$(3.16)	$(1.85)
Weighted Average Number of Common Shares Outstanding:			
Basic and Diluted	49,545,350	47,108,406	46,090,160
Stock based compensation expense is included in the following line items above:			
Cost of services sold	$9,883	$7,222	$4,762

Office and general expenses	7,813	93,183	27,435
Total	$17,696	$100,405	$32,197

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

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

	Years Ended December 31, 2014	2013	2012
Comprehensive Loss			
Net loss	$(17,167)	$(142,402)	$(78,576)
Other comprehensive income (loss), net of tax:			
Foreign currency cumulative translation adjustment	1,736	(299)	2,548
Benefit plan adjustment, net of income tax benefit of $1,112 for 2014 and income tax expense of $1,112 for 2013	(10,403)	6,936	(5,329)
Other comprehensive income (loss)	(8,667)	6,637	(2,781)
Comprehensive loss for the year	(25,834)	(135,765)	(81,357)
Comprehensive loss attributable to the noncontrolling interests	(5,178)	(6,450)	(6,869)
Comprehensive loss attributable to MDC Partners Inc.	$(31,012)	$(142,215)	$(88,226)

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

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

	December 31, 2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$119,767	$102,007
Accounts receivable, less allowance for doubtful accounts of $1,409 and $2,011	355,295	309,796
Expenditures billable to clients	40,202	63,246
Other current assets	36,978	25,458
Total Current Assets	552,242	500,507
Fixed assets, net	60,240	52,071
Investment in non-consolidated affiliates	6,110	275
Goodwill	851,373	744,333
Other intangible assets, net	86,121	56,262
Deferred tax assets	18,758	21,131
Other assets	74,046	50,648
Total Assets	$1,648,890	$1,425,227
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	$316,285	$246,694
Accrued and other liabilities	271,273	240,580
Advance billings	142,608	149,540
Current portion of long-term debt	534	467
Current portion of deferred acquisition consideration	90,804	53,041
Total Current Liabilities	821,504	690,322
Long-term debt, less current portion	742,593	664,661
Long-term portion of deferred acquisition consideration	114,564	100,872
Other liabilities	45,861	34,430
Deferred tax liabilities	77,997	63,020
Total Liabilities	1,802,519	1,553,305
Redeemable Noncontrolling Interests	194,951	148,534
Commitments, Contingencies and Guarantees (Note 16)		
Shareholders' Deficit:		
Preferred shares, unlimited authorized, none issued	—	—
Class A Shares, no par value, unlimited authorized, 49,680,109 and 49,092,427 shares issued and outstanding in 2014 and 2013, respectively	265,817	262,655
Class B Shares, no par value, unlimited authorized, 3,755 issued and outstanding in 2014 and 2013, respectively, convertible into one Class A share	1	1
Shares to be issued, 42,000 shares, issued and outstanding in 2013	—	424
Additional paid-in capital	—	—
Charges in excess of capital	(209,668)	(126,352)
Accumulated deficit	(489,633)	(465,576)
Stock subscription receivable	—	(55)

Accumulated other comprehensive loss	(7,752)	(797)
MDC Partners Inc. Shareholders' Deficit	(441,235)	(329,700)
Noncontrolling Interests	92,655	53,088
Total Shareholders' Deficit	(348,580)	(276,612)
Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Deficit	$1,648,890	$1,425,227

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

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

	Years Ended December 31, 2014	2013	2012
Cash flows from operating activities:			
Net Loss	$(17,167)	$(142,402)	$(78,576)
Loss from discontinued operations	(21,260)	(9,200)	(5,128)
Income (loss) from continuing operations	4,093	(133,202)	(73,448)
Adjustments to reconcile income (loss) from continuing operations to cash provided by operating activities:			
Non-cash stock-based compensation	17,696	22,438	32,197
Depreciation	16,462	16,742	15,999
Amortization of intangibles	30,710	19,397	26,448
Amortization of deferred finance charges and debt discount	2,247	7,762	2,249
Loss on redemption of Notes	—	50,385	—
Adjustment to deferred acquisition consideration	18,652	36,143	53,305
Deferred income taxes	10,963	(5,427)	8,422
Earnings of non-consolidated affiliates	(1,406)	(281)	(633)
Distributions from non-consolidated affiliates	730	—	—
Distributions in excess of carrying value	—	(3,058)	—
Other and non-current assets and liabilities	(8,535)	(9,405)	(9,167)
Foreign exchange	14,821	3,004	861
Increase/decrease in operating assets and liabilities, net of acquisitions			
Accounts receivable	(35,800)	16,086	(28,885)
Expenditures billable to clients	23,351	(4,404)	(17,151)
Prepaid expenses and other current assets	(1,949)	(7,835)	(2,993)
Accounts payable, accruals and other current liabilities	57,539	30,017	65,919
Advance billings	(13,805)	17,632	1,776
Cash flows provided by continuing operating activities	135,769	55,994	74,899
Discontinued operations	(1,827)	3,305	1,405
Net cash provided by operating activities	133,942	59,299	76,304
Cash flows from investing activities:			
Capital expenditures	(26,416)	(16,809)	(16,537)
Proceeds from sale of assets	85	239	51
Acquisitions, net of cash acquired	(68,344)	(11,872)	30,993
Profit distributions from non-consolidated affiliates	3,409	3,761	1,288
Other investments	(6,312)	(2,692)	(2,198)
Cash flows provided by (used in) continuing investing activities	(97,578)	(27,373)	13,597
Discontinued operations	(2,108)	(2,751)	(5,786)
Net cash provided by (used in) investing activities	(99,686)	(30,124)	7,811

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

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

	Years Ended December 31,		
	2014	2013	2012
Cash flows from financing activities:			
Proceeds from issuance of 6.75% Notes	78,937	664,125	—
Repayment of 11% Notes	—	(425,000)	—
Proceeds from issuance of 11% Notes	—	—	84,800
Repayments of revolving credit facility	—	—	(38,032)
Acquisition related payments	(78,322)	(119,572)	(68,725)
Cash overdraft	37,835	4,976	25,986
Distributions to noncontrolling interests	(6,523)	(5,525)	(7,673)
Proceeds from exercise of options	—	—	28
Payments of dividends	(37,698)	(22,047)	(22,030)
Repayment of long-term debt	(656)	(743)	(653)
Premium paid on redemption of Notes	—	(50,385)	—
Deferred financing costs	(3,659)	(20,815)	(2,232)
Purchase of shares	(5,414)	(13,817)	(3,327)
Other	112	561	—
Cash flows provided by (used in) continuing financing activities	(15,388)	11,758	(31,858)
Discontinued operations	(40)	(1,266)	—
Net cash provided by (used in) financing activities	(15,428)	10,492	(31,858)
Effect of exchange rate changes on cash and cash equivalents	(1,068)	2,010	(23)
Increase in cash and cash equivalents	17,760	41,677	52,234
Cash and cash equivalents at beginning of year	102,007	60,330	8,096
Cash and cash equivalents at end of year	$119,767	$102,007	$60,330
Supplemental disclosures:			
Cash income taxes paid	$431	$919	$1,236
Cash interest paid	$49,253	$38,727	$41,094
Non-cash transactions:			
Capital leases	$773	$595	$431
Note receivable exchanged for shares of subsidiary	$1,746	$—	$888
Dividends payable	$1,347	$1,793	$1,041

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

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

	Common Stock				Share Capital to Be Issued								
	Class A		Class B				Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders’ Deficit	Nonc… Inter…
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at December 31, 2011	43,916,112	$228,208	3,755	$1	42,000	$424	$—	$(45,102)	$(231,274)	$(55)	$(4,658)	$(52,456)	$39,…
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	(85,439)	—	—	(85,439)	—
Other Comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	(2,787)	(2,787)	6
Stock Appreciation Rights Exercised	39,639	100	—	—	—	—	(100)	—	—	—	—	—	—
Shares acquired and cancelled	(366,380)	(3,327)	—	—	—	—	—	—	—	—	—	(3,327)	—
Issuance of restricted stock	3,017,151	28,860	—	—	—	—	(28,860)	—	—	—	—	—	—
Options Exercised	4,730	28	—	—	—	—	—	—	—	—	—	28	—
Stock-based compensation	—	—	—	—	—	—	28,060	—	—	—	—	28,060	—
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(22,912)	—	—	—	—	(22,912)	—

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

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	Common Stock				Share Capital to Be Issued		Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders' Deficit	Nonco Interes
	Class A		Class B										
	Shares	Amount	Shares	Amount	Shares	Amount							
Changes in noncontrolling and redeemable noncontrolling interests from business combinations	—	—	—	—	—	—	13,920	—	—	—	—	13,920	(15,98
Increase in noncontrolling interests from business acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	34,481
Dividends paid and to be paid	—	—	—	—	—	—	(17,919)	—	—	—	—	(17,919)	—
Transfer to charges in excess of capital	—	—	—	—	—	—	27,811	(27,811)	—	—	—	—	—
Balance at December 31, 2012	46,611,252	$253,869	3,755	$1	42,000	$424	$—	$(72,913)	$(316,713)	$(55)	$(7,445)	$(142,832)	$58,02

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

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

	Common Stock				Share Capital to Be Issued		Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders' Deficit	Non Inte
	Class A		Class B										
	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at December 31, 2012	46,611,252	$253,869	3,755	$1	42,000	$424	$—	$(72,913)	$(316,713)	$(55)	$(7,445)	$(142,832)	$58
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	(148,863)	—	—	(148,863)	—
Other Comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	6,648	6,648	(11
Equity Value Appreciation Awards	2,201,676	16,210	—	—	—	—	(16,210)	—	—	—	—	—	—
Stock Appreciation Rights Exercised	221,384	387	—	—	—	—	(387)	—	—	—	—	—	—
Shares acquired and cancelled	(593,156)	(13,817)	—	—	—	—	—	—	—	—	—	(13,817)	—
Issuance of restricted stock	651,271	6,006	—	—	—	—	(6,006)	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	16,083	—	—	—	—	16,083	—
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(35,689)	—	—	—	—	(35,689)	—
Decrease in noncontrolling interests from business combinations	—	—	—	—	—	—	11,074	—	—	—	—	11,074	(16

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

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	Common Stock Class A Shares	Common Stock Class A Amount	Class B Shares	Class B Amount	Share Capital to Be Issued Shares	Share Capital to Be Issued Amount	Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders' Deficit	Noncon Interest
Increase in noncontrolling interests from business acquisitions	—	—	—	—	—	—	—	—	—	—	—	—	11,090
Dividends paid and to be paid	—	—	—	—	—	—	(22,865)	—	—	—	—	(22,865)	—
Other	—	—	—	—	—	—	561	—	—	—	—	561	—
Transfer to charges in excess of capital	—	—	—	—	—	—	53,439	(53,439)	—	—	—	—	—
Balance at December 31, 2013	49,092,427	$262,655	3,755	$1	42,000	$424	$—	$(126,352)	$(465,576)	$(55)	$(797)	$(329,700)	$53,08

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

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

	Common Stock Class A		Class B		Share Capital to Be Issued							
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid in Capital	Charges in Excess of Capital	Accumulated Deficit	Stock Subscription Receivable	Accumulated Other Comprehensive Loss	MDC Partners Inc. Shareholders' Deficit
Balance at December 31, 2013	49,092,427	$262,655	3,755	$1	42,000	$424	$—	$(126,352)	$(465,576)	$(55)	$(797)	$(329,700)
Net loss attributable to MDC Partners	—	—	—	—	—	—	—	—	(24,057)	—	—	(24,057)
Other Comprehensive income (loss)	—	—	—	—	—	—	—	—	—	—	(6,955)	(6,955)
Issuance of restricted stock	761,686	7,661	—	—	—	—	(7,661)	—	—	—	—	—
Shares acquired and cancelled	(216,004)	(5,414)	—	—	—	—	—	—	—	—	—	(5,414)
Stock Subscription Receivable										55		55
Stock-based compensation	—	—	—	—	—	—	9,868	—	—	—	—	9,868
Changes in redemption value of redeemable noncontrolling interests	—	—	—	—	—	—	(38,850)	—	—	—	—	(38,850)
Decrease in noncontrolling interests and redeemable noncontrolling interests from business combinations	—	—	—	—	—	—		—	—	—	—	—
Increase in noncontrolling interests from business acquisitions	—	—	—	—	—	—	(8,992)	—	—	—	—	(8,992)
	—	—	—	—	—	—	(37,244)	—	—	—	—	(37,244)

Dividends paid and to be paid												
Other	42,000	915	—	—	(42,000)	(424)	(437)	—	—	—	—	54
Transfer to charges in excess of capital	—	—	—	—	—	—	83,316	(83,316)	—	—	—	—
Balance at December 31, 2014	49,680,109	$265,817	3,755	$1	—	$—	$—	$(209,668)	$(489,633)	$—	$(7,752)	$(441,235)

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

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MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Except per Share Amounts)

1. Basis of Presentation

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

Effective December 2014, Accent Marketing, L.L.C. has been deemed discontinued operations. All periods have been restated to reflect the discontinued operation. For further information see Note 10 “Discontinued Operations.”

Nature of Operations

MDC Partners Inc., formerly MDC Corporation Inc., is incorporated under the laws of Canada. The Company commenced using the name MDC Partners Inc. on November 1, 2003 and legally changed its name through amalgamation with a wholly-owned subsidiary on January 1, 2004. The Company’s operations are in primarily one business group — Marketing Communications. The business group operates primarily in the United States (“US”), Canada, Europe, Asia, and Latin America. See Note 14, “Segment Information”, for further description of the one business group and MDC’s reportable segments.

2. Significant Accounting Policies

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

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of MDC Partners Inc. its domestic and international controlled subsidiaries 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.

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, valuation allowances for receivables and deferred tax assets and the reported amounts of revenue and expenses during the reporting period. The estimates are evaluated on an ongoing basis and 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 Codification Topic 820, Fair Value Measurements and Disclosure for financial assets and liabilities that are required to be measured at fair value and for nonfinancial assets and liabilities that are not required to be measured at fair value on a recurring basis, including goodwill and other identifiable intangible assets. The measurement of fair value requires the use of techniques based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The inputs create the following fair value hierarchy:

- Level 1 — Quoted prices for identical instruments in active markets.
- Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations where inputs are observable or where significant value drivers are observable.
- Level 3 — Instruments where significant value drivers are unobservable to third parties.

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

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, 2014 and 2013. No clients accounted for 10% of revenue in each of the years ended December 31, 2014, 2013 and 2012.

Cash and Cash Equivalents. The Company's cash equivalents are primarily comprised of investments in overnight interest-bearing deposits, commercial paper and money market instruments and other short-term investments with original maturity dates of three months or less at the time of purchase. The Company has a concentration of credit risk in that there are cash deposits in excess of federally insured amounts. Included in cash and cash equivalents at December 31, 2014 and 2013 was $6,461 and $44, respectively, of cash restricted as to withdrawal pursuant to a collateral agreement and a customer's contractual requirement.

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

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

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

Impairment of Long-lived Assets. In accordance with the FASB Accounting Standards Codification topic, Accounting for the Impairment or Disposal of Long-lived Assets, a long-lived asset or asset group is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, the Company compares the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of the long-lived asset or asset group. If this comparison indicates that there is an impairment, the amount of the impairment is typically calculated using discounted expected future cash flows where observable fair values are not readily determinable. The discount rate applied to these cash flows is based on the Company's weighted average cost of capital, risk adjusted where appropriate.

Equity Method Investments. The equity method is used to account for investments in entities in which the Company has an ownership interest of less than 50% and has significant influence, or joint control by contractual arrangement with all parties having an equity interest, over the operating and financial policies of the affiliate or has an ownership interest of greater than 50% however the substantive participating rights of the noncontrolling interest shareholders preclude the Company from exercising unilateral control over the operating and financial policies of the affiliate. The Company's investments accounted for using the equity method includes a 30% undivided interest in a real estate joint venture and various interests in investment funds. In 2013, the Company recorded a distribution of $3,096 from this real estate joint venture, of which $3,058 was in excess of the Company's carrying amount and has been recorded as a gain in equity in earnings of non-consolidated affiliates. The Company's management periodically evaluates these investments to determine if there has been a decline in value that is other than temporary. These investments are included in investments in affiliates.

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, 2014 and 2013 was $10,196 and $12,452, respectively. These investments are periodically evaluated to determine if there have been any other than temporary declines below book value. A variety of factors are considered when determining if a decline in fair value below book value is other than temporary, including, among others, the financial condition and prospects of the investee, as well as the Company's investment intent.

In addition, the Company's partner agencies may receive minority equity interests from start-up companies in lieu of fees. During the year ended December 31, 2014, the Company liquidated two such equity interest positions in exchange for an aggregate purchase price equal to $8,248. The purchasers of these equity investments were current investors in such entities and two executive officers of our subsidiary partner agencies.

Goodwill and Indefinite Lived Intangible. In accordance with the FASB Accounting Standards Codification topic, Goodwill and Other Intangible Assets, goodwill and indefinite life intangible assets (trademarks) acquired as a result of a business combination which are not subject to amortization are tested for impairment annually on October 1, and more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. The Company's conclusion was based on a detailed analysis of the aggregation criteria set forth in the FASB ASC Topic 280, Segment Reporting, and the guidance set forth in FASB ASC Topic

MDC PARTNERS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of United States Dollars, Unless Otherwise Stated Except per Share Amounts)
2. Significant Accounting Policies – (continued)

350, Intangibles - Goodwill and Other. Consistent with our fundamental business strategy, the agencies within the reporting units serve similar clients in similar industries, and in many cases the same clients. The main economic components of each agency are employee compensation and related costs and direct service costs and office and general costs, which include rent and occupancy costs, technology costs that are generally limited to personal computers, servers and off-the shelf software and other overhead expenses.
The Company's ten 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 the reporting units. The reporting unit goodwill balances vary by reporting unit primarily because it relates specifically to the operating unit's goodwill which was determined at the date of acquisition.
The Company has the option of assessing qualitative factors to determine whether it is more likely it is more likely than not that the carrying amount of its reporting units exceeds their respective fair value or proceeding directly to the two-step impairment test. If the Company elects to perform a qualitative assessment and concludes it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, no further assessment is deemed necessary. Otherwise, goodwill must be tested for impairment using a two-step process. In addition, the two-step process must be applied for any reporting units not included in the qualitative assessment. Under the two step process, the Company first compares the estimated fair value of each of the Company's reporting units to its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit using a discounted cash flow ("DCF") analysis. If the estimated fair value of a reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is not impaired. Otherwise, step two must be performed. Second, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit’s goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with the FASB Accounting Standards Codification topic, Business Combinations. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.
The Company uses the income approach, which utilizes DCF, as its methodology to determine the fair value of its reporting unit.
In applying the income approach, the Company uses estimates to derive the expected DCF for each reporting unit that serves as the basis of the valuation. These estimates and assumptions include revenue growth and operating margin, EBITDA, tax rates, capital expenditures, weighted average cost of capital ("WACC") and related discount rates and expected long-term cash flow growth rates. All of these estimates and assumptions are affected by conditions in the global economy. The assumptions that have the most significant effect on our valuations derived using a DCF methodology are: (1) the expected long-term growth rate of our reporting unit's cash flows and (2) the WACC.
The range of assumptions for the long-term growth rate and WACC used in our evaluations as of October 1, 2014 and 2013 were:

	October 1,			
	2014		2013	
Long-Term Growth Rate	4.3-10.0%		5.0-10.0%	
WACC	8.95	%	9.50	%

Impairment losses, where applicable, will be charged to operating profit. The Company identifies certain intangible assets (trademarks) as indefinite life if there are no legal, regulatory, contractual or economic factors that limit the useful life. If the carrying amount of an indefinite life intangible exceeds its fair value, an impairment loss is recognized for the excess. As of December 31, 2014 and 2013, there was no impairment of goodwill and no reporting units were at risk of failing the Company’s annual impairment test.

Definite Lived Intangible Assets. In accordance with the FASB Accounting Standards Codification, acquired intangibles, are subject to amortization over their useful lives. The method of amortization selected reflects the pattern in which the economic benefits of the specific intangible asset is consumed or otherwise used up. If that pattern cannot be reliably

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determined, a straight-line amortization method is used over the estimated useful life. Intangible assets that are subject to amortization are reviewed for potential impairment at least annually or whenever events or circumstances indicate that carrying amounts may not be recoverable. See also Note 8.

Deferred Taxes. The Company uses the asset and liability method of accounting for income taxes. Deferred income taxes are provided for the temporary difference between the financial reporting basis and tax basis of the Company's assets and liabilities. Deferred tax benefits result principally from certain tax carryover benefits and from recording certain expenses in the financial statements that are not currently deductible for tax purposes and from differences between the tax and book basis of assets and liabilities recorded in connection with acquisitions. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax liabilities result principally from deductions recorded for tax purposes in excess of that recorded in the financial statements or income for financial statement purposes in excess of the amount for tax purposes. The effect of changes in tax rates is recognized in the period the rate change is enacted.

Business Combinations. Valuation of acquired companies are based on a number of factors, including specialized know-how, reputation, competitive position and service offerings. The Company's acquisition strategy has been focused on acquiring the expertise of an assembled workforce in order to continue to build upon the core capabilities of its various strategic business platforms to better serve the Company's clients. Consistent with the acquisition strategy and past practice of acquiring a majority ownership position, most acquisitions completed after 2010 included an initial payment at the time of closing and provide for future additional contingent purchase price payments. Contingent payments for these transactions, as well as certain acquisitions completed in prior years, are derived using the performance of the acquired entity and are based on pre-determined formulas. Contingent purchase price obligations for acquisitions completed prior to January 1, 2009 are accrued when the contingency is resolved and payment is certain. Contingent purchase price obligations related to acquisitions completed subsequent to December 31, 2008 are recorded as liabilities at estimated value and are remeasured at each reporting period and changes in estimated value are recorded in results of operations. For the years ended December 31, 2014, 2013 and 2012, \$16,467, \$35,914 and \$53,027, respectively, related to changes in estimated value was recorded as operating expenses. In addition, certain acquisitions also include put/call obligations for additional equity ownership interests. The estimated value of these interests are recorded as Redeemable Noncontrolling Interests. As of January 1, 2009, the Company expenses acquisition related costs in accordance with the Accounting Standard's Codification's guidance on acquisition accounting. For the year ended December 31, 2014, 2013, and 2012 \$6,133, \$2,066 and \$3,203, respectively, of acquisition related costs were charged to operations.

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

Redeemable Noncontrolling Interest. The minority interest shareholders of certain subsidiaries have the right to require the Company to acquire their ownership interest under certain circumstances pursuant to a contractual arrangement and the Company has similar call options under the same contractual terms. The amount of consideration under the put and call rights is not a fixed amount, but rather is dependent upon various valuation formulas and on future events, such as the average earnings of the relevant subsidiary through the date of exercise, the growth rate of the earnings of the relevant subsidiary through the date of exercise, etc. as described in Note 16.

The Company has recorded the value of put options held by noncontrolling interests as mezzanine equity at their current estimated redemption amounts. The Company accrues changes in the redemption amounts over the period from the date of issuance to the earliest redemption date of the put options. The Company accounts for the put options with a charge to noncontrolling interests to reflect the excess, if any, of the estimated exercise price over the estimated fair value of the noncontrolling interest shares at the date of the option being exercised. For the three years ended December 31, 2014, there has been no charges to noncontrolling interests. Changes in the estimated redemption amounts of the put options are adjusted at

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each reporting period with a corresponding adjustment to equity. These adjustments will not impact the calculation of earnings (loss) per share.

The following table presents changes in Redeemable Noncontrolling Interests.

	Years Ended December 31,		
	2014	2013	2012
Beginning Balance as of January 1,	$ 148,534	$ 117,953	$ 107,432
Redemptions	(4,820)	(4,270)	(16,712)
Granted	13,327	—	4,189
Changes in redemption value	38,850	35,689	22,912
Currency translation adjustments	(940)	(838)	132
Ending Balance as of December 31,	$ 194,951	$ 148,534	$ 117,953

Variable Interest Entity. Effective March 28, 2012, MDC invested in Doner Partners LLC (“Doner”) (see Note 4), and has determined that this entity is a variable interest entity (“VIE”) and is consolidated for the year ended December 31, 2012. The Company acquired a 30% voting interest and convertible preferred interests that allow the Company to increase ordinary voting ownership to 70% at MDC’s option. Doner is a full service integrated creative agency that is included as part of our portfolio in the Strategic Marketing Services Segment. The Company’s Credit Agreement (see Note 11) is guaranteed and secured by all of Doner’s assets.

The Company has determined that it is the primary beneficiary because MDC receives a disproportionate share of profits and losses as compared to the Company’s ownership percentage. Total assets and total liabilities of Doner included in the Company’s consolidated balance sheet at December 31, 2014 and 2013, were $223,305 and $192,340, and were $224,964 and $179,501, 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 a guarantee, as a liability for the obligations it has undertaken in issuing the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. The initial measurement of that liability is the fair value of the guarantee. The recognition of the liability is required even if it is not probable that payments will be required under the guarantee. The Company’s liability associated with guarantees is not significant. (See Note 16.)

Revenue Recognition. The Company’s revenue recognition policies are as required by the Revenue Recognition topics of the FASB Accounting Standards Codification, and accordingly, revenue is generally recognized as services are provided or upon delivery of the products when ownership and risk of loss has transferred to the customer, the selling price is fixed or determinable and collection of the resulting receivable is reasonably assured. The Company follows the Revenue Arrangements with Multiple Deliverables topic that 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 also follows the Reporting Revenue Gross as a Principal versus Net as an Agent topic that summarizes the EITF’s views on when revenue should be recorded at the gross amount billed because it has earned revenue from the sale of goods or services, or the net amount retained because it has earned a fee or commission. The Company also follows the Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred topic, for reimbursements received for out-of-pocket expenses, which summarizes the EITF’s views that reimbursements received for out-of-pocket expenses incurred should be characterized in the income statement as revenue. Accordingly, the Company has included in revenue such reimbursed expenses.

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

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

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uses the Proportional Performance model, which generally results in revenue being recognized based on the straight-line method.

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

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

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

Interest Expense. Interest expense primarily consists of the cost of borrowing on the 6.75% Notes and the Credit Agreement. The Company uses the effective interest method to amortize the deferred financing costs and original issue premium on the 6.75% Notes. The Company also uses the straightline method to amortize the deferred financing costs on the Credit Agreement.

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

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

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 (expense) over the service period, that is the vesting period of the award. Changes in the Company's payment obligation prior to the settlement date are recorded as compensation cost in operating 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.

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

For the years ended December 31, 2014, 2013 and 2012, the Company issued no stock options or similar awards. During the year ended December 31, 2011, the Company issued Equity Value Appreciation Awards to its employees. During 2013, these awards resulted in the issuance of up to 1,917,000 restricted stock units and restricted stock shares. The Company measured the fair value of these awards using a lattice based model (Monte Carlo) on the date of grant. The Company used the following assumptions in calculating the fair value under the lattice model; risk free rate 1.2%, volatility 31.7%, time to maturity 2.93 years, the weighted average fair value of the awards granted was $9.37.

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

The Company has adopted the straight-line attribution method for determining the compensation cost to be recorded during each accounting period. However, awards based on performance conditions are recorded as compensation expense when the performance conditions are expected to be met. The fair value at the grant date for performance based awards granted in 2014, 2013, and 2012 was $3,026, $2,699 and $9,838, respectively.

The Company treats benefits 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 acquisitions include an element of compensation related payments as stock-based compensation.

For the year ended December 31, 2013, included in stock based compensation is a charge of $77,967 relating to the cash settlement of the outstanding Stock Appreciation Rights (“SAR’s”).

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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 $7,503, $6,145 and $3,715 for the years ended December 31, 2014, 2013 and 2012, respectively. The Company also has a defined benefit plan. See Note 18.
Loss per Common Share. Basic loss per share is based upon the weighted average number of common shares outstanding during each period, including the "Share capital to be issued" as reflected in the Shareholders' Equity on the balance sheet. Diluted loss per share is based on the above, plus, if dilutive, common share equivalents, which include outstanding options, warrants, stock appreciation rights, restricted stock units and convertible notes.
Subsidiary and Affiliate Stock Transactions. In accordance with Accounting Standards Codification Topic on Business combinations, effective January 1, 2009, transactions involving purchases, sales or issuances of stock of a subsidiary where control is maintained are recorded as an increase or decrease in additional paid-in capital. In transactions involving subsidiary stock where control is lost, gains and losses are recorded in results of operations. Gains and losses from transactions involving stock of an affiliate are recorded in results of operations until control is achieved.
Foreign Currency Translation. The Company's financial statements were prepared in accordance with the requirements of the Foreign Currency Translation topic of the FASB Accounting Standards Codification. The functional currency of the Company is the Canadian dollar and it has decided to use U.S. Dollars as its reporting currency for consolidated reporting purposes. All of the Company's subsidiaries use their local currency as their functional currency. Accordingly, the currency impacts of the translation of the balance sheets of the Company's non-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 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 income.
Derivative Financial Instruments. The Company follows Accounting for Derivative Instruments and Hedging Activities. Topic of the FASB Accounting Standards Codification establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts and debt instruments) be recorded in the balance sheet as either an asset or liability measured at its fair value. The accounting for the change in fair value of the derivative depends on whether the instrument qualifies for and has been designated as a hedging relationship and on the type of hedging relationship. There are three types of hedging relationships: a cash flow hedge, a fair value hedge and a hedge of foreign currency exposure of a net investment in a foreign operation. The designation is based upon the exposure being hedged. Derivatives that are not hedges, or become ineffective hedges, must be adjusted to fair value through earnings.

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3. Loss per Common Share

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

	2014	2013	2012
Numerator			
Numerator for diluted loss per common share – income (loss) from continuing operations	$4,093	$(133,202)	$(73,448)
Net income attributable to the noncontrolling interests	(6,890)	(6,461)	(6,863)
Loss attributable to MDC Partners Inc. common shareholders from continuing operations	(2,797)	(139,663)	(80,311)
Effect of dilutive securities	—	—	—
Numerator for diluted loss per common share – loss attributable to MDC Partners Inc. common shareholders from continuing operations	$(2,797)	$(139,663)	$(80,311)
Denominator			
Denominator for basic loss per common share – weighted average common shares	49,545,350	47,108,406	46,090,160
Effect of dilutive securities:			
Dilutive potential common shares	—	—	—
Denominator for diluted loss per common share – adjusted weighted shares and assumed conversions	49,545,350	47,108,406	46,090,160
Basic and Diluted loss per common share from continuing operations	$(0.06)	$(2.96)	$(1.74)

At December 31, 2014, 2013 and 2012, warrants, options and other rights to purchase, 1,114,681, 1,488,958 and 6,115,863 shares of common stock, respectively, were not included in the computation of diluted loss per common share because doing so would have had an antidilutive effect.

4. Acquisitions

Pro forma financial information has not been presented for 2014 acquisitions noted below since they did not have a material effect on the Company's operating results. Included in the Company's consolidated statement of operations for the year ended December 31, 2014 was revenue of $56,733, and net income of $2,940, related to 2014 acquisitions. The Company assumed cash of $8,156, accounts receivable of $19,955, and accounts payable and accrued liabilities of $9,295 as of the acquisition dates.

2014 Acquisitions

During 2014, the Company entered into several acquisitions and various non-material transactions with certain majority owned entities. Effective January 1, 2014, MDC acquired 60% of the equity interests of Luntz Global Partners LLC ("LG"). Effective February 14, 2014, MDC acquired 65% of the equity interests of Kingsdale Partners LP ("Kingsdale"). LG and Kingsdale are both in the Company's Performance Marketing Services segment. On June 3, 2014, MDC acquired a 100% equity interest in The House Worldwide Ltd ("THW"). On July 31, 2014, Union Advertising Canada LP acquired 100% of the issued and outstanding stock of Trapeze Media Limited ("Trapeze"). Effective August 1, 2014 MDC acquired 65% of the equity interests of Hunter PR LLC ("Hunter PR"). Effective August 18, 2014, MDC acquired a 75% interest in Albion Brand Communication Limited ("Albion"). In addition, in June 2014 and August 2014, MDC (through a subsidiary) entered into other non-material acquisitions. THW, Trapeze, Hunter PR, and Albion are all included within the Company's Strategic Marketing Services segment.

The aggregate purchase price of these acquisitions has an estimated present value at acquisition date of $151,202 and consisted of total closing cash payments of $67,236, and additional deferred acquisition payments that are based on the financial results of the underlying businesses from 2014 to 2018 with final payments due in 2019. These additional deferred payments have an estimated present value at acquisition date of $83,966. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $61,906, consisting primarily of

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customer lists, a technology asset and covenants not to compete, and goodwill of $149,234, including the value of the assembled workforce. The identified assets will be amortized over a five to six year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition, the Company has recorded $50,552 as the present value of noncontrolling interests and $13,327 as the present value of redeemable noncontrolling interests. Intangibles and goodwill of $149,232 are tax deductible. In addition the Company recorded other income of $908 representing a gain on the previously held 18% interest in Trapeze (see Note 15).
The actual adjustments that the Company will ultimately make in finalizing the allocation of purchase price to fair value of the net assets acquired will depend on a number of factors.
2013 Acquisitions
During the fourth quarter of 2013, the Company acquired a 70% interest in Local Biz Now LLC ("LBN"). The acquisition of LBN allows MDC to participate in the online local search market. LBN is in the Company's Performance Marketing Services segment. During the year, the Company also entered into various immaterial transactions with certain majority owned entities.
The aggregate purchase price has an estimated present value at acquisition date of $35,591 and consisted of total closing cash payments of $12,000, and additional contingent deferred acquisition consideration that are based on the financial results of the underlying businesses from 2013 to 2017 with final payments due in 2018 that have an estimated present value at acquisition date of $23,591. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $10,961 consisting primarily of customer lists, a technology asset, and covenants not to compete, and goodwill of $32,786 representing the value of the assembled workforce. The identified assets will be amortized over a five to six year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition, the Company has recorded $10,657 as the present value of noncontrolling interest. The intangibles and goodwill of $43,747 are tax deductible.
2012 Acquisitions
During 2012, the Company completed a number of transactions. Effective March 28, 2012, MDC invested in Doner Partners LLC ("Doner"). The Company acquired a 30% voting interest and a convertible preferred interest that allows the Company to increase its ordinary voting ownership to 70% at MDC's option, at no additional cost to the Company. Doner is a full service integrated creative agency. In addition, the Company acquired a 70% interest in TargetCast LLC ("TargetCast"). TargetCast is a full service media agency that expands our media strategy and activation offerings. The Company acquired a 51% interest in Dotbox LLC ("Dotbox"), and subsequently acquired the remaining 49% of the equity interests in Dotbox. The Dotbox acquisition forms the foundation for a potential e-commerce solution within the network. Doner and Dotbox were included in the Company's Strategic Marketing Services segment, while TargetCast was included in the Company's Performance Marketing Group segment. During the year, the Company also entered into various immaterial transactions with certain majority owned entities.
The aggregate purchase price for these transactions had an estimated present value at acquisition date of $99,299 and consisted of total closing cash payments of $23,471, and additional contingent deferred acquisition consideration that are based on the financial results of the underlying businesses from 2012 to 2018 with final payments due in 2018 that have an estimated present value at acquisition date of $67,812. During 2012, the Company paid $8,016 relating to a working capital payment. An allocation of excess purchase price consideration of these acquisitions to the fair value of the net assets acquired resulted in identifiable intangibles of $31,968 consisting primarily of customer lists and covenants not to compete, and goodwill of $113,404 representing the value of the assembled workforce. The identified assets will be amortized over a five to ten year period in a manner represented by the pattern in which the economic benefits of the customer contracts/relationships are realized. In addition, the Company has recorded $18,501 as the present value of noncontrolling interest. The intangibles and goodwill of $145,372 are tax deductible. In

connection with the step transactions, the Company also recorded an entry of $197 to reduce short term noncontrolling interest included in accrued and other liabilities, decrease redeemable noncontrolling interest by $12,523 and offset additional paid-in-capital by $13,920.

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

	Year Ended December 31,		
	2014	2013	2012
Net Loss attributable to MDC Partners Inc.	$(24,057)	$(148,863)	$(85,439)
Transfers (to) from the noncontrolling interest			
Increase (Decrease) in MDC Partners Inc. paid-in capital for purchase of equity interests in excess of noncontrolling interests and redeemable noncontrolling interests	(8,992)	11,074	13,920
Net transfers from (to) noncontrolling interest	$(8,992)	$11,074	$13,920
Change from net loss attributable to MDC Partners Inc. and transfers from (to) noncontrolling interest	$(33,049)	$(137,789)	$(71,519)

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5. Fixed Assets

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

	2014			2013		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computers, furniture and fixtures	$91,272	$(65,451)	$25,821	$109,252	$(83,383)	$25,869
Leasehold improvements	64,051	(29,632)	34,419	60,938	(34,736)	26,202
	$155,323	$(95,083)	$60,240	$170,190	$(118,119)	$52,071

Included in fixed assets are assets under capital lease obligations with a cost of $2,072, (2013 – $2,462) and accumulated depreciation of $1,091 (2013 – $1,417). Depreciation expense for the years ended December 31, 2014, 2013, and 2012 was $16,462, $16,742 and $15,999, respectively.

6. Accrued and Other Liabilities

At December 31, 2014 and 2013, accrued and other liabilities included accrued media of $168,508 and $144,161, respectively; trust liabilities of $6,419 and nil, respectively; and included amounts due to noncontrolling interest holders, for their share of profits, which will be distributed within the next twelve months of $6,014 and $5,210, respectively.

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, 2011	$4,049
Income attributable to noncontrolling interests	6,863
Distributions made	(7,673)
Other[(1)]	385
Balance at December 31, 2012	$3,624
Income attributable to noncontrolling interests	6,461
Distributions made	(5,525)
Other[(1)]	650
Balance at December 31, 2013	$5,210
Income attributable to noncontrolling interests	6,890
Distributions made	(6,523)
Other[(1)]	437
Balance at December 31, 2014	$6,014

(1) Other consists primarily of step up transactions, discontinued operations and cumulative translation adjustments.

7. Financial Instruments

Financial assets, which include cash and cash equivalents and accounts receivable, have carrying values which approximate fair value due to the short-term nature of these assets. Financial liabilities with carrying values approximating fair value due to short-term maturities include accounts payable. Deferred acquisition consideration is recorded at fair value. The revolving credit facility is a variable rate debt, the carrying value of which approximates fair value. The Company's note payable is a fixed rate debt instrument, the carrying values of which approximates fair value. The fair value of financial commitments, guarantees and letters of credit, are based on the stated value of the underlying instruments. Guarantees have

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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.

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

Goodwill	Strategic Marketing Services	Performance Marketing Services	Total
Balance at December 31, 2012	$483,760	$236,311	$720,071
Acquired goodwill	—	35,956	35,956
Acquisition purchase price adjustments	(3,981)	(2,493)	(6,474)
Foreign currency translation	(2,374)	(2,846)	(5,220)
Balance at December 31, 2013	$477,405	$266,928	$744,333
Acquired goodwill	50,668	98,566	149,234
Discontinued operations	—	(27,706)	(27,706)
Other [1]	(7,263)	4,093	(3,170)
Foreign currency translation	(5,278)	(6,040)	(11,318)
Balance at December 31, 2014	$515,532	$335,841	$851,373

[1] Other includes acquisition purchase price adjustments and transfers between segments

	For the Year Ended December 31,	
	2014	2013
Intangibles:		
Trademarks (indefinite life)	$17,780	$17,780
Customer relationships – gross	$133,409	$92,640
Less accumulated amortization	(83,475)	(62,906)
Customer relationships – net	$49,934	$29,734
Other intangibles – gross	$31,408	$17,064
Less accumulated amortization	(13,001)	(8,316)
Other intangibles – net	$18,407	$8,748
Total intangible assets	$182,597	$127,484
Less accumulated amortization	(96,476)	(71,222)
Total intangible assets – net	$86,121	$56,262

See Note 4 for Accounting for Business Combinations.

The total accumulated impairment charges are $46,883 through December 31, 2014.

The weighted average amortization periods for customer relationships are 5 years and other intangible assets are 7 years. In total, the weighted average amortization period is 6 years. The amortization expense of amortizable intangible assets for the year ended December 31, 2014, was $29,749 (2013 – $18,456; 2012 – $26,074) the estimated amortization expense for the five succeeding years is:

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8. Goodwill and Intangible Assets

Year	Amortization
2015	$28,113
2016	$16,809
2017	$11,664
2018	$8,369
2019	$2,558

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9. Income Taxes

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

	2014	2013	2012
Income (Loss):			
US	$46,728	$21,661	$(36,644)
Non-US	(31,619)	(159,511)	(27,884)
	$15,109	$(137,850)	$(64,528)

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

	2014	2013	2012
Current tax provision			
U.S. federal	$—	$—	$—
U.S. state and local	907	213	802
Non-US	552	847	329
	1,459	1,060	1,131
Deferred tax provision (benefit):			
U.S. federal	13,402	7,505	2,150
U.S. state and local	1,971	1,027	299
Non-U.S.	(4,410)	(13,959)	5,973
	10,963	(5,427)	8,422
Income tax provision (benefit)	$12,422	$(4,367)	$9,553

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:

	2014	2013	2012
Income (loss) from continuing operations before income taxes, equity in non-consolidated affiliates and noncontrolling interest	$15,109	$(137,850)	$(64,528)
Statutory income tax rate	26.5%	26.5%	26.5%
Tax expense (benefit) using statutory income tax rate	4,004	(36,530)	(17,100)
State and foreign taxes	1,459	1,060	1,131
Non-deductible stock-based compensation	1,982	24,357	7,699
Other non-deductible expense	2,151	942	1,176
Change to valuation allowance on items affecting taxable income	2,003	6,952	15,682
Effect of the change in tax rate	—	—	2,168
Effect of the difference in federal and statutory rates	2,222	(15)	(793)
Noncontrolling interests	(1,826)	(1,712)	(1,593)
Other, net	427	579	1,183
Income tax expense (benefit)	$12,422	$(4,367)	$9,553
Effective income tax rate	82.2%	(3.2)%	14.8%

See Note 10 for income taxes for discontinued operations.

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The 2014 effective income tax rate was significantly higher than the statutory rate due primarily to non-deductible stock based compensation of $1,982, and an increase in the valuation allowance of $2,003 and the effect of the difference in the U.S. and foreign federal rates and the Canadian statutory rate of $2,222.
The 2013 effective income tax rate was significantly lower than the statutory rate due primarily to an increase in the valuation allowance of $6,952 and non-deductible stock based compensation of $24,357.
The 2012 effective income tax rate was significantly lower than the statutory rate due primarily to an increase in the valuation allowance of $15,682 and non-deductible stock based compensation of $7,699.
Income taxes receivable were $235 and $533 at December 31, 2014 and 2013, respectively, and were included in other current assets on the balance sheet. Income taxes payable were $5,368 and $4,907 at December 31, 2014 and 2013, respectively, and were included in accrued and other liabilities on the balance sheet. It is the Company’s policy to classify interest and penalties arising in connection with the under payment of income taxes as a component of income tax expense. For the years ended 2014, 2013, and 2012, income tax expense does not include any amounts for interest and penalties.
The tax effects of significant temporary differences representing deferred tax assets and liabilities at December 31, were as follows:

	2014	2013
Deferred tax assets:		
Capital assets and other	$45,496	$36,449
Net operating loss carry forwards	39,525	41,947
Interest deductions	17,456	21,753
Refinancing charge	5,176	10,153
Deferred acquisition consideration	5,204	26,779
Stock compensation	1,561	1,433
Pension plan	3,597	—
Unrealized foreign exchange	6,954	2,372
Capital loss carry forwards	14,834	16,180
Accounting reserves	5,135	4,769
Gross deferred tax asset	144,938	161,835
Less: valuation allowance	(119,117)	(137,961)
Net deferred tax assets	25,821	23,874
Deferred tax liabilities:		
Pension plan	—	(1,112)
Deferred finance charges	(386)	(420)
Capital assets	(396)	(178)
Goodwill amortization	(77,603)	(61,859)
Total deferred tax liabilities	(78,385)	(63,569)
Net deferred tax asset (liability)	$(52,564)	$(39,695)
Disclosed as:		
Deferred tax assets	$25,480	$23,380
Deferred tax liabilities	(78,044)	(63,075)
	$(52,564)	$(39,695)

Included in accrued and other liabilities at December 31, 2014 and 2013 is a deferred tax liability of $47 and $55, respectively. Included in other current assets at December 31, 2014 and 2013 is a deferred tax asset of $6,722 and $2,249, respectively.

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The Company has U.S. federal net operating loss carry forwards of $51,043 and non-U.S. net operating loss carry forwards of $52,139, these carry forwards expire in years 2015 through 2031. The Company also has total indefinite loss carry forwards of $131,758. These indefinite loss carry forwards consist of $36,052 relating to the U.S. and $95,706 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 $144,622.

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

The valuation allowance has been recorded to reduce our deferred tax asset to an amount that is more likely than not to be realized, and is based upon the uncertainty of the realization of certain US, non-U.S. and state deferred tax assets. The increase in the Company's valuation allowance charged to the statement of operations for each of the years ended December 31, 2014, 2013 and 2012 was $2,003, $6,952 and $15,682, respectively. In addition, a benefit of $1,112 and an expense of $1,112 has been recorded in accumulated other comprehensive loss relating to the defined pension plan, for the year ended December 31, 2014 and 2013, respectively.

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

As of December 31, 2014 and 2013, the Company recorded a liability for unrecognized tax benefits as well as applicable penalties and interest in the amount of $4,166. As of December 31, 2014, accrued penalties and interest included in unrecognized tax benefits were approximately $1,093. The Company identified an uncertainty relating to the future tax deductibility of certain intercompany interest and fees, to the extent that such future benefit will be established, the resolution of this position will have no effect with respect to the financial statements. 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, 2011	$3,624	
Charges to income tax expense	—	
Settlement of uncertainty	(551	)
Balance at December 31, 2012	3,073	
Charges to income tax expense	—	
Balance at December 31, 2013	3,073	
Charges to income tax expense	—	
Balance at December 31, 2014	$3,073	

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

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

10. Discontinued Operations

In 2014, the Company made the decision to strategically sell the net assets of Accent Marketing Services, L.L.C., which was previously reported in the Performance Marketing Services segment. The sale is expected to be completed in 2015.

In 2013, the Company discontinued two subsidiaries and an operating division.

In 2012, the Company discontinued a subsidiary and certain operating divisions.

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

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	Years Ended December 31,		
	2014	2013	2012
Revenue	$70,041	$89,659	$108,399
Operating loss	(4,704)	(324)	(5,659)
Other expense	(458)	(522)	(773)
Noncontrolling interest expense recovery	—	(55)	1,304
Loss on disposal	(16,098)	(8,299)	—
Net loss from discontinued operations	$(21,260)	$(9,200)	$(5,128)

At December 31, 2014, other current assets and other long term assets included assets held for sale of $5,591 and $16,409, respectively. At December 31, 2013, other assets and other current liabilities included no related assets and no liabilities held for sale. For the year ended December 31, 2014, the loss on disposal includes a goodwill write off of $15,564.

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11. Debt

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

	2014	2013
Revolving credit facility	$—	$—
6.75% Notes due 2020	735,000	660,000
Original issue premium	7,017	4,056
Note payable and other bank loans	—	120
	742,017	664,176
Obligations under capital leases	1,110	952
	743,127	665,128
Less:		
Current portion	534	467
	$742,593	$664,661

Interest expense related to long-term debt for the years ended December 31, 2014, 2013 and 2012 was $50,832, $92,704 and $43,975, respectively. For the year ended December 31, 2013, interest expense included a $55,588 loss on redemption of the 11% Notes. For the year ended December 31, 2014, 2013, and 2012, interest expense included income of $975, $4,262, $46, related to the amortization of the original issue premium. For the years ended December 31, 2014, 2013, and 2012, interest expense also included $2,186, $232 and $277, of present value adjustments for fixed deferred acquisition payments, respectively.

The amortization and write off of deferred finance costs included in interest expense were $3,222, $12,024 and $2,295 for the years ended December 31, 2014, 2013, and 2012, respectively.

Issuance of 6.75% Senior Notes

On March 20, 2013, 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, MDC's senior secured revolving credit agreement (the "Credit Agreement"), as guarantors (the "Guarantors") and The Bank of New York Mellon, as trustee, relating to the issuance by MDC of its $550 million aggregate principal amount 6.75% Senior Notes due 2020 (the 6.75% Notes"). The 6.75% Notes bear interest at a rate of 6.75% per annum, accruing from March 20, 2013. Interest is payable semiannually in arrears in cash on April 1 and October 1 of each year, beginning on October 1, 2013. The 6.75% Notes will mature on April 1, 2020, unless earlier redeemed or repurchased. The Company received net proceeds from the offering of the 6.75% Notes equal to approximately $537,600. The Company used the net proceeds to redeem all of the existing 11% Notes, together with accrued interest, related premiums, fees and expenses and recorded a charge for loss on redemption of notes of $55,588, including write offs of unamortized original issue premium and debt issuance costs. Remaining proceeds were used for general corporate purposes.

On November 15, 2013, the Company issued an additional $110,000 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. The additional notes were sold in a private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $111,925, which included an original issue premium of $4,125, and underwriter fees of $2,200. The Company used the net proceeds of the offering for general corporate purposes.

On April 2, 2014, the Company issued an additional $75,000 aggregate principal amount of 6.75% Notes due 2020. 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. The additional notes were sold in private placement in reliance on exceptions from registration under the Securities Act of 1933, as amended. The Company received net proceeds before expenses of $77,452, which included an original issue premium of $3,938, and payment of underwriter fees of $1,500. The Company used the net proceeds of the offering 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 facility.

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The 6.75% 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 6.75% 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 6.75% Notes in whole at any time or in part from time to time, on and after April 1, 2016 at a redemption price of 103.375% of the principal amount thereof if redeemed during the twelve-month period beginning on April 1, 2016, at a redemption price of 101.688% of the principal amount thereof if redeemed during the twelve-month period beginning on April 1, 2017 and at a redemption price of 100% of the principal amount thereof if redeemed on April 1, 2018 and thereafter.

Prior to April 1, 2016, MDC may, at its option, redeem some or all of the 6.75% Notes at a price equal to 100% of the principal amount of the 6.75% Notes plus a "make whole" premium and accrued and unpaid interest. MDC may also redeem, at its option, prior to April 1, 2016, up to 35% of the 6.75% Notes with the proceeds from one or more equity offerings at a redemption price of 106.750% of the principal amount thereof.

If MDC experiences certain kinds of changes of control (as defined in the Indenture), holders of the 6.75% Notes may require MDC to repurchase any 6.75% Notes held by them at a price equal to 101% of the principal amount of the 6.75% Notes plus accrued and unpaid interest. In addition, if MDC sells assets under certain circumstances, it must offer to repurchase the 6.75% Notes at a price equal to 100% of the principal amount of the 6.75% Notes 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 6.75% Notes are also subject to customary events of default, including cross-payment default and cross-acceleration provision.

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 and its subsidiaries entered into an amendment of its Credit Agreement. The amendment: (i) expands the commitments under the facility by $100 million, from $225 million to $325 million; (ii) extends the maturity date by an additional eighteen months to September 30, 2019; (iii) reduces 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) modifies certain covenants to provide the Company with increased flexibility to fund its continued growth and other general corporate purposes.

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 1.00% in the case of Base Rate Loans and 1.75% 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

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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. 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, 2014, there were no borrowings under the Credit Agreement.

At December 31, 2014, the Company had issued $4,822 of undrawn outstanding letters of credit.

At December 31, 2014 and 2013, accounts payable included $72,147 and $34,312 of outstanding checks, respectively.

Future Principal Repayments

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

Period	Amount
2015	$534
2016	472
2017	104
2018	—
2019	—
2020 and thereafter	735,000
	$736,110

Capital Leases

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

Period	Amount
2015	$600
2016	490
2017	105
2018	—
2019	—
2020 and thereafter	—
	1,195
Less: imputed interest	(85)
	1,110
Less: current portion	(534)
	$576

12. Share Capital

The authorized share capital of the Company is as follows:

(a) Authorized Share Capital

Class A Shares

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

Class B Shares

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

Preferred A Shares

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

(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 in to which such shares shall be exchanged. On June 1, 2007 and on June 2, 2009, the Company's shareholders approved a total additional authorized Class A Shares of 3,750,000 to be added to the 2005 Incentive Plan for a total of 6,750,000 authorized Class A Shares. On May 30, 2008, the Company's shareholders approved the 2008 Key Partner Incentive Plan, which provides for the issuance of 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. As of December 31, 2014, the Company has granted 300,000 Director options (of which 150,000 were forfeited), which option grants were for a ten-year term and vests over five (5) years from the grant date under the 2005 Incentive Plan.

The following table summarizes information about time based and financial performance-based restricted stock and restricted stock unit awards granted under the 2005 Incentive Plan, 2008 Key Partner Incentive Plan and 2011 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, 2011	2,070,835	$10.54	877,349	$8.57
Granted	1,130,844	8.70	375,356	7.78
Vested	(2,621,981)	9.63	(395,187)	8.17
Forfeited	(44,919)	10.44	(22,080)	9.88
Balance at December 31, 2012	534,779	$10.73	835,438	$8.48
Granted	300,756	8.97	2,612,520	16.83
Vested	(353,858)	10.63	(2,499,083)	15.79
Forfeited	(19,011)	7.90	(35,087)	10.91
Balance at December 31, 2013	462,666	$9.79	913,788	$12.54
Granted	120,578	25.09	293,705	21.99
Vested	(497,214)	9.62	(264,478)	10.88
Forfeited	—	—	(26,874)	11.52
Balance at December 31, 2014	86,030	$23.14	916,141	$16.36

The total fair value of restricted stock and restricted stock unit awards, which vested during the year ended December 31, 2014, 2013 and 2012 was $7,659, $43,227 and $22,557, respectively. In connection with the vesting of these awards, the Company included in the taxable loss the amounts of $11,874, $17,219 and $5,242 in 2014, 2013 and 2012, respectively. At December 31, 2014, the weighted average remaining contractual life for performance based awards is 2.1 years and for time based awards is 1.8 years. At December 31, 2014, the fair value of all restricted stock and restricted stock unit awards is $22,769. The term of these awards is three years with vesting up to three years. At December 31, 2014, the unrecognized

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compensation expense for these awards was $10,027 and will be recognized through 2017. At December 31, 2014, there are 257,368 awards available to grant.

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

Prior to adoption of the 2005 Incentive Plan, the Company's Prior 2003 Plan provided for grants of up to 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 Maxxcom, with a term of no more than 10 years from initial date of grant by Maxxcom and vest 20% in each of the first two years with the balance vesting on the third anniversary of the initial grant.

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

	Options Outstanding		Options Exercisable		Non Vested Options
	Number Outstanding	Weighted Average Price per Share	Number Outstanding	Weighted Average Price per Share	
Balance at December 31, 2011	132,120	$6.08	124,620	$6.09	7,500
Vested	—	—			(7,500)
Granted	—	—			—
Exercised	(4,728)	5.79			—
Expired and cancelled	(14,892)	5.19			—
Balance at December 31, 2012	112,500	$6.35	112,500	$6.35	—
Vested	—	—			—
Granted	—	—			—
Exercised	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2013	112,500	$6.03	112,500	$6.03	—
Vested	—	—			—
Granted	—	—			—
Exercised	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2014	112,500	$5.70	112,500	$5.70	—

At December 31, 2014, the intrinsic value of vested options and the intrinsic value of all options was $1,915. For options exercised during 2014, 2013 and 2012, the Company received cash proceeds of nil, nil and $27, respectively. The Company did not receive any windfall tax benefits. The intrinsic value of options exercised during 2014, 2013 and 2012 was nil, nil and $5, respectively. At December 31, 2014, the weighted average remaining contractual life of all outstanding options was 1.8 years and for all vested options was 1.8 years. At December 31, 2014, the unrecognized compensation expense of all options was nil.

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Share options outstanding as of December 31, 2014 are summarized as follows:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Outstanding Number	Weighted Average Contractual Life	Weighted Average Price per Share	Exercisable Number	Weighted Average Price per Share	Weighted Average Contractual Life
$5.63 – $5.83	112,500	1.8	$5.70	112,500	$5.70	1.8

(c) Stock Appreciation Rights

During 2003, 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 prior to 2006 have a term of four years, for SAR's granted in 2006 and after they have a term of up to 10 years and all awards vest one-third on each anniversary date.

SAR's granted and outstanding are as follows:

	SAR's Outstanding		SAR's Exercisable		Non Vested SAR's
	Weighted Average Number Outstanding	Weighted Average Price per Share	Number Outstanding	Price per Share	
Balance at December 31, 2011	4,737,194	$2.50	3,100,685	$2.50	1,636,509
Vested	—	—			(1,570,539)
Granted	—	—			—
Exercised	(104,048)	2.94			(65,970)
Expired and cancelled	—	—			—
Balance at December 31, 2012	4,633,146	$2.49	4,633,146	$2.49	—
Vested	—	—			—
Granted	—	—			—
Exercised	(4,633,146)	2.49			—
Expired and cancelled	—	—			—
Balance at December 31, 2013	—	$—	—	$—	—
Vested	—	—			—
Granted	—	—			—
Exercised	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2014	—	$—	—	$—	—

At December 31, 2014, the aggregate amount of shares to be issued on vested SAR's was nil. During 2014, 2013 and 2012, the aggregate value of SAR's exercised was nil, $80,323, and $301, respectively. The Company received tax deductions of nil, $12,682, and $296 in 2014, 2013 and 2012, respectively. In November 2013, the Company determined that all outstanding SAR's would be settled in cash and marked the SAR's to market. At December 31, 2014, the unrecognized compensation expense of all SAR's was nil.

(d) Equity Value Appreciation Awards

In January 2011, the Company awarded 2,119,500 extraordinary Equity Value Appreciation Awards ("EVARs") to its employees. During 2013, these EVARs resulted in the issuance of 1,917,000 restricted stock units and restricted stock shares ("RSUs"). The RSUs underlying the EVAR grant vested on December 31, 2013.

The Company measured the fair value of EVARs using a lattice based model (Monte Carlo) on the grant date.

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

	EVARs Outstanding		EVARs Exercisable		Non Vested EVARs
	Number Outstanding	Weighted Average Issuance Price per Share	Number Outstanding	Weighted Average Issuance Price per Share	
Balance at December 31, 2011	2,052,000	$15.33	—	$—	2,052,000
Vested	—	—			—
Granted	—	—			—
Expired and cancelled	(135,000)	15.33			(135,000)
Balance at December 31, 2012	1,917,000	$15.33	—	$—	1,917,000
Vested	(1,917,000)	15.33			(1,917,000)
Granted	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2013	—	$—	—	$—	—
Vested	—	—			—
Granted	—	—			—
Expired and cancelled	—	—			—
Balance at December 31, 2014	—	$—	—	$—	—

The grant date fair value of these EVARs was $13,240. At December 31, 2014, there are no outstanding EVARs.
The Company has reserved a total of 2,377,822 Class A shares in order to meet its obligations under various conversion rights, warrants and employee share related plans. At December 31, 2014 there were 1,002,172 shares available for future option and similar grants.

13. Fair Value Measurements

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

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

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

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

On a nonrecurring basis, the Company uses fair value measures when analyzing asset impairment. Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If it is determined such indicators are present and the review indicates that the assets will not be fully recoverable, based on undiscounted estimated cash flows over the remaining amortization periods, their carrying values are reduced to estimated fair value. Measurements based on undiscounted cash flows are considered to be

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Level 3 inputs. During the fourth quarter of each year, the Company evaluates goodwill and indefinite-lived intangibles for impairment at the reporting unit level. For each acquisition, the Company performed a detailed review to identify intangible assets and a valuation is performed for all such identified assets. The Company used several market participant measurements to determine estimated value. This approach includes consideration of similar and recent transactions, as well as utilizing discounted expected cash flow methodologies. The amounts allocated to assets acquired and liabilities assumed in the acquisitions were determined using level three inputs. Fair value for property and equipment was based on other observable transactions for similar property and equipment. Accounts receivable represents the best estimate of balances that will ultimately be collected, which is based in part on allowance for doubtful accounts reserve criteria and an evaluation of the specific receivable balances.
The following tables present certain information for our financial assets that is measured at fair value on a recurring basis at December 31, 2014 and 2013:

	Level 1 2014 Carrying Amount	Fair Value	Level 1 2013 Carrying Amount	Fair Value
Liabilities:				
Long term debt	$742,017	$751,538	$664,056	$690,525

Our long term debt includes fixed rate debt. The fair value of this instrument is based on quoted market prices.
The following table presents changes in Deferred Acquisition Consideration.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	2014	2013
Beginning Balance of contingent payments	$151,848	$194,795
Payments	(61,441)	(106,460)
Grants (1)	68,642	31,608
Redemption value adjustments (2)	20,816	38,712
Transfers (to) from fixed payments	(5,146)	(6,318)
Foreign translation adjustment	(2,492)	(489)
Ending Balance of contingent payments	$172,227	$151,848

(1) Grants are the initial estimated deferred acquisition payments of new acquisitions completed within that fiscal period.
(2) 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.
In addition to the above amounts, there are fixed payments of $33,141 and $2,065 for total deferred acquisition consideration of $205,368 and $153,913, which reconciles to the consolidating financial statements at December 31, 2014 and 2013, 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.
Level 3 payments relate to payments made for deferred acquisition consideration. Level 3 grants relate to contingent purchase price obligations related to acquisitions. The Company records the initial liability of the estimated present value. The estimated liability is determined in accordance with various contractual valuation formulas that may be dependent on future events, such as the growth rate of the earning of the relevant subsidiary during the contractual

period, and, in some cases, the

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13. Fair Value Measurements – (continued)

currency exchange rate of the date of payment. Level 3 redemption value adjustments relate to the remeasurement and change in these various contractual valuation formulas as well as adjustments of present value.

14. Segment Information

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

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

The Company reports in one reportable Strategic Marketing Services segment plus two "other" segments, Performance Marketing Services and corporate. The segments are as follows:

- The Strategic Marketing Services segment consists of integrated marketing consulting services firms that offer a full complement of marketing, activation and consulting services including advertising and media, marketing communications including direct marketing, public relations, corporate communications, market research, corporate identity and branding, interactive marketing and sales promotion. Each of the entities within the Strategic Marketing Services Group share similar economic characteristics, specifically related to the nature of their respective services, the manner in which the services are provided and the similarity of their respective customers. Due to the similarities in these businesses, they exhibit similar long term financial performance and have been aggregated together.
- The Performance Marketing Services segment includes our firms that provide consumer insights and analytics to satisfy the growing need for targetable, measurable solutions or cost effective means of driving return on marketing investment. These services interface directly with the consumer of a client's product or service. Such services include the design, development, research and implementation of consumer service, media planning and buying and direct marketing initiatives. In addition, services include consumer activation, investor relations and general public insights.

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

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	For the year ended December 31, 2014			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$954,211	$269,301	$—	$1,223,512
Cost of services sold	617,914	180,604	—	798,518
Office and general expenses	200,716	45,224	44,133	290,073
Depreciation and amortization	24,158	21,229	1,785	47,172
Operating profit (loss)	111,423	22,244	(45,918)	87,749
Other income (expense):				
Other income, net				689
Foreign exchange loss				(18,482)
Interest expense and finance charges, net				(54,847)
Income from continuing operations before income taxes, equity in non-consolidated affiliates				15,109
Income tax expense				12,422
Income from continuing operations before equity in non-consolidated affiliates				2,687
Equity in earnings of non-consolidated affiliates				1,406
Income from continuing operations				4,093
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(21,260)
Net loss				(17,167)
Net income attributable to noncontrolling interests	(6,943)	53	—	(6,890)
Net loss attributable to MDC Partners Inc.				$(24,057)
Stock-based compensation	$9,616	$3,553	$4,527	$17,696
Capital expenditures from continuing operations	$22,452	$2,627	$1,337	$26,416
Goodwill and intangibles	$560,505	$376,989	$—	$937,494
Total assets	$891,341	$476,795	$280,754	$1,648,890

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	For the year ended December 31, 2013			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$836,936	$225,542	$—	$1,062,478
Cost of services sold	535,085	169,884	—	704,969
Office and general expenses	190,699	38,551	126,714	355,964
Depreciation and amortization	24,210	10,535	1,394	36,139
Operating profit (loss)	86,942	6,572	(128,108)	(34,594)
Other income (expense):				
Other income, net				2,531
Foreign exchange loss				(5,516)
Interest expense, finance charges, and loss on redemption of notes,net				(100,271)
Loss from continuing operations before income taxes, equity in non-consolidated affiliates				(137,850)
Income tax benefit				(4,367)
Loss from continuing operations before equity in non-consolidated affiliates				(133,483)
Equity in earnings of non-consolidated affiliates				281
Loss from continuing operations				(133,202)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(9,200)
Net loss				(142,402)
Net income attributable to noncontrolling interests	(6,150)	(311)	—	(6,461)
Net loss attributable to MDC Partners Inc.				$(148,863)
Stock-based compensation	$7,657	$3,017	$89,731	$100,405
Capital expenditures from continuing operations	$12,338	$2,339	$2,132	$16,809
Goodwill and intangibles	$525,412	$275,183	$—	$800,595
Total assets	$841,362	$379,391	$204,474	$1,425,227

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	For the year ended December 31, 2012			
	Strategic Marketing Services	Performance Marketing Services	Corporate	Total
Revenue	$751,464	$221,509	$—	$972,973
Cost of services sold	504,407	162,922	—	667,329
Office and general expenses	193,758	48,561	38,847	281,166
Depreciation and amortization	27,807	13,298	1,342	42,447
Operating profit (loss)	25,492	(3,272)	(40,189)	(17,969)
Other income (expense):				
Other income, net				450
Foreign exchange loss				(1,138)
Interest expense and finance charges, net				(45,871)
Loss from continuing operations before income taxes, equity in non-consolidated affiliates				(64,528)
Income tax expense				9,553
Loss from continuing operations before equity in non-consolidated affiliates				(74,081)
Equity in earnings of non-consolidated affiliates				633
Loss from continuing operations				(73,448)
Loss from discontinued operations attributable to MDC Partners Inc., net of taxes				(5,128)
Net loss				(78,576)
Net income attributable to noncontrolling interests	(6,326)	(537)	—	(6,863)
Net loss attributable to MDC Partners Inc.				$(85,439)
Stock-based compensation	$9,186	$8,227	$14,784	$32,197
Capital expenditures from continuing operations	$11,600	$4,555	$382	$16,537
Goodwill and intangibles	$542,573	$240,741	$—	$783,314
Total assets	$849,716	$374,982	$120,247	$1,344,945

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

	United States	Canada	Other	Total
Long-lived Assets				
2014	$48,884	$7,099	$4,257	$60,240
2013	$44,360	$5,424	$2,287	$52,071
Goodwill and Intangible Assets				
2014	$759,035	$154,349	$24,110	$937,494
2013	$720,373	$80,222	$—	$800,595

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

	United States	Canada	Other	Total
Revenue:				
2014	$993,474	$150,390	$79,648	$1,223,512
2013	$870,525	$135,630	$56,323	$1,062,478
2012	$781,210	$148,063	$43,700	$972,973

15. Related Party Transactions

(a) The Company incurred fees and paid cash incentive awards totaling $13,592, $15,992 and $2,739 in 2014, 2013 and 2012, respectively, relating to companies controlled by the Chairman and Chief Executive Officer ("CEO") of the Company in respect of services rendered pursuant to a management services agreement and incentive plans.

On April 25, 2007, the Company entered into a new Management Services Agreement (as amended and restated on May 6, 2013, the "Services Agreement") with Miles Nadal and with Nadal Management, Inc. to set forth the terms and conditions on which Miles Nadal will continue to provide services to the Company as its Chief Executive Officer. The Services Agreement is subject to automatic one-year extensions unless either party gives to the other a 60-day advance written notice of its intention not to renew. Effective January 1, 2013, the annual retainer amount (base salary) under the Services Agreement was increased to $1,750; effective January 1, 2014, the annual retainer amount was increased to $1,850; and effective January 1, 2015, the annual retainer amount was increased to $2,000.

During 2012 and 2013 and in accordance with this Services Agreement, Mr. Nadal repaid an amount equal to $475 and $5,445 of loans due to the Company. As of April 26, 2013, Mr. Nadal has repaid and satisfied in full the remaining principal balance of all previously outstanding loans made by the Company to Mr. Nadal and his affiliates. After giving effect to this final repayment by Mr. Nadal to the Company, there is currently $0 remaining due and owing to the Company in respect of all prior loans.

(b) Pursuant to the amended Services Agreement, the Company agreed to provide to its CEO, Miles S. Nadal a special bonus of C$10,000 upon the first to occur of (i) the average market price of the Company's Class A subordinate voting shares is C$30 per share or more for more than 20 consecutive trading days (measured as of the close of trading on each applicable date) or (ii) a change of control of the Company. This bonus is payable until the date that is three years after the date on which Mr. Nadal is no longer employed by the Company for any reason. During November 2013, this bonus was earned and paid to Mr. Nadal in the amount of C$10,000 (U.S. $9,649).

(c) Beginning in 2014, MDC has chartered for business purposes an airplane and helicopter (together, the "Aircraft") owned by entities controlled by Mr. Nadal and leased to an independent corporate aircraft management company. Entities controlled by Mr. Nadal paid for the purchases of the Aircraft and are legally responsible and have paid for all operating, personnel and maintenance costs associated with the Aircraft's operations. Payments by third parties to charter the Aircraft from the corporate aircraft management company will offset a portion of the costs. Payments by MDC for the business use of the Aircraft by Mr. Nadal and other Executive employees of MDC are made to the corporate aircraft management company at a fixed hourly rate set forth in the aircraft service agreement between the aircraft management company and entities controlled by Mr. Nadal. In 2014, MDC paid a total of $1,620 for the business use of the Aircraft.

(d) In 2000, the Company purchased 1,600,000 shares in Trapeze Media Limited ("Trapeze") for $215. At the same time, the Company's CEO purchased 4,280,000 shares of Trapeze for $576, the Company's former Chief Financial Officer and a Managing Director of the Company each purchased 50,000 Trapeze shares for $7 and a Board Member of the Company purchased 75,000 shares of Trapeze for $10. In 2001, the Company purchased an additional 1,250,000 shares for $161, and the Company's CEO purchased 500,000 shares for $64. In 2002, the Company's CEO purchased 3,691,930 shares of Trapeze for $470. All of these purchases were made at identical prices (C$.20/share). In 2003, the Company and the CEO exchanged their units in Trapeze for non-voting shares and entered into a voting trust agreement.

During 2013, an MDC partner firm provided services to Trapeze in exchange for fees equal to $187, respectively. Trapeze did not provide any services to MDC nor its partner firms in the three years ended December 31, 2014, prior to the July 31, 2014 acquisition.

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On July 31, 2014, Union Advertising Canada LP (an MDC subsidiary), acquired 100% of the issued and outstanding stock of Trapeze Media Limited. Trapeze Media is a Toronto-based digital advertising company. Prior to the acquisition, the Company owned 18% of the equity interests in Trapeze, and Miles Nadal (the Company's President and Chief Executive Officer) owned 54% of the equity interests. The total estimated aggregate consideration for 100% of the equity interests in Trapeze was $5,281 (or $4,373 excluding the Company's current equity interest). MDC recorded other income of $908 representing a gain on the previously held 18% interest in Trapeze. Mr. Nadal recused himself from all Board discussions relating to Trapeze.The Stock Purchase Agreement for the Trapeze transaction contains customary representations and warranties and covenants of each party. Breaches of any representations and warranties will be subject to customary indemnification provisions.The acquisition of Trapeze by Union is expected to create an integrated agency with strong digital capabilities and more significant scale. In order to maximize the operating efficiency of the combined operations, the employees of Trapeze relocated into Union's current offices, and certain changes were made to the combined entity's executive management team.

16. Commitments, Contingencies and Guarantees

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

Put Options. Owners of interests in certain subsidiaries have the right in certain circumstances to require the Company to acquire either a portion of or all of the remaining ownership interests held by them. The owners' ability to exercise any such "put option" right is subject to the satisfaction of certain conditions, including conditions requiring notice in advance of exercise. In addition, these rights cannot be exercised prior to specified staggered exercise dates. The exercise of these rights at their earliest contractual date would result in obligations of the Company to fund the related amounts during the period 2014 to 2018. It is not determinable, at this time, if or when the owners of these rights will exercise all or a portion of these rights.

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

Management estimates, assuming that the subsidiaries owned by the Company at December 31, 2014, perform over the relevant future periods at their 2014 earnings levels, that these rights, if all exercised, could require the Company, in future periods, to pay an aggregate amount of approximately $19,722 to the owners of such rights to acquire such ownership interests in the relevant subsidiaries. Of this amount, the Company is entitled, at its option, to fund approximately $103 by the issuance of share capital. In addition, the Company is obligated under similar put option rights to pay an aggregate amount of approximately $175,229 only upon termination of such owner's employment with the applicable subsidiary or death. The ultimate amount payable relating to these transactions will vary because it is dependent on the future results of operations of the subject businesses and the timing of when and if these rights are exercised. The aggregate amount of these options is $194,951, which has been recorded on the balance sheet at December 31, 2014 and is included in Redeemable Noncontrolling Interests.

Natural Disasters. Certain of the Company's operations are located in regions of the United States and the Caribbean which typically are subject to hurricanes. During the year ended December 31, 2014, 2013, and 2012, these operations did not incur any material costs related to damages resulting from hurricanes, although certain agency operations experienced temporary closures in 2012 as a result of Hurricane Sandy.

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.

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Commitments. At December 31, 2014, the Company has $4,822 of undrawn outstanding letters of credit. In addition, the Company has commitments to fund investments in an aggregate amount of $10,209.

Leases. The Company and its subsidiaries lease certain facilities and equipment. Gross premises rental expense amounted to $42,657 for 2014, $38,366 for 2013 and $34,422 for 2012, which was reduced by sublease income of $1,449 in 2014, $897 in 2013 and $820 in 2012. 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 2015 and thereafter, are as follows:

Period	Amount
2015	$41,871
2016	39,006
2017	33,740
2018	31,168
2019	26,472
2020 and thereafter	62,644
	$234,901

At December 31, 2014, the total future cash to be received on sublease income is $10,741.

17. New Accounting Pronouncements

In August 2014, the FASB issued Standards Update 2014-15, Presentation of Financial Statements - Going Concern. This update will be effective for fiscal years and interim periods beginning after December 15, 2016 and early application is permitted. ASU 2014-15 requires that management evaluate at each annual and interim reporting period whether there is a substantial doubt about an entity's ability to continue as a going concern within one year of the date that the financial statements are issued. The implementation of the amended accounting guidance is not expected to have an impact on the presentation of our results of operations, financial position or disclosures.

In May 2014, the FASB issued Standards Update 2014-09, Revenue with Contracts from Customers. This update supersedes Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity must apply a five-step approach. ASU 2014-09 provides for one of two methods of transition: retrospective application to each prior period presented; or, recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. This guidance is effective for the Company beginning January 1, 2017. The Company is currently assessing the impact and choice of transition method.

In April 2014, the FASB issued Standards Update No 2014-08, Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity. This update changes the requirements for reporting discontinued operations and requires additional disclosures. This guidance is effective for the Company beginning January 1, 2015. The implementation of the amended accounting guidance is not expected to have a material impact on our consolidated financial position or results of operations.

18. Employee Benefit Plans

A subsidiary acquired in 2012 sponsors a defined benefit plan. The benefits under the defined benefit plans 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 amounts required by the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The assets of the plans 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.

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

	Pension Benefits 2014	Pension Benefits 2013
Service cost	$—	$—
Interest cost on benefit obligation	1,788	1,752
Expected return on plan assets	(2,025)	(1,829)
Curtailment and settlements	—	105
Amortization of prior service cost	—	—
Amortization of actuarial (gains) losses	—	15
Net periodic benefit cost (benefit)	$(237)	$43

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 for the year ended December 31:

	Pension Benefits 2014	Pension Benefits 2013
Curtailment/settlement	$—	$(105)
Current year actuarial (gain) loss	11,515	(7,928)
Amortization of actuarial gain (loss)	—	(15)
Current year prior service (credit) cost	—	—
Amortization of prior service credit (cost)	—	—
Amortization of transition asset (obligation)	—	—
Total recognized in other comprehensive (income) loss	$11,515	$(8,048)
Total recognized in net periodic benefit cost and other comprehensive (income) loss	11,278	$(8,005)

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The following table summarizes the change in benefit obligations and fair values of plan assets for the years ended December 31, 2014 and 2013:

	Pension Benefits 2014	Pension Benefits 2013
Change in benefit obligation:		
Benefit obligation, Beginning balance	$32,857	$40,041
Service Cost	—	—
Interest Cost	1,788	1,752
Change in Mortality	3,287	—
Plan amendments	—	—
Curtailment/settlement	—	(1,567)
Actuarial (gains) losses	7,681	(4,954)
Benefits paid	(1,814)	(2,415)
Benefit obligation, Ending balance	43,799	32,857
Change in plan assets:		
Fair value of plan assets, Beginning balance	26,868	24,769
Actual return on plan assets	1,478	3,236
Employer contributions	1,828	1,278
Benefits paid	(1,814)	(2,415)
Fair value of plan assets, Ending balance	28,360	26,868
Unfunded status	$15,439	$5,989

	Pension Benefits 2014	Pension Benefits 2013
Amounts recognized in the balance sheet consist of:		
Noncurrent liability	$15,439	$5,989
Net amount recognized	$15,439	$5,989

Amounts recognized in Accumulated Other Comprehensive Loss:

	Pension Benefits 2014	Pension Benefits 2013
Accumulated net actuarial losses	$8,796	$(1,607)
Accumulated prior service cost	—	—
Accumulated transition obligation	—	—
Net amount recognized, net of tax	$8,796	$(1,607)

The preceding table presents two measures of benefit obligations for the pension plan. 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.

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Weighted average assumptions used to determine benefit obligations as of December 31:

	Pension Benefits 2014		Pension Benefits 2013	
Discount rate	4.38	%	5.26	%
Rate of compensation increase	N/A		N/A	

The discount rate assumptions at December 31, 2014 and 2013 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.

Weighted average assumptions used to determine net periodic costs at December 31:

	Pension Benefits 2014		Pension Benefits 2013	
Discount rate	5.26	%	4.53	%
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 Guidance for 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, 2014	Level 1	Level 2	Level 3
Asset Category:				
Money Market Fund – Short Term Investments	$982	$251	$731	$—
Common Stock	11,099	11,099	—	—
Corporate Bonds	5,460	—	5,460	—
Mutual Funds	10,606	10,606	—	—
Foreign Stock	213	213	—	—
Total	$28,360	$22,169	$6,191	$—
	December 31, 2013	Level 1	Level 2	Level 3
Asset Category:				
Money Market Fund – Short Term Investments	$2,020	$106	$1,914	$—
Common Stock	9,826	9,826	—	—
Corporate Bonds	6,215	—	6,215	—
Mutual Funds	8,172	8,172	—	—
Foreign Stock	635	635	—	—
Total	$26,868	$18,739	$8,129	$—

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

The pension plans weighted-average asset allocation for the years ended December 31, 2014 and 2013 are as follows:

	Target Allocation 2014		Actual Allocation 2014		Actual Allocation 2013	
Asset Category:						
Equity Securities	60	%	65.0	%	55.6	%
Debt Securities	40	%	31.5	%	36.9	%
Cash/Cash Equivalents and Short Term Investments	—	%	3.5	%	7.5	%
	100	%	100	%	100	%

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 percent of investments for long-term growth and 50 percent 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 percent equity securities and 50 percent corporate bonds and U.S. Treasury securities.

The Plan invests in various investment securities. The investments are primarily invested 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, 2014 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.
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

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

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 2015 are as follows:

Estimated Amortization:	Pension Benefits 2015
Prior service cost (credit) amortization	$—
Net loss amortization	114
Total	$114

The following estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Estimated Future Benefit Payments for FYE 12/31	Pension Benefits
2015	$1,092
2016	$1,168
2017	$1,317
2018	$1,433
2019	$1,521
2020 – 2024	$9,500

The pension plan contributions are deposited into a trust, and the pension plan benefit payments are made from trust assets.

19. 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, 2012	$(5,329)	$(2,116)	$(7,445)
Other comprehensive income (loss) before reclassifications	—	(288)	(288)
Amounts reclassified from accumulated other comprehensive income (loss) (net of tax expense of $1,112)	6,936	—	6,936
Other comprehensive income (loss)	$6,936	$(288)	$6,648
Balance December 31, 2013	$1,607	$(2,404)	$(797)
Other comprehensive income (loss) before reclassifications	—	3,448	3,448
Amounts reclassified from accumulated other comprehensive income (loss) (net of tax benefit of $1,112)	(10,403)	—	(10,403)
Other comprehensive income (loss)	(10,403)	3,448	(6,955)
Balance December 31, 2014	$(8,796)	$1,044	$(7,752)

For the year ended December 31, 2014 there were no reclassifications from accumulated other comprehensive income (loss). Reclassifications for the year ended December 31, 2013 were:

	2013
Amortization of defined pension plan:	
Prior service cost	$—
Actuarial (gains) losses	15
Net periodic benefit cost (see Note 18)	15
Income tax expense	6
Net of tax	$9

20. Quarterly Results of Operations (Unaudited)

The following table sets forth a summary of the Company’s consolidated unaudited quarterly results of operations for the years ended December 31, 2014 and 2013, in thousands of dollars, except per share amounts.

	Quarters			
	First	Second	Third	Fourth
Revenue:				
2014	$274,854	$299,356	$309,391	$339,911
2013	$242,995	$262,793	$267,461	$289,229
Cost of services sold:				
2014	$181,468	$188,875	$205,549	$222,626
2013	$164,932	$175,693	$176,913	$187,431
Income (loss) from continuing operations:				
2014	$(7,213)	$19,555	$(1,868)	$(6,381)
2013	$(41,181)	$10,630	$(12,533)	$(90,118)
Net income (loss) attributable to MDC Partners Inc.:				
2014	$(8,846)	$16,470	$(4,922)	$(26,759)
2013	$(43,158)	$9,816	$(21,200)	$(94,321)
Income (loss) per common share:				
Basic				
Continuing operations:				
2014	$(0.17)	$0.36	$(0.07)	$(0.17)
2013	$(0.90)	$0.19	$(0.31)	$(1.95)
Net income (loss):				
2014	$(0.18)	$0.33	$(0.10)	$(0.54)
2013	$(0.92)	$0.20	$(0.45)	$(2.00)
Diluted				
Continuing operations:				
2014	$(0.21)	$0.29	$(0.13)	$(0.58)
2013	$(0.94)	$0.16	$(0.49)	$(2.04)
Net income (loss):				
2014	$(0.22)	$0.26	$(0.16)	$(0.95)
2013	$(0.96)	$0.17	$(0.63)	$(2.09)

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MDC PARTNERS INC.
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20. 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 2014 includes a foreign exchange loss of $8,066.
- The fourth quarter of 2013 includes stock based compensation charges of $63,715.
- The fourth quarter of 2014 includes deferred acquisition adjustments of $1,751.
- The fourth quarter of 2013 includes deferred acquisition adjustments of $30,514.

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

Not Applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

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

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

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

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

We evaluated the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, we used the criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our assessment, we believe that, as of December 31, 2014, we maintained effective internal control over financial reporting based on these criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2014, has been independently audited by BDO USA LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(d) Report of Independent Registered Public Accounting Firm

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

We have audited MDC Partners Inc. internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). MDC Partners Inc.'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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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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.

In our opinion, MDC Partners Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of MDC Partners Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, shareholders’ equity (deficit), and cash flows for each of the three years in the period ended December 31, 2014 and our report dated March 2, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP
New York, New York
March 2, 2015

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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 2015 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, 2014, which sections are incorporated herein by reference.

Executive Officers of MDC Partners

The executive officers of MDC Partners as of March 2, 2015 are:

Name	Age	Office
Miles S. Nadal(1)	57	Chairman of the Board, Chief Executive Officer and President
Lori Senecal(1)	50	Director, President and Chief Executive Officer of The MDC Partner Network
Stephen Pustil(1)	71	Vice Chairman
David B. Doft	43	Chief Financial Officer
Mitchell S. Gendel	49	General Counsel & Corporate Secretary
Michael C. Sabatino	50	Senior Vice President, Chief Accounting Officer
Andre Coste	51	Executive Vice President, Chief Operating Officer of The MDC Partners Network
David C. Ross	34	Senior Vice President, Corporate Development

(1) Also a member of MDC's Board of Directors.

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

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

Ms. Senecal joined MDC Partners in September 2014 as CEO of The MDC Partner Network and as a director on the Board of Directors. At that time she also assumed the role of Global Executive Chairman of kbs+, one of MDC's leading creative advertising agencies. From August 2009 until September 2014, Ms. Senecal served as Chief Executive Officer of kbs+. Prior to kbs+, Ms. Senecal was President of the flagship New York office of McCann Erickson, and previously, as Global Chief Innovation Officer for McCann Worldgroup. At McCann, Ms. Senecal also founded TAG Ideation, a young-adult marketing specialty unit.

Mr. Pustil has been a director of MDC since 1992, and its Vice Chairman since 1992. Mr. Pustil is also Chairman of Peerage Realty Partners. Mr. Pustil is a chartered accountant and serves on the Board of Mount Sinai Hospital.

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

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

Mr. Sabatino joined MDC Partners in April 2005 as Senior Vice President and Chief Accounting Officer. Prior to joining MDC Partners, he was an audit partner with the accounting firm of Eisner LLP from April 2004. Prior to that, from December 2001 to March 2004, he was the Co-CFO/Senior Vice President Finance of JAKKs Pacific, Inc., a publicly-held toy company. Before that, Mr. Sabatino was an audit partner at BDO USA, LLP, a public accounting firm.

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Mr. Coste joined MDC Partners in April 2013 as Executive Vice President and Chief Financial Officer of The MDC Partners Network. Prior to joining MDC Partners, he was with Publicis Worldwide for 9 years, first as Chief Financial Officer of the Asia-Pacific Region from 2004 to 2008 and then as Global Chief Financial Officer from 2008 to 2013.

Mr. Ross joined MDC Partners in March 2010 and became Senior Vice President, Corporate Development, in March 2012. Prior to joining MDC Partners, he was an Associate at Skadden Arps LLP where he represented corporate clients in a variety of capital markets and M&A transactions.

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

Code of Conduct

The Company has adopted a Code of Conduct, which applies to all directors, officers (including the Company's Chief Executive Officer and Chief Financial Officer) and employees of the Company and its subsidiaries. The Company's policy is to not permit any waiver of the Code of Conduct for any director or executive officer, except in extremely limited circumstances. Any waiver of this Code of Conduct for directors or officers of the Company must be approved by the Company's Board of Directors. Amendments to and waivers of the Code of Conduct will be publicly disclosed as required by applicable laws, rules and regulations. The Code of Conduct is available free of charge on the Company's website at http://www.mdc-partners.com, or by writing to MDC Partners Inc., 745 Fifth Avenue, New York, NY, 10151, Attention: Investor Relations.

Item 11. Executive Compensation

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

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

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

Item 13. Certain Relationships and Related Transactions and Director Independence

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

Item 14. Principal Accountant Fees and Services

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

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PART IV
Item 15. Exhibits and Financial Statement Schedules.
Report of Independent Registered Public Accounting Firm
Board of Directors and Stockholders
MDC Partners Inc. New York, New York

The audits referred to in our report dated March 2, 2015 relating to the consolidated financial statements of MDC Partners Inc., which is contained in Item 8 of this Form 10-K also included the audit of the financial statement Schedule II for years ended 2014, 2013 and 2012. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

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

/s/ BDO USA, LLP
New York, New York
March 2, 2015

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(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 Uncollectable Receivables	Translation Adjustments Increase (Decrease)	Balance at the End of Period
Valuation accounts deducted from assets to which they apply – allowance for doubtful accounts:					
December 31, 2014	$2,011	$556	$(1,127)	$(31)	$1,409
December 31, 2013	$1,581	$1,484	$(1,042)	$(12)	$2,011
December 31, 2012	$851	$1,587	$(864)	$7	$1,581

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, 2014	$137,961	$(10,437)	$(7,062)	$(1,345)	$119,117
December 31, 2013	$134,761	$6,640	$(2,212)	$(1,228)	$137,961
December 31, 2012	$113,585	$16,240	$4,449	$487	$134,761

(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.

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SIGNATURES

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

MDC PARTNERS INC.

Date: March 2, 2015	By:	/s/ Miles S. Nadal Name: Miles S. Nadal Title: Chairman, Chief Executive Officer and President

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

Signature	Title	Date
/s/ Miles S. Nadal Miles S. Nadal	Chairman, Chief Executive Officer and President	March 2, 2015
/s/ Scott Kauffman Scott Kauffman	Presiding Director	March 2, 2015
/s/ Clare Copeland Clare Copeland	Director	March 2, 2015
/s/ Michael J. Kirby Michael J. Kirby	Director	March 2, 2015
/s/ Lori Senecal Lori Senecal	Director, President and Chief Executive Officer, The MDC Partner Network	March 2, 2015
/s/ Irwin D. Simon Irwin D. Simon	Director	March 2, 2015
/s/ Stephen M. Pustil Stephen M. Pustil	Director, Vice Chairman	March 2, 2015
/s/ David Doft David Doft	Chief Financial Officer	March 2, 2015
/s/ Michael Sabatino Michael Sabatino	Senior Vice President and Chief Accounting Officer	March 2, 2015

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Articles of Amalgamation, dated January 1, 2004 (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on May 10, 2004);
3.1.1	Articles of Continuance, dated June 28, 2004 (incorporated by reference to Exhibit 3.3 to the Company's Form 10-Q filed on August 4, 2004);
3.1.2	Articles of Amalgamation, dated July 1, 2010 (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q filed on July 30, 2010);
3.1.3	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);
3.2	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 20, 2013, 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 20, 2013;
4.1.1	6.75% Senior Notes due 2020 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on March 20, 2013);
4.1.2	First Supplemental Indenture, dated as of June 21, 2013 (adding Anomaly Inc. as an Additional Note Guarantor), to the Indenture dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1.2 to the Company's Form 10-K filed on March 10, 2014);
4.1.3	Second Supplemental Indenture, dated as of November 6, 2013 (adding LBN Partners LLC as an Additional Note Guarantor), to the Indenture dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1.3 to the Company's Form 10-K filed on March 10, 2014);
4.1.4	Third Supplemental Indenture, dated as of November 15, 2013, to the Indenture, dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee, including the form of 6.75% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1.4 to the Company's Form 10-K filed on March 10, 2014);
4.1.5	Fourth Supplemental Indenture, dated as of March 14, 2014, to the Indenture, dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee, including the form of 6.75% Senior Notes due 2020 (incorporated by reference to Exhibit 4.1 to the Company's Form 10-Q filed on April 29, 2014);
4.1.6	Fifth Supplemental Indenture, dated as of April 2, 2014, to the Indenture, dated as of March 20, 2013, among the Company, the Note Guarantors and The Bank of New York Mellon, as trustee, including the form of 6.75% Senior Notes due 2020 (incorporated by reference to the Company's Current Report on Form 8-K filed on April 2, 2014);
10.1	Amended and Restated Credit Agreement, dated as of March 20, 2013, 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 March 20, 2013);
10.1.1	Consent and First Amendment, dated November 8, 2013, to Credit Agreement, dated as of March 20, 2013 by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC (now Wells Fargo Capital Finance, LLC), as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1.1 to the Company's Form 10-K filed on March 10, 2014);
10.1.2	Second Amendment, dated February 14, 2014, to Credit Agreement, dated as of March 20, 2013, by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC (now Wells Fargo Capital Finance, LLC), as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1.1 to the Company's Form 10-K filed on March 10, 2014);
10.1.3	Consent and Third Amendment, with an effective date of March 27, 2014, to Amended and Restated Credit Agreement, dated as of March 20, 2013, 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 the Company's Current Report on Form 8-K filed on March 28, 2014);

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10.1.4	Fourth Amendment, dated as of October 23, 2014, to Credit Agreement, dated as of March 20, 2013, by and among the Company, Maxxcom Inc., a Delaware corporation, each of their subsidiaries party thereto, Wells Fargo Foothill, LLC (now Wells Fargo Capital Finance, LLC), as agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 to the Company's 8-K filed on October 24, 2014);
10.2	Amended and Restated Management Services Agreement dated as of May 6, 2013, by and among MDC Partners Inc.; Nadal Management Limited; Nadal Financial Corporation and Miles Nadal (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 8, 2013);
10.3	Employment Agreement between the Company and Stephen M. Pustil, dated as of August 20, 2007 (incorporated by reference to Exhibit 10.1 to the Company's 10-Q filed on November 8, 2007);
10.3.1	Amendment No. 1 dated August 5, 2010, to the Employment Agreement made as of August 20, 2007, by and between MDC Partners Inc. and Stephen Pustil (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on October 29, 2010);
10.4	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);
10.4.1	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);
10.5	Employment Agreement between the Company and Gavin Swartzman, dated as of September 5, 2007 (incorporated by reference to Exhibit 10.2 to the Company's 10-Q filed on November 8, 2007);
10.6	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 Michael Sabatino, dated as of July 6, 2007 (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed on August 7, 2007);
10.7.1	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 Michael Sabatino (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on May 2, 2011);
10.8	Amended and Restated Employment Agreement, dated as of August 10, 2014, between Lori Senecal and MDC Partners Inc. (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on August 11, 2014);
10.9	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);
10.9.1	Form of Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.2 to the Company's 10-Q filed on May 5, 2006);
10.10	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);
10.10.1	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on November 9, 2005);
10.10.2	

	Form of Financial Performance-Based Restricted Stock Grant Agreement (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 2, 2006);
10.10.3	Form of Financial Performance-Based Restricted Stock Unit Grant Agreement (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on March 2, 2006);
10.10.4	Form of Service-Based and Financial Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 of the Company's Form 10-Q filed on November 8, 2007);
10.10.5	Form of Restricted Stock Grant Agreement (2010) (incorporated by reference to Exhibit 10.12.5 to the Company's Form 10-K filed on March 10, 2010);
10.10.6	Form of Restricted Stock Unit (RSU) Grant Agreement (2010) (incorporated by reference to Exhibit 10.12.6 to the Company's Form 10-K filed on March 10, 2010);
10.10.7	Form of Restricted Stock Grant Agreement (2011) (incorporated by reference to Exhibit 10.12.9 to the Company's Form 10-K filed on March 14, 2011);
10.10.8	Form of Restricted Stock Unit (RSU) Grant Agreement (2011) (incorporated by reference to Exhibit 10.12.10 to the Company's Form 10-K filed on March 14, 2011);
10.10.9	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);
10.11	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);

10.11.1	Form of Restricted Stock Grant Agreement (2011 Plan) (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on June 1, 2011);
10.11.2	Form of Restricted Stock Unit (RSU) Grant Agreement (2011 Plan) (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on June 1, 2011);
10.11.3	Form of Restricted Stock Grant Agreement (2012) (incorporated by reference to Exhibit 10.13.3 of the Company’s Form 10-K filed on March 15, 2012);
10.11.4	Form of Restricted Stock Unit (RSU) Grant Agreement (2012) (incorporated by reference to Exhibit 10.13.4 of the Company’s Form 10-K filed on March 15, 2012);
10.11.5	Form of 2014 Financial-Performance Based Restricted Stock Grant Agreement (incorporated by reference to Exhibit 10.10.5 to the Company’s Form 10-K filed on March 10, 2014);
10.12	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);
10.13	MDC Partners Inc. 2014 Long Term Cash Incentive Compensation Plan (the “2014 LTIP Plan”); Forms of Award Agreement (incorporated by reference to Exhibit 4.1.2 to the Company’s Form 10-K filed on March 10, 2014);
10.14	Underwriting Agreement, dated May 13, 2014, among MDC Partners Inc., Miles S. Nadal and BMO Capital Markets Corp. (incorporated by reference to the Company's Current Report on Form 8-K filed on May 16, 2014);
10.15	Price Determination Agreement, dated May 13, 2014, among MDC Partners Inc., Miles S. Nadal and BMO Capital Markets Corp. (incorporated by reference to the Company's Current Report on Form 8-K filed on May 16, 2014);
12	Statement of computation of ratio of earnings to fixed charges*;
14	Code of Conduct of MDC Partners Inc. (incorporated by reference to Exhibit 14 to the Company’s Form 10-K filed on March 10, 2008);
14.1	MDC Partners’ Corporate Governance Guidelines, amended in May 2009 (incorporated by reference to Exhibit 14.1 to the Company’s Form 10-K filed on March 10, 2010);
21	Subsidiaries of Registrant*;
23	Consent of Independent Registered Public Accounting Firm BDO 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*;
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.