March 29, 2016

Dear Sir or Madam,

We the management of MDC Partners Inc. (the “Company”) are responding to the invitation from the Financial Accounting Standards Board to comment on the revised Exposure Draft on the Statement of Cash Flows (Topic 230). We understand and support the goal to reduce the diversity in practice for cash flow classification. The Company appreciates the opportunity to comment on the revised Exposure Draft.

The Company is specifically addressing Question 4 in the Exposure Draft.

Is cash flow classification guidance needed to address situations in which an acquirer makes a cash payment for the settlement of a contingent consideration liability soon after the business combination? If so, what classification is appropriate and why?

The Company believes that treating all payments of contingent purchase consideration as financing activities is consistent with the manner in which the users of its financial statements view its financial position and results of operations. The Company believes that the payments of such contingent consideration are deemed to be seller financed debt. As such, it is appropriate for these payments to be recorded as cash flows from financing activities. The Company is consistently asked by investors about the financing of its acquisitions (i.e., its contingent purchase consideration obligations). By continuing to have all the payments of contingent purchase consideration in cash flows from financing activities will continue to help the users of our financial statements understand the total cash outflows related to our acquisitions.

The Company believes that the rule changes as proposed would cause confusion and mislead investors in regards to our financial information. Under the proposed rule, acquisition related payments would be classified in three areas of the cash flow statement (1) investing activities for the original purchase (2) financing activities for the original estimate of contingent consideration and (3) operating activities for any payments in excess of the original estimate of the contingent consideration. Under the Company’s current classification, the original payments are classified as investing while all contingent consideration is classified as financing, which is transparent to investors by showing the full amount paid for the acquisitions.

In addition, we believe that there will be an inconsistency in cash flow reporting between instances of when the Company pays more than the original contingent consideration estimate verses when the Company pays less than the original contingent consideration estimate. The Company records income when there is a decrease in the contingent consideration estimated amount or expense when there is an increase in the contingent consideration estimated amount. Under the proposed rules,
even though the Company records income, cash flow from operating activities would not be impacted if the Company paid less than the original contingent consideration estimate. On the contrary, if the Company paid more than the original estimate, there would be a negative impact on cash flow from operating activities. Under the Company's current classification with all contingent payments classified as financing activities, cash flow from operations is consistently presented under both instances.

The Company believes that the classification of contingent payments as a financing activity is appropriate under current US GAAP. In accordance with ASC 805, contingent consideration represents an obligation of the acquirer to transfer additional assets to selling shareholders if future events occur or conditions are met. The corresponding liability is recognized and measured at the acquisition date fair market value with any subsequent changes in fair value recorded in the results of operations. The guidance does not discuss nor indicate that the nature of the obligation is affected by either changes in the amount of such obligation or the ultimate settlement thereof.

In accordance with ASC 230, cash flows for financing activities include payments of dividends or other distributions to owners, including outlays to reacquire the enterprises equity instruments, and the repayment of amounts borrowed for seller financed debt. As it relates to seller financed debt, ASC 230 further states that, the initial payments are classified as investing activities while any subsequent payments are classified as financing activities. The guidance also states that all principal payments on seller financed mortgages on productive assets shall be classified as financing activities. The guidance further states that cash receipts and payments may have aspects of more than one class of cash flows. If so, the appropriate classification shall depend on the activity that is likely to be the predominant source of cash flows for the item in question.

Based on the above, the Company believes that the guidance in ASC 805 does not distinguish between the nature of payments of the contingent consideration obligations as to whether the payments represent the amount originally recorded or amounts subsequently adjusted. Rather the guidance states that the total amounts paid represent contingent payment obligations. The Company further believes that since the guidance in ASC 230 supports the classification of subsequent payments on seller financing as a financing activity, the classification of contingent payment obligations assumed as a result of a business combination, as cash flows from financing activities, is appropriate.

We appreciate your consideration of our comments, please contact us if you have any further questions regarding our comments.

Sincerely,

Christine LaPlaca, SVP Accounting and Financial Reporting
MDC Partners Inc.

Cc: David Doft, Chief Financial Officer