

DAVID W. SHAPIRO ■

MARTHA BOERSCH ■

LARA KOLLIOS ■

August 29, 2016

Via FedEx
Office of the Whistleblower
100 F Street, NE
Mail Stop 5553
Washington, D.C. 20549

Mr. Jeffrey W. Fennell
Senior Inquiries Officer
Ontario Securities Commission
20 Queen Street West, Suite 1900
Toronto, Ontario M5H 3S8
Canada

Re: Concordia International Corp. and CEO Mark Thompson

Gentlemen:

We write to you again concerning possible insider trading and misrepresentations in the sale of Concordia shares by CEO Mark Thompson. The newest concern was triggered by the August 22, 2016 Concordia announcement that (a) Thompson had pledged an unspecified number of shares on an unidentified date (some time before April 21, 2016¹) to secure loans, (b) the value of the shares had dropped to the point where the lender issued a margin call (a demand that Thompson pay money or pledge other collateral because the value of the existing collateral no longer supported the loan requirements), (c) Thompson chose not to pay money in order to protect his interest in some or all of the pledged collateral, and (d) the lender then sold 505,000 of Thompson's shares to pay for the decreased value in the pledged collateral. The press release is at <http://concordiarx.com/release/?id=122566>.

The press release states that Thompson "continues to hold 1,620,251 shares of Concordia." It does not state whether those remaining shares were (or were not) pledged for a loan. The release also does not identify the lender, what country the lender may be in, the terms

¹ April 21, 2016 was the date of the public announcement that Concordia had formed a committee to try to find a buyer for the company.

of the loan, other obligations imposed on Thompson by the loan agreement, and how Thompson used the proceeds of the loan.

The release also conflicts with a report on April 22, 2016 on Business News Network by a commentator/investor named Andrew McCreath that he spoke with Concordia and “confirmed the special committee was put together weeks ago.” Because Concordia and Thompson did not disclose when Thompson borrowed money against a pledge of his shares, it is not possible to know whether the statement that Thompson pledged his stock before the formation of the committee is false or misleading. McCreath’s statement is at <http://www.bnn.ca/video/mccreath-concordia-may-have-been-the-target-of-a-short-and-distort~854914>

If the sale occurred on August 21, 2016, then that means the financial institution sold the shares for about \$4.5 million. Given that Thompson is paid by Concordia \$9 million per year, it seems unlikely that Thompson did not have enough cash to meet the margin call, but rather chose not to meet it because he did not believe those shares were worth owning anymore. Yet, Thompson told the public that the “sale in no way diminishes my confidence in Concordia’s business and prospects,” as quoted in the press release. If Thompson were truly confident in Concordia’s business, then he would have met the margin call or at least explained why he could not afford to do so.²

SEC Rule 403 (17 CFR 229.403(b)(3)) requires public corporations to report the number of shares of the corporation (and its parents and subsidiaries), “including directors’ qualifying shares, beneficially owned by all directors and nominees.” The rule requires disclosure in a table that also shows “by footnote or otherwise, the amount of shares that are pledged as security.”

In Concordia’s last proxy statement, dated April 7, 2016,³ Concordia reported that “2496544 Ontario Ltd. [, a Cayman Islands corporation] is the registered owner of 2,2125,251 shares of these Common Shares [of Concordia Healthcare], in respect of which Mark Thompson is a beneficial owner.”⁴ Thompson was reported to own 4.2% of Concordia’s outstanding shares.

² In an October 21, 2015 interview with BNN, Thompson said, “The stock price is dramatically undervalued in my opinion. I would be buying it right now, but I’m blacked out because of the securities laws. And once the blackout lifts, I will be buying.” We do not believe Thompson ever followed through on that promise. He instead pledged his shares, took out loans, and acted in a way that demonstrated a lack of confidence in the company. <http://www.bnn.ca/video/concordia-shares-crushed-ceo-says-short-sellers-wrong~731668> (quote at 5:33).

³ The proxy statement can be found at <https://www.sec.gov/Archives/edgar/data/1642271/000119312516533917/d158589dex991.htm>.

⁴ The quality of disclosure is not good. The Cayman Islands Gazette, dated March 14, 2016, at page 441, reports that 2496544 Ontario Ltd. was “de-registered in the Cayman Islands and transferred by way of continuation to Argentina effective 19 February 2016.” A copy of the relevant pages of the Gazette is enclosed as Exhibit 1. It is not clear what happened to the entity that held Thompson’s shares.

The proxy statement did not state that Thompson had pledged all or some of his shares. We could not find the word “pledge” anywhere in the proxy statement. Thus, unless Thompson pledged his shares some time between April 7 and April 21, 2016, the proxy statement violated Rule 403’s reporting requirement. (When he was an in house lawyer at Biovail, Thompson was responsible for reporting on share ownership of the company’s executives,⁵ which means Thompson knows, or should know, the rules about reporting share ownership and sales by management.)

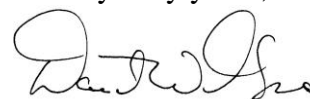
An August 23, 2016 Wall Street Journal article about the sale of Thompson’s shares stated that, “A person familiar with the matter said that as a Canadian company it did not have to disclose Mr. Thompson’s pledge of his shares.” (Article enclosed as Exhibit 2) We are not Canadian lawyers and do not comment on Canadian law. Concordia is listed on the NASDAQ and it is our understanding that companies listed on NASDAQ are required to comply with SEC regulations.

Concordia reports that its stock price had a 52 week high of \$89.10 (in about October 2015), <http://concordiarx.com/investors/stock-information>. In the next few months, the stock price fell dramatically, though it spiked higher when rumors appeared about the potential purchase of Concordia, <http://www.bloomberg.com/news/articles/2016-04-21/blackstone-said-to-weigh-buyout-of-canada-s-concordia-healthcare>, and when the company issued a press release that it had formed a committee “to evaluate strategic alternatives.”

If Thompson pledged his stock for a loan when the price was high – and when he knew about business practices and competitive pressures that would lead to a drastic decrease in the market price of the stock – and he failed to disclose that information to the lender, then he omitted material information.

Thompson’s motive and/or intent at the time he pledged shares may have been revealed by the August 22 announcement that Thompson declined to meet a margin call; in other words, Thompson decided that it was not in his financial interest to maintain his ownership interest in the pledged shares by paying additional money. He chose instead to turn the collateral (the pledged shares) over to the lender, which likely lost money on the overall transaction.

Very truly yours,



David W. Shapiro

⁵ Mr. Cohodes’s submission of August 22, 2016 explains Thompson’s prior role and sets out information Mr. Cohodes was aware of regarding potential insider trading before the August 22, 2016 Thompson margin call announcement.

EXHIBIT 1

CAYMAN ISLANDS GAZETTE

Monday, 14 March 2016

Issue No.06/2016

CONTENTS

SUPPLEMENTS		GOVERNMENT	
Laws, Bills, Regulations.....Pg.406		Deportation.....None	
COMMERCIAL		Constitution Order.....None	
Liquidation Notices, Notices of Winding Up, Appointment of Voluntary Liquidators and Notices to Creditors.....Pg.407		Exclusion Orders.....None	
Notices of Final Meeting Of Shareholders.....Pg.426		Election Notice.....None	
Partnership Notices.....Pg.436		Appointments.....Pg.452	
Bankruptcy Notices.....None		Personnel Occurrences.....None	
Receivership Notices.....None		Long Service Awards.....None	
Dividend Notices.....None		Public Auction.....None	
Grand Court Notices.....Pg.438		Departmental Notices.....None	
Struck-off List.....None		Court of Appeals Notices.....None	
Reduction of Capital.....None		Overseas Territories Orders.....None	
Notice of Special Strike.....Pg.440		Land Notices.....None	
Dormant Accounts Notices.....None		Change of Name.....Pg.452	
Demand Notices.....None		Remission of Sentence.....None	
Certificate of Merger Notices.....Pg.440		Road Notices.....None	
Transfer of Companies.....Pg.441		Proclamations.....None	
Regulatory Agency Notices.....None		Probate and Administration.....None	
General Commercial Notices.....Pg.441		Errata Notices.....Pg.453	
Patent and Trademarks.....Pg.443		Gazette Publishing and Advertising	
		InformationPg.454	
		Gazette Dates and DeadlinesPg.455	
		INDEXPg.456	

NOTICE: *Gazette Publishing Dates & Deadlines for the year as well as advertising and subscription rates are posted at the back of this Gazette.*

USING THE GAZETTE: The *Cayman Islands Gazette*, the official newspaper of the Government of the Cayman Islands is published fortnightly on Monday. The next issue (07/16) will be published on 29 March 2016 Closing time for lodgment of commercial notices will be 12 noon, Friday, 18 March 2016. **Government notices must be lodged at the Gazette Office by 12 noon on Wednesday (16 March 2016). This timeframe will be followed for all Gazettes.** Notices are accepted for publication in the next issue, unless otherwise specified.

Transfer of Companies

Notice is hereby given pursuant to S. 206 Companies Law (2011 Revision) whereby the following company has been de-registered in the Cayman Islands and transferred by way of continuation to the jurisdiction noted below effective 24 September 2015.

SOLARWINDS CLASSIC HOLDINGS II, LTD.
STATE OF DELAWARE, USA

Notice is hereby given pursuant to S. 206 Companies Law (2011 Revision) whereby the following company has been de-registered in the Cayman Islands and transferred by way of continuation to the jurisdiction noted below effective 24 February 2016.

SOLARWINDS CLASSIC HOLDINGS II, LTD.
STATE OF DELAWARE

Notice is hereby given pursuant to Section 205 of the Companies Law (2013 Revision) whereby the Company listed below previously registered in Canada is now Registered in the Cayman Islands on the effective 25 February 2016.

2496544 ONTARIO LTD.

Notice is hereby given pursuant to Section. 206 Companies Law (2013 Revision) whereby the following company has been de-registered in the Cayman Islands and transferred by way of continuation to Argentina effective 19 February 2016.

YSUR ARGENTINA CORPORATION

Notice is hereby given pursuant to S. 206 Companies Law (2011 Revision) whereby the following company has been de-registered in the Cayman Islands and transferred by way of continuation to the jurisdiction noted below effective 26 February 2016.

SOLARWINDS CLASSIC HOLDINGS I, LTD.
STATE OF DELAWARE

General Commercial Notices



Cayman Islands Society of
Professional Accountants



Tim Achtstatter
Matthew Adam
Bipin Agarwal
Bilal Ahmed
Paul Arbo
Dale Babiuk
Serge Berube
Stephen Bird
Marlon Bispath
William Blair

Lanishka Farrington-McSweeney
Johnny Ferrari
Daniel Florek
Michael Garofalo
Christopher Gauk
James George
Claire Griffin
Edward Gwekete
Gretchen Hammes
Colin Hanson

Ramon Louw
Michael Mannisto
Neil Maynard
Tanis McDonald
Norman McGregor
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Laurie Mernett
Luke Murray
Colin Nicholson
Rebecca Palmer

Jan Snyman
Melanie Snyman
Muzaffar Soomro
Andrew Stepaniuk
Graeme Sunley
Glen Trenouth
David Walker
David Watt
Lauri Webster
Yuri Williams

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Carrie Brown
Adam Bullock
Marco Calleja
Michael Carnahan
Terry Carson
Hellen Chemeli
Jonathan Cohen
Anthony Cowell
Rupesh Daya
Anthony DeAngelis
Parmanan Deopersad
Paul Donovan
Jeana Ebanks

Mark Harris
Lucinda Hislop
Sheenah Hislop
Victoria Hollingsworth-Havlin
Arshid Iqbal
Baron Jacob
Ian Johnson
Rennie Khan
William Knibloe
Francois Lamontagne
Siew (Ben) Leung
Frazer Lindsay
Kevin Lloyd
Ian Lomas
Miguel Lopez

Sean Parchment
Robert Patraulea
Damian Pentney
Gordon Rajamohan
Brian Rando
Richard Reading
Odette Samson
Andrew Schofield
Layman Daniel Scott
Richard Scott-Hopkins
Varun Sharma
Jeffrey Short
Peter Small
Rohan Small
Craig Smith

Peter Young
Samuel Young

EXHIBIT 2

THE WALL STREET JOURNAL.

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<http://blogs.wsj.com/moneybeat/2016/08/23/concordias-uncanny-comparisons-to-valeant-continue-unfortunately/>

MONEYBEAT

Concordia's Uncanny Comparisons to Valeant Continue (Unfortunately)

Concordia CEO's margin call is the latest stumble in the company's bad year

By **CHARLEY GRANT**

Aug 23, 2016 12:35 pm ET

Executives who sue short-sellers should pay attention to their own investments.

Beleaguered Canadian drug maker Concordia International announced Monday that CEO and Chairman Mark Thompson received a margin call on his holdings of company stock and was forced to sell more than 500,000 shares, or nearly 25% of his personal holdings.

It is unclear when Mr. Thompson pledged the company's stock, which is down nearly 80% this year, as collateral for a loan. Concordia said the loan was secured prior to April 21, when the company announced it had formed a special committee to explore strategic alternatives for the business.

However, no mention of the loan appears in the company's statement of risk factors, filed March 24 with the Securities and Exchange Commission. A person familiar with the matter said that as a Canadian company it did not have to disclose Mr. Thompson's pledge of his shares.

The stock sale is the latest blow in a catastrophic year for investors. Concordia announced a sharp reduction in its full year sales and profitability targets earlier this month and suspended its dividend. The heavily indebted company also announced that finance chief Adrian de Saldanha would leave the company to "pursue other opportunities."

That news came after Mr. Thompson sued the short seller Marc Cohodes for libel, over remarks surrounding Mr. Thompson's past employment at Canadian drug maker Biovail, which merged with Valeant Pharmaceuticals International in 2010. That lawsuit

was filed in Ontario Superior Court of Justice on June 30, at least two months after Mr. Thompson had pledged his shares for the loan.

The margin call is the latest echo of the stock collapse at Valeant. Former Valeant chief Michael Pearson was forced to sell shares as part of a margin call last November.

The lawsuit will likely be costly for Mr. Cohodes, but Concordia's 58% share decline since the case was filed will offset some of the expense

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HEARD ON THE STREET ([HTTP://BLOGS.WSJ.COM/MONEYBEAT/TAG/HEARD-ON-THE-STREET/](http://blogs.wsj.com/moneybeat/tag/heard-on-the-street/))

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