



**Part II** Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attached.

Multiple horizontal lines for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ▶ See attached.


Multiple horizontal lines for providing information regarding the recognition of resulting loss.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attached.

Multiple horizontal lines for providing any other necessary information for the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ 

Date ▶ Oct 16/18.

Print your name ▶ Jeridean N.A. Young

Title ▶ VP, Tax & Treasury

**Paid Preparer Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check  if self-employed

PTIN

Firm's name ▶

Firm's EIN ▶

Firm's address ▶

Phone no.

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The information contained herein is being provided pursuant to the requirements of section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”).

Unless otherwise defined, all capitalized terms have the meanings used in Concordia’s management information circular dated May 15, 2018 (the “Circular”).

The information contained herein does not constitute tax advice and does not purport to be complete or to describe the tax consequences that may apply to particular categories of Holders. Each Holder should consult its tax advisor regarding the particular tax consequences of the Recapitalization Transaction to such Holder, including the applicability and effect of all U.S. federal, state, and local and foreign tax law.

**Part I, Boxes 9 and 10**

<b>Share Consolidation</b>	
<b>Classification and Description (Box 9)</b>	<b>CUSIP (Box 10)</b>
Common Shares	20653P409
Limited Voting Shares	20653P102

<b>Exchange of Unsecured Debt</b>	
<b>Classification and Description (Box 9)</b>	<b>CUSIP (Box 10)</b>
9.50% Unsecured Notes	206519AB6; C26215AB6
7.00% Unsecured Notes	206519AA8; C26215AA8
Unsecured Equity Bridge Loans	N/A
Limited Voting Shares	20653P102

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<b>Exchange of Secured Debt</b>	
<b>Classification and Description (Box 9)</b>	<b>CUSIP (Box 10)</b>
Secured Notes	20653PAA0; C26220AA8
Secured Term Loans	C2620KAK4; C2620KAJ7
Secured Swap Instruments	N/A
New Senior Secured Notes	20653PAB8
New Senior Secured Term Loans	N/A

**Part II, Box 14 – Describe the organizational action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action.**

On September 6, 2018, Concordia completed the Recapitalization Transaction described in the Circular and implemented pursuant to the court-approved plan of arrangement dated June 26, 2018, under the *Canadian Business Corporations Act* (the “CBCA Plan”).

The Recapitalization Transaction included, among others, the following elements:

- Share Consolidation. Concordia’s Holders retained their Common Shares, subject to a 1-for-300 consolidation of Common Shares and re-designation as Limited Voting Shares representing approximately 0.35% of the outstanding Limited Voting Shares of Concordia following the completion of the Recapitalization Transaction.
- Exchange of Unsecured Debt. Concordia’s Unsecured Debt in the aggregate principal amount of approximately US\$1.6 billion, plus accrued but unpaid interest, was exchanged for new Limited Voting Shares of Concordia representing in the aggregate approximately 11.96% of the outstanding Limited Voting Shares of Concordia following the completion of the Recapitalization Transaction (taking into account early consent shares for Holders of Unsecured Debt entitled to early consent consideration under the CBCA Plan). Holders of 7.00% Unsecured Notes on an aggregate basis received approximately 2.3987 Limited Voting Shares per US\$1,000 of principal amount of 7.00% Unsecured Notes, Holders of 9.50% Unsecured Notes on an aggregate basis received approximately 2.4403 Limited Voting Shares per US\$1,000

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of principal amount of 9.50% Unsecured Notes, and lenders under the Unsecured Equity Bridge Loans on an aggregate basis received approximately 2.4625 Limited Voting Shares per US\$1,000 of principal amount of the Unsecured Equity Bridge Loans in exchange for their Unsecured Debt. Early consenting Holders of Concordia's Unsecured Debt received an additional 1.1977 Limited Voting Shares per US\$1,000 of principal amount of Unsecured Debt in exchange for their Unsecured Debt. Consideration paid pursuant to the CBCA Plan to Holders of Unsecured Debt was first allocated to the principal amount of the Unsecured Debt and then, to the extent the consideration exceeded the principal amount of the Unsecured Debt, to the accrued but unpaid interest of the Unsecured Debt. Any accrued but unpaid interest of the Unsecured Debt that remained outstanding following such allocation was extinguished for no consideration. There is no assurance, however, that the Internal Revenue Service will respect the allocation of consideration received for U.S. federal income tax purposes.

- Exchange of Secured Debt. Concordia's Secured Debt in the aggregate principal amount of approximately US\$2.1 billion, plus accrued but unpaid interest, was exchanged for (i) cash in an amount equal to any outstanding accrued but unpaid interest (at contractual non-default rates) in respect of the Secured Debt, (ii) cash in the amount of approximately US\$605 million (taking into account early consent cash consideration for Holders of Secured Debt entitled to early consent cash consideration under the CBCA Plan), and (iii) approximately US\$1.36 billion of New Senior Secured Debt comprised of New Senior Secured Term Loans (approximately US\$1.06 billion, denominated in U.S. dollars and Euros) and New Senior Secured Notes (approximately US\$300 million, denominated in U.S. dollars). Cash consideration paid pursuant to the CBCA Plan to Holders of Secured Debt was first allocated to outstanding accrued but unpaid interest (at contractual non-default rates) of the Secured Debt. Any accrued but unpaid interest of the Secured Debt that remained outstanding following such allocation was extinguished for no consideration. The remaining consideration was allocated to the principal amount of the Secured Debt. There is no assurance, however, that the Internal Revenue Service will respect the allocation of consideration received for U.S. federal income tax purposes.

For more information, see the Circular, the CBCA Plan, and Concordia's September 6, 2018 press release entitled "Concordia International Corp. Completes Recapitalization Transaction." Each of the referenced documents is available at <http://concordiarx.com/investors/>.

**Part II, Box 15 – Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.**

Share Consolidation

The Share Consolidation is intended to constitute a "recapitalization" within the meaning of section 368(a)(1)(E) of the Code for U.S. federal income tax purposes. As a result, a U.S. Holder may not recognize a gain or loss upon the Share Consolidation.

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A U.S. Holder's aggregate tax basis in the Limited Voting Shares received pursuant to the Share Consolidation may equal the aggregate tax basis of the Common Shares surrendered, and such U.S. Holder's holding period in the Limited Voting Shares received may include the holding period in the Common Shares surrendered. U.S. Holders of Common Shares acquired on different dates and at different prices should consult a tax advisor regarding the allocation of the tax basis and holding period of such shares. Notwithstanding the foregoing, a U.S. Holder who does not receive any Limited Voting Shares or other consideration on the Share Consolidation may realize a capital loss equal to the aggregate tax basis of such U.S. Holder's Common Shares immediately prior to the Share Consolidation, except that such loss may be disallowed under the "wash sale" rules of the Code where a U.S. Holder purchases other substantially identical shares within 30 days before or after the Share Consolidation.

Exchange of Unsecured Debt

The exchange of Unsecured Debt pursuant to the Recapitalization Transaction is intended to constitute a "recapitalization" under section 368(a)(1)(E) of the Code for U.S. federal income tax purposes. As a result, a U.S. Holder may not recognize a gain or loss upon the exchange of Unsecured Debt. However, even within an otherwise tax-free recapitalization exchange, a U.S. Holder should have interest income to the extent of any exchange consideration treated as allocable to accrued but unpaid interest not previously included in income.

A U.S. Holder's aggregate tax basis in Limited Voting Shares received in the exchange may equal the U.S. Holder's adjusted tax basis in its Unsecured Debt, increased by any interest income recognized in the exchange, and decreased by any deductions claimed in respect of any previously accrued but unpaid interest. The U.S. Holder's holding period for any Limited Voting Shares received may include the U.S. Holder's holding period in its Unsecured Debt, except that the holding period of any Limited Voting Shares treated as issued in respect of accrued but unpaid interest should begin on the day following the receipt of such Limited Voting Shares.

Exchange of Secured Debt

The exchange of Secured Debt pursuant to the Recapitalization Transaction is intended to constitute a "recapitalization" under section 368(a)(1)(E) of the Code for U.S. federal income tax purposes. As a result, a U.S. Holder may not recognize a gain or loss upon the exchange of Secured Debt. However, a U.S. Holder may recognize a capital gain (but not a loss) to the extent of the lesser of (i) the amount of gain realized (except to the extent such gain is attributable to accrued but unpaid interest) or (ii) the amount of cash received (except to the extent such cash is attributable to accrued but unpaid interest). In addition, even within an otherwise tax-free recapitalization exchange, a U.S. Holder should have interest income to the extent of cash allocable to accrued but unpaid interest not previously included in income.

A U.S. Holder's aggregate tax basis in the New Senior Secured Debt received may equal such U.S. Holder's aggregate adjusted tax basis in the Secured Debt exchanged, increased by any gain recognized by the U.S. Holder on the exchange (other than any gain attributable to interest income recognized in the exchange), and decreased by the amount of any cash received (other than cash received in respect of accrued but unpaid interest). The U.S. Holder's holding period in the New Senior Secured Debt received may include its holding period in the Secured Debt exchanged.

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For more information regarding certain U.S. federal income tax consequences related to the Recapitalization Transaction, please refer to the discussion in the Circular under the heading “*Income Tax Considerations – Certain United States Federal Income Tax Considerations.*”

**Part II, Box 16 – Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.**

Share Consolidation

A U.S. Holder’s aggregate tax basis in the Limited Voting Shares received pursuant to the Share Consolidation may equal the aggregate tax basis of the Common Shares surrendered, and such U.S. Holder’s holding period in the Limited Voting Shares received may include the holding period in the Common Shares surrendered.

*Example:* Assume that: a U.S. Holder (“Holder 1”) owned 300 Common Shares that were acquired on Date 1 and had an aggregate tax basis of US\$15,000 (or US\$50 per share); that pursuant to the Share Consolidation, Holder 1 received one Common Share with a fair market value of US\$50; and that the Common Share was subsequently re-designated as one Limited Voting Share. Holder 1’s aggregate tax basis in the one Limited Voting Share is US\$15,000, and Holder 1’s holding period in the one Limited Voting Share will begin on Date 1. Holder 1’s US\$14,950<sup>1</sup> loss will be deferred.

Exchange of Unsecured Debt

A U.S. Holder’s aggregate tax basis in Limited Voting Shares received in the exchange may equal the U.S. Holder’s adjusted tax basis in its Unsecured Debt, increased by any interest income recognized in the exchange, and decreased by any deductions claimed in respect of any previously accrued but unpaid interest. The U.S. Holder’s holding period for any Limited Voting Shares received may include the U.S. Holder’s holding period in its Unsecured Debt, except that the holding period of any Limited Voting Shares treated as issued in respect of accrued but unpaid interest should begin on the day following the receipt of such Limited Voting Shares.

*Example:* Assume that: a U.S. Holder (“Holder 2”) owned Unsecured Debt that was acquired on Date 2 and had both a principal amount and aggregate tax basis of US\$1,000; that Holder 2 was also owed US\$50 of accrued but unpaid interest that was not previously included in Holder 2’s income; and that pursuant to the Recapitalization Transaction, Holder 2 received three Limited Voting Shares with an aggregate fair market value of US\$150. If the allocation of consideration to the principal amount of the Unsecured Debt first and the extinguishment of accrued but unpaid interest that remains outstanding for no consideration under the CBCA Plan is respected for U.S. federal income tax purposes, all three of the Limited Voting Shares are allocable to the principal amount of the Unsecured Debt, and no amount is allocable to the US\$50 of accrued but unpaid interest as a result. If the accrued but unpaid interest owing to Holder 2 is extinguished for no consideration, Holder 2 is not entitled to a deduction for the US\$50 of accrued but unpaid interest

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<sup>1</sup> Holder 1’s unrealized loss is equal to the fair market value of the Limited Voting Share (US\$50), less Holder 1’s aggregate tax basis in the 300 Common Shares (US\$15,000).

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that is extinguished because such interest was not previously included in Holder 2's income. Holder 2's aggregate tax basis in the three Limited Voting Shares is US\$1,000, which is equal to Holder 2's adjusted tax basis in the Unsecured Debt. The holding period of the Limited Voting Shares will begin on Date 2. Holder 2's US\$850<sup>2</sup> loss will be deferred.

Exchange of Secured Debt

A U.S. Holder's aggregate tax basis in the New Senior Secured Debt received may equal such U.S. Holder's aggregate adjusted tax basis in the Secured Debt exchanged, increased by any gain recognized by the U.S. Holder on the exchange (other than any gain attributable to interest income recognized in the exchange), and decreased by the amount of any cash received (other than cash received in respect of accrued but unpaid interest). The U.S. Holder's holding period in the New Senior Secured Debt received may include its holding period in the Secured Debt exchanged.

*Example:* Assume that: a U.S. Holder ("Holder 3") owned Secured Debt that was acquired on Date 3 and had both a principal amount and aggregate tax basis of US\$1,000; that Holder 3 was also owed US\$50 of accrued but unpaid interest that was not previously included in Holder 3's income; and that pursuant to the Recapitalization Transaction, Holder 3 received New Senior Secured Debt with a fair market value of US\$550 and US\$350 in cash (with US\$40 allocable to accrued but unpaid interest, calculated at contractual non-default rates). If the allocation of cash consideration to accrued but unpaid interest (at contractual non-default rates) first and the extinguishment of any remaining accrued but unpaid interest for no consideration under the CBCA Plan is respected for U.S. federal income tax purposes, the accrued but unpaid interest owing to Holder 3 is extinguished for no consideration and therefore Holder 3 is not entitled to a deduction for the US\$10 of accrued but unpaid interest that is extinguished because such interest was not previously included in Holder 3's income. Holder 3's aggregate tax basis in the New Senior Secured Debt is US\$690, which is equal to Holder 3's adjusted tax basis in the Secured Debt (US\$1,000), decreased by the cash received that was not paid in respect of accrued but unpaid interest (US\$310). The holding period of the New Senior Secured Debt will begin on Date 3. Holder 3's US\$140<sup>3</sup> loss will be deferred.

**Part II, Box 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.**

The applicable Code sections upon which the tax treatment of the Recapitalization Transaction is based are sections 354, 356, 358, and 368.

**Part II, Box 18 – Can any resulting loss be recognized?**

Generally, no gain or loss is recognized in an exchange qualifying as a recapitalization pursuant to section 368(a)(1)(E) of the Code. As described above, each of the Share Consolidation, the

<sup>2</sup> Holder 2's unrealized loss is equal to the fair market value of the Limited Voting Shares allocable to the principal amount of the Unsecured Debt (US\$150), less Holder 2's aggregate tax basis in the Unsecured Debt (US\$1,000).

<sup>3</sup> Holder 3's unrealized loss is equal to the fair market value of Secured Debt and cash received that was not allocable to accrued but unpaid interest (US\$860), less Holder 3's aggregate tax basis in the Secured Debt (US\$1,000).



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exchange of Unsecured Debt, and the exchange of Secured Debt are intended to qualify as a recapitalization pursuant to section 368(a)(1)(E) of the Code. As a result, a U.S. Holder may not recognize a gain or loss as a result of the Recapitalization Transaction.

Notwithstanding the foregoing, a U.S. Holder who does not receive any Limited Voting Shares or other consideration on the Share Consolidation may realize a capital loss equal to the aggregate tax basis of such U.S. Holder's Common Shares immediately prior to the Share Consolidation, except that such loss may be disallowed under the "wash sale" rules of the Code where a U.S. Holder purchases other substantially identical shares within 30 days before or after the Share Consolidation.

In addition, a U.S. Holder may recognize a deductible loss to the extent any accrued interest was previously included in its gross income and is not paid in full.

**Part II, Box 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year.**

The adjustments to basis should be taken into account in the tax year during which the Recapitalization Transaction occurred (*i.e.*, 2018 for calendar year taxpayers).

