Form 8937
(December 2011)
Department of the Treasury
 Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

Part I  Reporting Issuer

1  Issuer's name

Canopy Growth Corporation

2  Issuer's employer identification number (EIN)

None

3  Name of contact for additional information

Investor Relations

4  Telephone No. of contact

1 (866) 559-9333

5  Email address of contact

Invest@canopygrowth.com

6  Number and street (or P.O. box if mail is not delivered to street address) of contact

1 Hershey Drive

7  City, town, or post office, state, and zip code of contact

Smith Falls, Ontario, Canada K7A 0A8

Date of action

September 5, 2018

Classification and description

Common Shares

CUSIP number

138035100

Serial number(s)

N/A

10

Ticker symbol

N/A

12

Account number(s)

WS: WEED

13

Part II  Organizational Action

Attach additional statements if needed. See back of form for additional questions.

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 5, 2018, Canopy Growth Corporation ("Canopy") acquired all of the issued and outstanding common shares of Hiku Brands Company Ltd. ("Hiku") pursuant to an Arrangement Agreement and Plan of Arrangement (the "Arrangement"). Immediately thereafter, Hiku became a wholly-owned subsidiary of Canopy. Each former Hiku shareholder not exercising dissent rights in connection with the Arrangement received solely 0.048 shares of Canopy common stock in exchange for each Hiku share of common stock surrendered in exchange therefor pursuant to the Arrangement.

The Arrangement is described in the Notice of Meeting and Management Information Circular of Hiku dated as of July 27, 2018 (the "Circular"), which is available on www.sedar.com.

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. 

The Arrangement is intended to qualify as a tax-deferred "reorganization" within the meaning of Code Section 338(a). As a result, provided the Arrangement qualifies as a tax-deferred "reorganization," each former Hiku shareholder should have a tax basis in its shares of Canopy common stock received pursuant to the Arrangement equal to such shareholder's aggregate tax basis in the shares of Hiku common stock surrendered in exchange therefor.

Certain former Hiku shareholders may recognize gain under Code Section 387. Former Hiku shareholders that recognized gain should have a tax basis in the Canopy common shares received pursuant to the Arrangement equal to their fair market value at the time of the Arrangement. Even if the Arrangement qualifies as a tax-deferred "reorganization" under Code Section 338(a), certain special rules would apply if Hiku was a passive foreign investment company, as defined under Code Section 1297 (a “PFIC”), for any taxable year during which a shareholder held Hiku common shares. Former Hiku shareholders should review the Circular and consult with their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement.

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. 

In the event the Arrangement is taxable, for purposes of calculating fair market value, the fair market value of a share of common stock of Canopy on September 5, 2018 is estimated at U.S.$51.93, which was the closing price for Canopy common shares on the TSX on September 5, 2018 converted to U.S. dollars using the Daily Exchange Rate as published by the Bank of Canada.

Former Hiku shareholders should consult with their own tax advisors to determine whether they are required to recognize any gain in connection with the Arrangement and what measure of fair market value is appropriate.

For Paperwork Reduction Act Notice, see the separate Instructions.
Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based. The Arrangement is intended to qualify as a tax-deferred "reorganization" under Code Section 368(a). Provided the Arrangement so qualifies, the consequences of the Arrangement to Hiku shareholders should be determined under Code Sections 354, 358, 367 and 1221.

The PFIC rules and Code Sections 1291-1298 may also apply to former Hiku shareholders. Former Hiku shareholders should consult their own tax advisors regarding the PFIC classification of Hiku and the potential application of the PFIC rules to them in light of their particular circumstances.

18 Can any resulting loss be recognized? Provided the Arrangement qualifies as a tax-deferred "reorganization", then, in general, each former Hiku shareholder who received shares of Canopy common stock pursuant to the Arrangement should not recognize any loss.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year. In general, any gain recognized should be reported by former Hiku shareholders for the taxable year which includes September 5, 2018 (e.g., a calendar-year shareholder would report the transaction on his or her federal income tax return filed for the 2018 calendar year).

Sign Here

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.

Signature

Date 16 October 2018

Print your name Tip Saunders

Print/Type preparer's name John D. Hoffmacker Jr.

Preparer's signature

Title EVP & CFO, Canopy Growth

Paid Preparer Use Only

Firm's name Dorsey & Whitney LLP

Firm's address Columbia Center, 701 Fifth Avenue, Suite 8100, Seattle, Washington 98104

Firm's EIN 41-0223337

Check one self-employed

Phone no. (206) 303-8812

PTIN 01588330

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054.