

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **001-08495**



Constellation Brands

CONSTELLATION BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

16-0716709

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

207 High Point Drive, Building 100, Victor, New York 14564

(Address of principal executive offices) (Zip code)

(585) 678-7100

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Class A Common Stock	STZ	New York Stock Exchange
Class B Common Stock	STZ.B	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

There were 168,020,436 shares of Class A Common Stock, 23,285,074 shares of Class B Common Stock, and 1,684,628 shares of Class 1 Common Stock outstanding as of June 26, 2020.

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This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control, that could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. For further information regarding such forward-looking statements, risks and uncertainties, please see “Information Regarding Forward-Looking Statements” under Part I – Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. and its subsidiaries. Unless otherwise defined herein, refer to the Notes to Consolidated Financial Statements under Item 1. of this Quarterly Report on Form 10-Q for the definition of capitalized terms used herein. All references to “Fiscal 2020” refer to our fiscal year ended February 29, 2020. All references to “Fiscal 2021” refer to our fiscal year ending February 28, 2021. All references to “\$” are to U.S. dollars and all references to “C\$” are to Canadian dollars.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share and per share data)
(unaudited)

	May 31, 2020	February 29, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 302.8	\$ 81.4
Accounts receivable	700.5	864.8
Inventories	1,332.6	1,373.6
Prepaid expenses and other	470.1	535.8
Assets held for sale - current	590.2	628.5
Total current assets	3,396.2	3,484.1
Property, plant, and equipment	5,098.2	5,333.0
Goodwill	7,684.9	7,757.1
Intangible assets	2,735.4	2,718.9
Equity method investments	2,885.7	3,093.9
Securities measured at fair value	809.5	1,117.1
Deferred income taxes	2,599.5	2,656.3
Assets held for sale	376.4	552.1
Other assets	564.0	610.7
Total assets	\$ 26,149.8	\$ 27,323.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ —	\$ 238.9
Current maturities of long-term debt	534.7	734.9
Accounts payable	505.5	557.6
Other accrued expenses and liabilities	712.2	780.4
Total current liabilities	1,752.4	2,311.8
Long-term debt, less current maturities	11,639.3	11,210.8
Deferred income taxes and other liabilities	1,380.5	1,326.3
Total liabilities	14,772.2	14,848.9
CBI stockholders' equity:		
Class A Common Stock, \$0.01 par value – Authorized, 322,000,000 shares; Issued, 186,093,277 shares and 186,090,745 shares, respectively	1.9	1.9
Class B Convertible Common Stock, \$0.01 par value – Authorized, 30,000,000 shares; Issued, 28,297,674 shares and 28,300,206 shares, respectively	0.3	0.3
Additional paid-in capital	1,523.3	1,514.6
Retained earnings	13,374.1	13,695.3
Accumulated other comprehensive income (loss)	(1,022.4)	(266.3)
	13,877.2	14,945.8
Less: Treasury stock –		
Class A Common Stock, at cost, 18,118,879 shares and 18,256,826 shares, respectively	(2,809.0)	(2,811.8)
Class B Convertible Common Stock, at cost, 5,005,800 shares	(2.2)	(2.2)
	(2,811.2)	(2,814.0)
Total CBI stockholders' equity	11,066.0	12,131.8
Noncontrolling interests	311.6	342.5
Total stockholders' equity	11,377.6	12,474.3
Total liabilities and stockholders' equity	\$ 26,149.8	\$ 27,323.2

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in millions, except per share data)
(unaudited)

	For the Three Months Ended May 31,	
	2020	2019
Sales	\$ 2,131.7	\$ 2,282.5
Excise taxes	(168.3)	(185.3)
Net sales	1,963.4	2,097.2
Cost of product sold	(975.1)	(1,068.5)
Gross profit	988.3	1,028.7
Selling, general, and administrative expenses	(353.3)	(406.0)
Impairment of assets held for sale	(25.0)	—
Operating income (loss)	610.0	622.7
Income (loss) from unconsolidated investments	(571.2)	(930.6)
Interest expense	(100.0)	(114.6)
Loss on extinguishment of debt	(7.0)	—
Income (loss) before income taxes	(68.2)	(422.5)
(Provision for) benefit from income taxes	(104.4)	185.4
Net income (loss)	(172.6)	(237.1)
Net income (loss) attributable to noncontrolling interests	(5.3)	(8.3)
Net income (loss) attributable to CBI	\$ (177.9)	\$ (245.4)
Comprehensive income (loss)	\$ (964.9)	\$ (239.8)
Comprehensive (income) loss attributable to noncontrolling interests	30.9	(7.2)
Comprehensive income (loss) attributable to CBI	\$ (934.0)	\$ (247.0)
Net income (loss) per common share attributable to CBI:		
Basic and Diluted – Class A Common Stock	\$ (0.94)	\$ (1.30)
Basic and Diluted – Class B Convertible Common Stock	\$ (0.86)	\$ (1.19)
Weighted average common shares outstanding:		
Basic and Diluted – Class A Common Stock	169.604	168.118
Basic and Diluted – Class B Convertible Common Stock	23.293	23.317
Cash dividends declared per common share:		
Class A Common Stock	\$ 0.75	\$ 0.75
Class B Convertible Common Stock	\$ 0.68	\$ 0.68

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in millions)
(unaudited)

	Common Stock		Additional	Retained	Accumulated	Treasury	Non-	Total
	Class A	Class B	Paid-in	Earnings	Other	Stock	controlling	
			Capital		Comprehensive		Interests	
					Income (Loss)			
Balance at February 29, 2020	\$ 1.9	\$ 0.3	\$ 1,514.6	\$ 13,695.3	\$ (266.3)	\$ (2,814.0)	\$ 342.5	\$ 12,474.3
Comprehensive income (loss):								
Net income (loss)	—	—	—	(177.9)	—	—	5.3	(172.6)
Other comprehensive income (loss), net of income tax effect	—	—	—	—	(756.1)	—	(36.2)	(792.3)
Comprehensive income (loss)								(964.9)
Dividends declared	—	—	—	(143.3)	—	—	—	(143.3)
Shares issued under equity compensation plans	—	—	(6.0)	—	—	2.8	—	(3.2)
Stock-based compensation	—	—	14.7	—	—	—	—	14.7
Balance at May 31, 2020	<u>\$ 1.9</u>	<u>\$ 0.3</u>	<u>\$ 1,523.3</u>	<u>\$ 13,374.1</u>	<u>\$ (1,022.4)</u>	<u>\$ (2,811.2)</u>	<u>\$ 311.6</u>	<u>\$ 11,377.6</u>
Balance at February 28, 2019	\$ 1.9	\$ 0.3	\$ 1,410.8	\$ 14,276.2	\$ (353.9)	\$ (2,784.3)	\$ 286.2	\$ 12,837.2
Comprehensive income (loss):								
Net income (loss)	—	—	—	(245.4)	—	—	8.3	(237.1)
Other comprehensive income (loss), net of income tax effect	—	—	—	—	(1.6)	—	(1.1)	(2.7)
Comprehensive income (loss)								(239.8)
Dividends declared	—	—	—	(141.9)	—	—	—	(141.9)
Initial recognition of non-controlling interest	—	—	—	—	—	—	20.2	20.2
Shares issued under equity compensation plans	—	—	(9.3)	—	—	6.3	—	(3.0)
Stock-based compensation	—	—	15.5	—	—	—	—	15.5
Balance at May 31, 2019	<u>\$ 1.9</u>	<u>\$ 0.3</u>	<u>\$ 1,417.0</u>	<u>\$ 13,888.9</u>	<u>\$ (355.5)</u>	<u>\$ (2,778.0)</u>	<u>\$ 313.6</u>	<u>\$ 12,488.2</u>

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)
(unaudited)

For the Three Months
Ended May 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (172.6)	\$ (237.1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized net (gain) loss on securities measured at fair value	197.3	827.5
Deferred tax provision (benefit)	98.9	(245.4)
Depreciation	71.0	86.6
Stock-based compensation	14.6	15.5
Equity in (earnings) losses of equity method investees and related activities, net of distributed earnings	373.9	91.1
Noncash lease expense	20.9	22.8
Impairment of assets held for sale	25.0	—
Loss on inventory and related contracts	24.3	44.5
Loss on settlement of treasury lock contracts	(29.3)	—
Change in operating assets and liabilities, net of effects from purchases of businesses:		
Accounts receivable	167.0	58.6
Inventories	48.6	(50.3)
Prepaid expenses and other current assets	40.5	(8.7)
Accounts payable	(28.4)	(22.3)
Deferred revenue	34.4	53.1
Other accrued expenses and liabilities	(155.5)	(77.4)
Other	(44.1)	34.6
Total adjustments	859.1	830.2
Net cash provided by (used in) operating activities	686.5	593.1
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(144.2)	(155.7)
Purchases of businesses, net of cash acquired	—	(36.2)
Investments in equity method investees and securities	(213.4)	(20.0)
Proceeds from sales of assets	17.7	0.3
Proceeds from sale of business	41.1	—
Other investing activities	(0.3)	(1.9)
Net cash provided by (used in) investing activities	(299.1)	(213.5)

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)
(unaudited)

For the Three Months
Ended May 31,

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	1,194.6	—
Principal payments of long-term debt	(959.5)	(22.9)
Net proceeds from (repayments of) short-term borrowings	(238.9)	(205.0)
Dividends paid	(143.9)	(143.0)
Proceeds from shares issued under equity compensation plans	4.4	10.4
Payments of minimum tax withholdings on stock-based payment awards	(7.6)	(13.9)
Payments of debt issuance, debt extinguishment, and other financing costs	(18.1)	—
Net cash provided by (used in) financing activities	(169.0)	(374.4)
Effect of exchange rate changes on cash and cash equivalents	3.0	(0.1)
Net increase (decrease) in cash and cash equivalents	221.4	5.1
Cash and cash equivalents, beginning of period	81.4	93.6
Cash and cash equivalents, end of period	\$ 302.8	\$ 98.7
Supplemental disclosures of noncash investing and financing activities		
Additions to property, plant, and equipment	\$ 64.5	\$ 35.6

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
MAY 31, 2020
(unaudited)

1. BASIS OF PRESENTATION

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. and its subsidiaries. We have prepared the consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q and reflect, in our opinion, all adjustments necessary to present fairly our financial information. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended February 29, 2020 (the “2020 Annual Report”). Results of operations for interim periods are not necessarily indicative of annual results.

2. INVENTORIES

Inventories are stated at the lower of cost (primarily computed in accordance with the first-in, first-out method) or net realizable value. Elements of cost include materials, labor, and overhead and consist of the following:

	May 31, 2020	February 29, 2020
(in millions)		
Raw materials and supplies	\$ 161.5	\$ 171.7
In-process inventories	775.0	814.7
Finished case goods	396.1	387.2
	<u>\$ 1,332.6</u>	<u>\$ 1,373.6</u>

The inventories balance at May 31, 2020, and February 29, 2020, exclude amounts reclassified to assets held for sale (see Note 3).

Related party transactions and arrangements

We have an equally-owned glass production plant joint venture with Owens-Illinois. We have entered into various contractual arrangements with affiliates of Owens-Illinois primarily for the purchase of glass bottles used largely in our imported beer portfolio. Amounts purchased under these arrangements were \$9.1 million and \$88.5 million for the three months ended May 31, 2020, and May 31, 2019, respectively. The decrease in amounts purchased for the three months ended May 31, 2020, was largely driven by reduced production activity at our Mexican breweries in response to COVID-19 containment measures.

3. ACQUISITIONS, DIVESTITURES, AND BUSINESS TRANSFORMATION

Acquisitions

Nelson's Green Brier

In May 2019, we increased our ownership interest in Nelson's Green Brier Distillery, LLC (“Nelson's Green Brier”) to 75%, resulting in consolidation of the business and recognition of a 25% noncontrolling interest. This acquisition included a portfolio of award-winning, Tennessee-based craft bourbon and whiskey products. The fair value of the business combination was allocated primarily to goodwill, trademarks, inventory, and property, plant, and equipment. The results of operations of Nelson's Green Brier are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

We recognized a gain of \$11.8 million for the three months ended May 31, 2019, related to the remeasurement of our previously held 20% equity interest in Nelson's Green Brier to the acquisition-date fair

value. This gain is included in selling, general, and administrative expenses within our consolidated results of operations.

Divestitures

Ballast Point Divestiture

On March 2, 2020, we sold the Ballast Point craft beer business, including a number of its associated production facilities and brewpubs (the “Ballast Point Divestiture”). We received cash proceeds of \$41.1 million which were primarily utilized to reduce outstanding borrowings.

Black Velvet Divestiture

On November 1, 2019, we sold the Black Velvet Canadian Whisky business and the brand’s associated production facility, along with a subset of Canadian whisky brands produced at that facility, and related inventory at a transaction value of \$266.3 million (the “Black Velvet Divestiture”). We received cash proceeds of \$269.7 million, subject to estimated working capital adjustments. The cash proceeds were utilized to partially repay the 2.00% November 2017 senior notes. In total, we have recognized a \$73.5 million net gain associated with the Black Velvet Divestiture, with a \$74.1 million net gain recognized for the year ended February 29, 2020, and a \$0.6 million net loss recognized for three months ended May 31, 2020. The following table summarizes the net gain recognized in connection with this divestiture:

(in millions)		
Cash received from buyer	\$	269.7
Net assets sold		(213.3)
AOCI reclassification adjustments, primarily foreign currency translation		20.9
Direct costs to sell		(3.8)
Gain on sale of business	\$	<u>73.5</u>

Business transformation and other updates

We have committed to a business transformation strategy which aligns our portfolio with consumer-led premiumization trends and growing segments of the Wine and Spirits and Beer markets.

Original Wine and Spirits Transaction

In April 2019, we entered into a definitive agreement to sell a portion of our wine and spirits business, including approximately 30 lower-margin, lower-growth wine and spirits brands, wineries, vineyards, offices, and facilities (the “Original Wine and Spirits Transaction”).

Wine and Spirits Transactions

In December 2019, we agreed to revise and supersede the Original Wine and Spirits Transaction. The revisions to the transaction address competitive concerns raised by the U.S. Federal Trade Commission (the “FTC”) specifically related to the sparkling wine, brandy, dessert wine, and concentrate categories. As a result, the brands Cook’s California Champagne, J. Roget American Champagne, Paul Masson Grande Amber Brandy, and our concentrate business will be excluded from the Original Wine and Spirits Transaction. In May 2020, we further revised the Original Wine and Spirits Transaction to also exclude the Mission Bell Winery in Madera, California and certain related real estate, equipment, contracts, and employees, resulting in an adjusted transaction price of approximately \$783 million, with the potential to earn an incremental \$250 million of contingent consideration if certain brand performance provisions are met over a two-year period after closing (the “Further Revised Wine and Spirits Transaction”). The Further Revised Wine and Spirits Transaction is expected to close in the second quarter of fiscal 2021, and is subject to FTC review and clearance. Additionally, in a separate, but related, transaction, we agreed that upon execution and delivery of a definitive agreement for the Further Revised Wine and Spirits Transaction, we would enter into an agreement to sell the New Zealand-based Nobile Wine brand and certain related assets and liabilities for \$130 million (the “Nobile Wine Transaction”). The Nobile Wine Transaction is expected to close by the end of second quarter of fiscal 2021, and is subject to FTC review and clearance. Completion of the Nobile Transaction is also conditioned on completion of the Further Revised Wine and Spirits Transaction. We expect to use the net cash proceeds from the Further Revised Wine and Spirits Transaction and

the Nobilo Wine Transaction (collectively, the “Wine and Spirits Transactions”) primarily to reduce outstanding borrowings.

We have communicated our intent to retain the brands Cook’s California Champagne and J. Roget American Champagne and the Mission Bell Winery contemplated to be sold in the Original Wine and Spirits Transaction. The FTC is currently reviewing our business plans to support these brands in the future. The Mission Bell Winery has the production capability to support these retained brands.

Other Wine and Spirits Transactions

We plan to divest the Paul Masson Grande Amber Brandy brand and concentrate business excluded from the Original Wine and Spirits Transaction to companies with more aligned business strategies (the “Other Wine and Spirits Transactions”). See “Subsequent Events - Paul Masson Transaction and Concentrate Business Transaction” below.

Assets held for sale

Primarily in contemplation of the Wine and Spirits segment transactions noted above, certain net assets met the held for sale criteria as of May 31, 2020, and February 29, 2020. For the three months ended May 31, 2020, long-lived asset impairments of \$25.0 million were recognized. No long-lived asset impairment was recognized for the three months ended May 31, 2019. For additional information refer to Note 5.

The carrying value of assets held for sale consist of the following:

	May 31, 2020		February 29, 2020	
	Wine and Spirits	Beer ⁽¹⁾	Wine and Spirits	Consolidated
(in millions)				
<u>Assets</u>				
Accounts receivable	\$ —	\$ 2.4	\$ —	\$ 2.4
Inventories	570.2	13.7	576.9	590.6
Prepaid expenses and other	20.0	2.8	32.7	35.5
Assets held for sale - current	590.2	18.9	609.6	628.5
Property, plant, and equipment	115.9	55.9	172.6	228.5
Goodwill	290.6	4.7	304.3	309.0
Intangible assets	375.2	28.2	384.0	412.2
Equity method investments	0.4	—	1.0	1.0
Other assets	26.3	24.8	26.3	51.1
Less: Reserve for assets held for sale	(432.0)	(42.7)	(407.0)	(449.7)
Assets held for sale	376.4	70.9	481.2	552.1
<u>Liabilities</u>				
Accounts payable	6.9	0.2	0.6	0.8
Other accrued expenses and liabilities	13.5	11.0	17.8	28.8
Deferred income taxes and other liabilities	—	33.3	—	33.3
Liabilities held for sale ⁽²⁾	20.4	44.5	18.4	62.9
Net assets held for sale	\$ 946.2	\$ 45.3	\$ 1,072.4	\$ 1,117.7

⁽¹⁾ In March 2020, we completed the Ballast Point Divestiture.

⁽²⁾ Liabilities held for sale are included in the Consolidated Balance Sheets at May 31, 2020, and February 29, 2020, within the respective liability line items noted above.

Wine and spirits optimization

We recognized charges in connection with our business transformation strategy which aligns our portfolio with consumer-led premiumization trends within the Wine and Spirits segment as follows:

		For the Three Months Ended May 31,	
Results of Operations Location		2020	2019
(in millions)			
Loss on inventory write-downs	Cost of product sold	\$ 4.1	\$ 27.2
Contract termination costs	Cost of product sold	16.9	15.8
Employee termination costs	Selling, general, and administrative expenses	(1.3)	11.9
Other costs	Selling, general, and administrative expenses	—	6.3
Impairment of long-lived assets	Impairment of assets held for sale	25.0	—
		<u>\$ 44.7</u>	<u>\$ 61.2</u>

Mexicali Brewery

In fiscal 2017, we began construction of a new, state-of-the-art brewery located in Mexicali, Baja California, Mexico (the “Mexicali Brewery”). In March 2020, a public consultation was held on the construction of the Mexicali Brewery. We have initiated early stage discussions with government officials in Mexico regarding next steps for our brewery construction project and options elsewhere in the country following the negative result of the public consultation. These discussions have been positive and we will continue working with government officials to mutually agree upon a path forward. At this time, we have paused all Mexicali Brewery construction activities. In the medium-term, we have ample capacity, based on current growth forecasts and production capabilities, under normal operating conditions, at the Nava and Obregon breweries, to meet consumer needs. As of May 31, 2020, we capitalized approximately \$740 million of construction in progress and are committed to an estimated additional \$200 million of expenditures. We are evaluating a variety of alternatives for the Mexicali Brewery and related assets. No conclusion to abandon the property or to sell the assets has been reached, therefore, as of May 31, 2020, no impairment has been recognized. Future impairments may result based upon our plans for these assets for any capitalized amounts that are not deemed recoverable.

Subsequent events***Empathy Wines***

In June 2020, we acquired the Empathy Wines business, including the acquisition of a digitally-native wine brand (“Empathy Wines”) which strengthens our position in the direct-to-consumer and eCommerce markets. This transaction primarily included the acquisition of goodwill, trademarks, and inventory, plus an earn-out over five years based on performance. The results of operations of Empathy Wines will be reported in the Wine and Spirits segment and will be included in our consolidated results of operations from the date of acquisition.

Paul Masson Transaction

In June 2020, we entered into a definitive agreement to sell the Paul Masson Grande Amber Brandy brand, related inventory and interests in certain contracts with an estimated aggregate purchase price of approximately \$255 million, subject to certain purchase price and closing adjustments (the “Paul Masson Transaction”). The Paul Masson Transaction is subject to FTC review and clearance, and is expected to close in the second quarter of fiscal 2021. We expect to use the net cash proceeds from the Paul Masson Transaction primarily to reduce outstanding borrowings.

Concentrate Business Transaction

In June 2020, we entered into a definitive agreement to sell certain brands used in our concentrates and high-color concentrate business, and certain intellectual property, inventory, goodwill, interests in certain contracts, assets, and liabilities of our concentrates and high-color concentrate business (the “Concentrate Business Transaction”). The Concentrate Business Transaction is subject to FTC review and clearance, and is expected to close in the second quarter of fiscal 2021.

Nobilo Wine Transaction

In June 2020, we entered into a definitive agreement to sell the New Zealand-based Nobilo Wine brand and certain related assets and liabilities, subject to certain purchase price adjustments. The definitive agreement was generally consistent with the terms described above.

4. DERIVATIVE INSTRUMENTS*Overview*

Our risk management and derivative accounting policies are presented in Notes 1 and 6 of our consolidated financial statements included in our 2020 Annual Report and have not changed significantly for the three months ended May 31, 2020.

We have investments in certain equity securities and other rights which provide us with the option to purchase an additional ownership interest in the equity securities of Canopy (see Note 8). These investments are included in securities measured at fair value and are accounted for at fair value, with the net gain (loss) from the changes in fair value of these investments recognized in income (loss) from unconsolidated investments (see Note 5).

The aggregate notional value of outstanding derivative instruments is as follows:

	May 31, 2020	February 29, 2020
(in millions)		
<u>Derivative instruments designated as hedging instruments</u>		
Foreign currency contracts	\$ 1,668.4	\$ 1,831.0
Interest rate swap contracts	\$ 375.0	\$ 375.0
Treasury lock contracts	\$ —	\$ 300.0
<u>Derivative instruments not designated as hedging instruments</u>		
Foreign currency contracts	\$ 323.0	\$ 1,180.2
Commodity derivative contracts	\$ 268.3	\$ 282.8

Credit risk

We are exposed to credit-related losses if the counterparties to our derivative contracts default. This credit risk is limited to the fair value of the derivative contracts. To manage this risk, we contract only with major financial institutions that have earned investment-grade credit ratings and with whom we have standard International Swaps and Derivatives Association agreements which allow for net settlement of the derivative contracts. We have also established counterparty credit guidelines that are regularly monitored. Because of these safeguards, we believe the risk of loss from counterparty default to be immaterial.

In addition, our derivative instruments are not subject to credit rating contingencies or collateral requirements. As of May 31, 2020, the estimated fair value of derivative instruments in a net liability position due to counterparties was \$158.8 million. If we were required to settle the net liability position under these derivative instruments on May 31, 2020, we would have had sufficient available liquidity on hand to satisfy this obligation.

Results of period derivative activity

The estimated fair value and location of our derivative instruments on our balance sheets are as follows (see Note 5):

Assets				Liabilities			
	May 31, 2020		February 29, 2020		May 31, 2020		February 29, 2020
(in millions)							
<u>Derivative instruments designated as hedging instruments</u>							
Foreign currency contracts:							
Prepaid expenses and other	\$ 1.2	\$	47.8	Other accrued expenses and liabilities	\$ 50.8	\$	13.0
Other assets	\$ 5.4	\$	39.5	Deferred income taxes and other liabilities	\$ 58.1	\$	7.1
Interest rate swap contracts:							
Prepaid expenses and other	\$ —	\$	—	Other accrued expenses and liabilities	\$ 0.6	\$	0.8
Treasury lock contracts:							
Prepaid expenses and other	\$ —	\$	—	Other accrued expenses and liabilities	\$ —	\$	7.6
<u>Derivative instruments not designated as hedging instruments</u>							
Foreign currency contracts:							
Prepaid expenses and other	\$ 4.6	\$	9.0	Other accrued expenses and liabilities	\$ 4.3	\$	14.3
Commodity derivative contracts:							
Prepaid expenses and other	\$ 0.9	\$	0.5	Other accrued expenses and liabilities	\$ 35.8	\$	25.4
Other assets	\$ 0.7	\$	0.1	Deferred income taxes and other liabilities	\$ 22.0	\$	15.5

The principal effect of our derivative instruments designated in cash flow hedging relationships on our results of operations, as well as Other Comprehensive Income (Loss) ("OCI"), net of income tax effect, is as follows:

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI	Location of Net Gain (Loss) Reclassified from AOCI to Income (Loss)	Net Gain (Loss) Reclassified from AOCI to Income (Loss)
(in millions)			
<u>For the Three Months Ended May 31, 2020</u>			
Foreign currency contracts	\$ (193.4)	Sales	\$ 0.4
		Cost of product sold	(8.5)
Interest rate swap contracts	(0.3)	Interest expense	(0.4)
Treasury lock contracts	(16.1)	Interest expense	—
	<u>\$ (209.8)</u>		<u>\$ (8.5)</u>
<u>For the Three Months Ended May 31, 2019</u>			
Foreign currency contracts	\$ (2.4)	Sales	\$ —
		Cost of product sold	3.6
	<u>\$ (2.4)</u>		<u>\$ 3.6</u>

We expect \$44.1 million of net losses, net of income tax effect, to be reclassified from accumulated other comprehensive income (loss) ("AOCI") to our results of operations within the next 12 months.

The effect of our undesignated derivative instruments on our results of operations is as follows:

Derivative Instruments Not Designated as Hedging Instruments	Location of Net Gain (Loss) Recognized in Income (Loss)	Net Gain (Loss) Recognized in Income (Loss)
(in millions)		
<u>For the Three Months Ended May 31, 2020</u>	-	
Commodity derivative contracts	Cost of product sold	\$ (26.8)
Foreign currency contracts	Selling, general, and administrative expenses	(25.9)
		<u>\$ (52.7)</u>
<u>For the Three Months Ended May 31, 2019</u>	-	
Commodity derivative contracts	Cost of product sold	\$ (15.9)
Foreign currency contracts	Selling, general, and administrative expenses	(3.8)
		<u>\$ (19.7)</u>

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Authoritative guidance establishes a framework for measuring fair value, including a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy includes three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as volatility, interest rates, and yield curves that are observable for the asset and liability, either directly or indirectly; and
- Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Fair value methodology

The following methods and assumptions are used to estimate the fair value for each class of our financial instruments:

Foreign currency and commodity derivative contracts

The fair value is estimated using market-based inputs, obtained from independent pricing services, entered into valuation models. These valuation models require various inputs, including contractual terms, market foreign exchange prices, market commodity prices, interest-rate yield curves, and currency volatilities, as applicable (Level 2 fair value measurement).

Interest rate swap and treasury lock contracts

The fair value is estimated based on quoted market prices from respective counterparties. Quotes are corroborated by using discounted cash flow calculations based upon forward interest-rate yield curves, which are obtained from independent pricing services (Level 2 fair value measurement).

Canopy investments

Equity securities, Warrants – The November 2017 Canopy Warrants were exercised on May 1, 2020. For additional information on the November 2017 Canopy Warrants and the related exercise, refer to Note 8.

The inputs used to estimate the fair value of the Canopy warrants (all as defined in Note 8) are as follows:

	May 31, 2020 ^{(1) (2)}				February 29, 2020 ⁽²⁾				
	New Tranche A Warrants ⁽³⁾		New Tranche B Warrants ⁽⁴⁾		New Tranche A Warrants ⁽³⁾		New Tranche B Warrants ⁽⁴⁾		November 2017 Canopy Warrants ⁽³⁾
Exercise price ⁽⁵⁾	C\$	50.40	C\$	76.68	C\$	50.40	C\$	76.68	C\$ 12.98
Valuation date stock price ⁽⁶⁾	C\$	24.21	C\$	24.21	C\$	25.17	C\$	25.17	C\$ 25.17
Remaining contractual term ⁽⁷⁾		3.4 years		6.4 years		3.7 years		6.7 years	0.2 years
Expected volatility ⁽⁸⁾		70.0 %		70.0 %		70.0 %		70.0 %	105.3 %
Risk-free interest rate ⁽⁹⁾		0.3 %		0.4 %		1.1 %		1.1 %	1.5 %
Expected dividend yield ⁽¹⁰⁾		0.0 %		0.0 %		0.0 %		0.0 %	0.0 %

(1) The November 2017 Canopy Warrants were exercised on May 1, 2020 and as such are not included in the table as of May 31, 2020.

(2) The exercise price for the New Tranche C Warrants is based on the volume-weighted average of the closing market price of Canopy's common shares on the Toronto Stock Exchange ("TSX") for the five trading days immediately preceding the exercise date ("VWAP Exercise Price") and are not included in the table as there is no fair value assigned.

(3) The fair value is estimated using the Black-Scholes option-pricing model (Level 2 fair value measurement).

(4) The fair value is estimated using Monte Carlo simulations (Level 2 fair value measurement).

(5) Based on the exercise price from the applicable underlying agreements.

(6) Based on the closing market price for Canopy common stock on the TSX as of the applicable date.

(7) Based on the expiration date of the warrants.

(8) Based on consideration of historical and/or implied volatility levels of the underlying equity security and limited consideration of historical peer group volatility levels.

(9) Based on the implied yield currently available on Canadian Treasury zero coupon issues with a remaining term equal to the expiration date of the applicable warrants.

(10) Based on historical dividend levels.

Debt securities, Convertible – We have elected the fair value option to account for convertible debt securities issued by Canopy for C\$200.0 million, or \$150.5 million (the "Canopy Debt Securities"). Interest income on the Canopy Debt Securities is calculated using the effective interest method and is recognized separately from the changes in fair value in interest expense. The Canopy Debt Securities have a contractual maturity of five years from the date of issuance but may be converted prior to maturity by either party upon the occurrence of certain events. At settlement, the Canopy Debt Securities can be settled at the option of the issuer, in cash, equity shares of the issuer, or a combination thereof. The fair value is estimated using a binomial lattice option-pricing model (Level 2 fair value measurement), which includes an estimate of the credit spread based on the implied spread as of the issuance date of the notes.

The inputs used to estimate the fair value of the Canopy Debt Securities are as follows:

	May 31, 2020	February 29, 2020
Conversion price ⁽¹⁾	C\$ 48.17	C\$ 48.17
Valuation date stock price ⁽²⁾	C\$ 24.21	C\$ 25.17
Remaining term ⁽³⁾	3.1 years	3.4 years
Expected volatility ⁽⁴⁾	60.3 %	58.2 %
Risk-free interest rate ⁽⁵⁾	0.3 %	1.1 %
Expected dividend yield ⁽⁶⁾	0.0 %	0.0 %

⁽¹⁾ Based on the rate which the Canopy Debt Securities may be converted into equity shares, or the equivalent amount of cash, at the option of the issuer.

⁽²⁾ Based on the closing market price for Canopy common stock on the TSX as of the applicable date.

⁽³⁾ Based on the contractual maturity date of the notes.

⁽⁴⁾ Based on historical volatility levels of the underlying equity security reduced to account for certain risks not incorporated into the option-pricing model.

⁽⁵⁾ Based on the implied yield currently available on Canadian Treasury zero coupon issues with a term equal to the remaining contractual term of the debt securities.

⁽⁶⁾ Based on historical dividend levels.

Short-term borrowings

The revolving credit facility under our senior credit facility is a variable interest rate bearing note which includes a fixed margin which is adjustable based upon our debt rating (as defined in our senior credit facility). Its fair value is estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions (Level 2 fair value measurement). The remaining instruments, including our commercial paper, are variable interest rate bearing notes for which the carrying value approximates the fair value.

Long-term debt

The term loans under our 2020 Term Credit Agreement and March 2020 Term Credit Agreement (both as defined in Note 9) are variable interest rate bearing notes which include a fixed margin which is adjustable based upon our debt rating. The senior floating rate notes are variable interest rate bearing notes which include a fixed margin. The carrying value approximates the fair value of the term loans. The fair value of the remaining long-term debt, which is primarily fixed interest rate, is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities (Level 2 fair value measurement).

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings, approximate fair value as of May 31, 2020, and February 29, 2020, due to the relatively short maturity of these instruments. As of May 31, 2020, the carrying amount of long-term debt, including the current portion, was \$12,174.0 million, compared with an estimated fair value of \$13,130.0 million. As of February 29, 2020, the carrying amount of long-term debt, including the current portion, was \$11,945.7 million, compared with an estimated fair value of \$12,935.9 million.

Recurring basis measurements

The following table presents our financial assets and liabilities measured at estimated fair value on a recurring basis:

	Fair Value Measurements Using						
	Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
(in millions)							
<u>May 31, 2020</u>							
Assets:							
Foreign currency contracts	\$	—	\$	11.2	\$	—	\$ 11.2
Commodity derivative contracts	\$	—	\$	1.6	\$	—	\$ 1.6
Equity securities ⁽¹⁾	\$	—	\$	693.4	\$	—	\$ 693.4
Canopy Debt Securities ⁽¹⁾	\$	—	\$	116.1	\$	—	\$ 116.1
Liabilities:							
Foreign currency contracts	\$	—	\$	113.2	\$	—	\$ 113.2
Commodity derivative contracts	\$	—	\$	57.8	\$	—	\$ 57.8
Interest rate swap contracts	\$	—	\$	0.6	\$	—	\$ 0.6
<u>February 29, 2020</u>							
Assets:							
Foreign currency contracts	\$	—	\$	96.3	\$	—	\$ 96.3
Commodity derivative contracts	\$	—	\$	0.6	\$	—	\$ 0.6
Equity securities ⁽¹⁾	\$	—	\$	991.5	\$	—	\$ 991.5
Canopy Debt Securities ⁽¹⁾	\$	—	\$	125.6	\$	—	\$ 125.6
Liabilities:							
Foreign currency contracts	\$	—	\$	34.4	\$	—	\$ 34.4
Commodity derivative contracts	\$	—	\$	40.9	\$	—	\$ 40.9
Interest rate swap contracts	\$	—	\$	0.8	\$	—	\$ 0.8
Treasury lock contracts	\$	—	\$	7.6	\$	—	\$ 7.6

⁽¹⁾ Unrealized net gain (loss) from the changes in fair value of our securities measured at fair value recognized in income (loss) from unconsolidated investments, are as follows:

	For the Three Months Ended May 31,	
	2020	2019
(in millions)		
November 2017 Canopy Warrants ⁽ⁱ⁾	\$ (61.8)	\$ (134.1)
November 2018 Canopy Warrants ⁽ⁱⁱ⁾	(123.0)	(660.8)
Canopy Debt Securities	(12.5)	(32.6)
	<u>\$ (197.3)</u>	<u>\$ (827.5)</u>

⁽ⁱ⁾ The November 2017 Canopy Warrants were exercised in May 2020. For additional information on the November 2017 Canopy Warrants and the related exercise, refer to Note 8.

⁽ⁱⁱ⁾ The terms of the November 2018 Canopy Warrants were modified in June 2019. For additional information on the November 2018 Canopy Warrants and the related modification, refer to Note 8.

Nonrecurring basis measurements

The following table presents our assets and liabilities measured at estimated fair value on a nonrecurring basis for which an impairment assessment was performed for the period presented:

	Fair Value Measurements Using			Total Losses
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	For the Three Months Ended May 31, 2020
(in millions)				
Long-lived assets held for sale	\$ —	\$ —	\$ 784.0	\$ 25.0

Long-lived assets held for sale

During the three months ended May 31, 2020, in connection with the Wine and Spirits Transactions and the Other Wine and Spirits Transactions, \$809.0 million of the Wine and Spirits segment total long-lived assets held for sale were written down to their estimated fair value of \$784.0 million, less costs to sell, resulting in a loss of \$25.0 million. This loss was included in impairment of assets held for sale within our consolidated results of operations. These assets consisted primarily of goodwill, intangible assets, and certain winery and vineyard assets which had satisfied the conditions necessary to be classified as held for sale. Our current estimate of fair value was determined based on the expected proceeds from the Wine and Spirits Transactions and Other Wine and Spirits Transactions as of May 31, 2020, excluding the contingent consideration, which we will recognize when it is determined to be realizable.

6. GOODWILL

The changes in the carrying amount of goodwill are as follows:

	Beer	Wine and Spirits	Consolidated
(in millions)			
Balance, February 28, 2019	\$ 5,167.9	\$ 2,920.9	\$ 8,088.8
Purchase accounting allocations ⁽¹⁾	—	58.8	58.8
Black Velvet Divestiture	—	(72.2)	(72.2)
Foreign currency translation adjustments	0.2	(9.5)	(9.3)
Reclassified (to) from assets held for sale ⁽²⁾	(4.7)	(304.3)	(309.0)
Balance, February 29, 2020	5,163.4	2,593.7	7,757.1
Foreign currency translation adjustments	(86.2)	(0.6)	(86.8)
Reclassified (to) from assets held for sale ⁽²⁾	0.9	13.7	14.6
Balance, May 31, 2020	<u>\$ 5,078.1</u>	<u>\$ 2,606.8</u>	<u>\$ 7,684.9</u>

⁽¹⁾ Purchase accounting allocations associated primarily with the acquisition of Nelson's Green Brier (Wine and Spirits).

⁽²⁾ Primarily in connection with the Wine and Spirits Transactions, goodwill associated with the businesses being sold was reclassified (to) from assets held for sale based on the relative fair values of the portion of the business being sold and the remaining wine and spirits and beer portfolios. The relative fair values were determined using the income approach based on assumptions, including projected revenue growth rates, terminal growth rate, and discount rate and other projected financial information.

7. INTANGIBLE ASSETS

The major components of intangible assets are as follows:

	May 31, 2020		February 29, 2020	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in millions)				
<u>Amortizable intangible assets</u>				
Customer relationships	\$ 87.6	\$ 30.7	\$ 87.4	\$ 31.8
Other	20.4	0.3	20.2	0.3
Total	<u>\$ 108.0</u>	<u>31.0</u>	<u>\$ 107.6</u>	<u>32.1</u>
<u>Nonamortizable intangible assets</u>				
Trademarks		2,704.4		2,686.8
Total intangible assets		<u>\$ 2,735.4</u>		<u>\$ 2,718.9</u>

The intangible assets balance at May 31, 2020, and February 29, 2020, excludes intangible assets reclassified to assets held for sale, which consist primarily of trademarks. We did not incur costs to renew or extend the term of acquired intangible assets for the three months ended May 31, 2020, and May 31, 2019. Net carrying amount represents the gross carrying value net of accumulated amortization.

8. EQUITY METHOD INVESTMENTS

Our equity method investments are as follows:

	May 31, 2020		February 29, 2020	
	Carrying Value	Ownership Percentage ⁽¹⁾	Carrying Value	Ownership Percentage ⁽¹⁾
(in millions)				
Canopy Equity Method Investment	\$ 2,667.6	35.2 %	\$ 2,911.7	35.3 %
Other equity method investments ⁽²⁾	218.1	20%-50%	182.2	20%-50%
	<u>\$ 2,885.7</u>		<u>\$ 3,093.9</u>	

⁽¹⁾ Reflects our ownership interest in Canopy on a two-month lag and therefore, does not include the May 2020 Canopy Investment, see defined term below.

⁽²⁾ The other equity method investments balance at May 31, 2020, and February 29, 2020, excludes investments reclassified to assets held for sale.

Canopy Equity Method Investment

In November 2017, we acquired 18.9 million common shares, which represented a 9.9% ownership interest in Ontario, Canada-based Canopy Growth Corporation (the "November 2017 Canopy Investment"), a public company and leading provider of medicinal and recreational cannabis products ("Canopy"), plus warrants which gave us the option to purchase an additional 18.9 million common shares of Canopy (the "November 2017 Canopy Warrants").

The November 2017 Canopy Investment was accounted for at fair value from the date of investment through October 31, 2018. From November 1, 2018, the November 2017 Canopy Investment has been accounted for under the equity method. The November 2017 Canopy Warrants were accounted for at fair value from the date of investment through April 30, 2020. See "Canopy Equity Method Investment" below.

On November 1, 2018, we increased our ownership interest in Canopy by acquiring an additional 104.5 million common shares (the "November 2018 Canopy Investment") (see "Canopy Equity Method Investment" below), plus warrants which give us the option to purchase an additional 139.7 million common

shares of Canopy (the “November 2018 Canopy Warrants”, and together with the November 2018 Canopy Investment, the “November 2018 Canopy Transaction”) for C\$5,078.7 million, or \$3,869.9 million. On November 1, 2018, our ownership interest in Canopy increased to 36.6% which allows us to exercise significant influence, but not control, over Canopy.

On May 1, 2020, we exercised the November 2017 Canopy Warrants at an exercise price of C\$12.98 per warrant share for C\$245.0 million, or \$173.9 million (the “May 2020 Canopy Investment”). Our ownership interest in Canopy increased to 38.6% upon exercise. The closing stock price on the date of exercise was C\$21.43. We entered into foreign currency forward contracts to fix the U.S. dollar cost of the May 2020 Canopy Investment. For the three months ended May 31, 2020, we recognized net losses of \$7.5 million, in selling, general, and administrative expenses within in our consolidated results of operations with the payment at maturity of the derivative instruments reported as cash flows from investing activities in investments in equity method investees and securities.

We account for the November 2017 Canopy Investment, the November 2018 Canopy Investment, and the May 2020 Canopy Investment, each of which represents an investment in common shares of Canopy, collectively, under the equity method (the “Canopy Equity Method Investment”). We recognize equity in earnings (losses) and related activities for this investment on a two-month lag. Accordingly, we recognized equity in earnings (losses) and related activities of \$(377.6) million for the period January 1, 2020, through March 31, 2020, in our consolidated financial statements for the three months ended May 31, 2020, and \$(106.0) million for the period January 1, 2019, through March 31, 2019, in our consolidated financial statements for the three months ended May 31, 2019. Equity in earnings (losses) from the Canopy Equity Method Investment and related activities for the three months ended May 31, 2020, and May 31, 2019, include, among other items, restructuring and other strategic business development costs, the amortization of the fair value adjustments associated with the definite-lived intangible assets over their estimated useful lives, the flow through of inventory step-up, and unrealized gains (losses) associated with changes in our Canopy ownership percentage resulting from periodic equity issuances made by Canopy.

The November 2018 Canopy Warrants originally consisted of 88.5 million warrants (the “Tranche A Warrants”) and 51.2 million warrants (the “Tranche B Warrants”). The Tranche A Warrants were immediately exercisable at an exercise price of C\$50.40 per warrant share. The Tranche B Warrants were exercisable upon the exercise, in full, of the Tranche A Warrants and at an exercise price based on the volume-weighted average of the closing market price of Canopy’s common shares on the TSX for the five trading days immediately preceding the exercise date. The November 2018 Canopy Warrants originally expired in November 2021 and have been accounted for at fair value from the date of investment.

In June 2019, the Canopy shareholders approved the modification of the terms of the November 2018 Canopy Warrants and certain other rights (the “June 2019 Warrant Modification”), and the other required approvals necessary for the modifications to be effective were granted. These changes are the result of Canopy’s intention to acquire Acreage Holdings, Inc. (“Acreage”) upon U.S. Federal cannabis legalization, subject to certain conditions (the “Acreage Transaction”). As a result of the modifications, we continue to have the option to purchase an additional 139.7 million common shares of Canopy upon exercise of the warrants originally received in November 2018; however, this option now consists of three tranches of warrants, including 88.5 million warrants (the “New Tranche A Warrants”), 38.4 million warrants (the “New Tranche B Warrants”), and 12.8 million warrants (the “New Tranche C Warrants”, and collectively with the New Tranche A Warrants and the New Tranche B Warrants, the “New November 2018 Canopy Warrants”). The New Tranche A Warrants have an exercise price of C\$50.40 per warrant share and are currently exercisable, but now expire November 1, 2023. The New Tranche B Warrants now have an exercise price of C\$76.68 per warrant share and the New Tranche C Warrants have a VWAP Exercise Price. The New Tranche B Warrants and the New Tranche C Warrants now have an expiration date of November 1, 2026.

The other rights obtained in June 2019 in connection with the Acreage Transaction include a share repurchase credit and the ability to purchase Canopy common shares on the open market or in private agreement transactions. If Canopy has not purchased the lesser of 27,378,866 Canopy common shares or C\$1,583.0 million worth of Canopy common shares for cancellation between April 18, 2019 and two-years after the full exercise of

the New Tranche A Warrants, we will be credited an amount that will reduce the aggregate exercise price otherwise payable upon each exercise of the New Tranche B Warrants and New Tranche C Warrants. The credit will be an amount equal to the difference between C\$1,583.0 million and the actual price paid by Canopy in purchasing its common shares for cancellation. If we choose to purchase Canopy common shares on the open market or in private agreement with existing holders, the number of New Tranche B Warrants or New Tranche C Warrants shall be decreased by one for each Canopy common share acquired, up to an aggregate maximum reduction of 20 million warrants. The likelihood of receiving the share repurchase credit if we were to fully exercise the New Tranche A Warrants is remote, therefore, no fair value has been assigned.

Canopy has various convertible equity securities outstanding, including primarily equity awards granted to its employees, and options and warrants issued to various third parties, including our New November 2018 Canopy Warrants, Canopy Debt Securities, and the Acreage Financial Instrument (as defined below). As of May 31, 2020, the conversion of Canopy equity securities held by its employees and/or held by other third parties, excluding our New November 2018 Canopy Warrants, Canopy Debt Securities, and the Acreage Financial Instrument, would not have a significant effect on our share of Canopy's reported earnings or losses. Additionally, under an amended and restated investor rights agreement, we have the option to purchase additional common shares of Canopy at the then-current price of the underlying equity security to allow us to maintain our relative ownership interest. If we exercised all of our New November 2018 Canopy Warrants, it could have a significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would be expected to increase to greater than 50 percent. In connection with the Acreage Transaction, Canopy has a call option to acquire 100% of the shares of Acreage (the "Acreage Financial Instrument"), which would require the issuance of Canopy shares. If Canopy exercised the Acreage Financial Instrument it could have a significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would decrease and no longer be expected to be greater than 50 percent.

As of May 31, 2020, the exercise of all Canopy warrants held by us would have required a cash outflow of approximately \$5.6 billion based on the terms of the New November 2018 Canopy Warrants. Additionally, as of May 31, 2020, the fair value of the Canopy Equity Method Investment was \$2,499.2 million based on the closing price of the underlying equity security as of that date. When compared to the carrying value of the Canopy Equity Method Investment, this fair value indicates that the investment was impaired by \$168.3 million. We have evaluated the Canopy Equity Method Investment as of May 31, 2020, and determined that there was not an other-than-temporary-impairment. Our conclusion was based on several contributing factors, including: (i) the period of time for which the fair value has been less than the carrying value, (ii) an expectation that Canopy's operating results will improve, (iii) an expectation that the Canopy stock price will recover in the near term, and (iv) our ability and intent to hold the investment until that recovery. We will continue to review the Canopy Equity Method Investment for an other-than-temporary impairment. There may be a future impairment of our Canopy Equity Method Investment if Canopy's stock price does not recover in the near term or our expectations about Canopy's prospective operating results and cash flows decline, which could be influenced by a variety of factors including adverse market conditions and the economic impact of COVID-19.

The following table presents summarized financial information for Canopy presented in accordance with U.S. GAAP. We recognize our equity in earnings (losses) for Canopy on a two-month lag. Accordingly, we recognized our share of Canopy's earnings (losses) for the periods January through March 2020 and January through March 2019 in our three months ended May 31, 2020, and May 31, 2019, results, respectively. The amounts shown represent 100% of Canopy's results of operations for the respective periods. The three months ended May 31, 2020, includes costs designed to improve Canopy's organizational focus, streamline operations, and align production capability with projected demand.

	For the Three Months Ended May 31,	
	2020	2019
(in millions)		
Net sales	\$ 80.3	\$ 70.7
Gross profit (loss)	\$ (57.3)	\$ 11.3
Net income (loss)	\$ (973.6)	\$ (268.9)
Net income (loss) attributable to Canopy	\$ (953.4)	\$ (284.1)

Other equity method investment

In April 2020, we invested in a wine business that is accounted for under the equity method. We will recognize our share of their equity in earnings (losses) in our consolidated financial statements in the Wine and Spirits segment.

Subsequent event

New Acreage Agreement

In June 2020, Canopy announced that they have agreed to modify the Acreage Transaction and related Acreage Financial Instrument (the "New Acreage Agreement"). The New Acreage Agreement reduces (i) the ratio of Canopy shares required to be exchanged for Acreage shares upon U.S. Federal cannabis legalization and (ii) the number of Acreage shares subject to the fixed exchange ratio from 100% to 70%, calculated as a percentage of Acreage's issued and outstanding shares. The amended agreement is subject to Acreage shareholder and regulatory approval. The issuance of Canopy shares in exchange for Acreage shares that would occur upon U.S. Federal cannabis legalization would decrease our ownership interest in Canopy and could have a significant effect on our share of Canopy's reported earnings or losses.

9. BORROWINGS

Borrowings consist of the following:

	May 31, 2020			February 29, 2020
	Current	Long-term	Total	Total
(in millions)				
Short-term borrowings				
Commercial paper	\$ —			\$ 238.9
	<u>\$ —</u>			<u>\$ 238.9</u>
Long-term debt				
Term loan credit facilities	\$ 24.6	\$ 1,015.1	\$ 1,039.7	\$ 1,295.7
Senior notes	499.4	10,612.9	11,112.3	10,624.7
Other	10.7	11.3	22.0	25.3
	<u>\$ 534.7</u>	<u>\$ 11,639.3</u>	<u>\$ 12,174.0</u>	<u>\$ 11,945.7</u>

Senior credit facility

In March 2020, the Company, CB International Finance S.à r.l., a wholly-owned subsidiary of ours ("CB International"), certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as administrative

agent (the “Administrative Agent”), and certain other lenders entered into a Restatement Agreement (the “2020 Restatement Agreement”) that amended and restated the 2018 Credit Agreement (as amended and restated by the 2020 Restatement Agreement, the “2020 Credit Agreement”). The 2020 Credit Agreement provides for an aggregate revolving credit facility of \$2.0 billion. The principal changes effected by the 2020 Restatement Agreement were:

- the removal of the subsidiary guarantees and termination of the guarantee agreement;
- the inclusion of the parent guaranty provisions in connection with the termination of the guarantee agreement;
- the removal of certain provisions pertaining to term loans since no term loans are outstanding; and
- the revision of the LIBOR successor rate provisions to permit the use of rates based on the secured overnight financing rate (“SOFR”) administered by the Federal Reserve Bank of New York.

Upon removal of all subsidiary guarantors from our 2020 Credit Agreement, the subsidiary guarantors were automatically released from the indentures relating to our outstanding senior notes.

2020 Term Credit Agreement

In March 2020, the Company, certain of the Company’s subsidiaries as guarantors, the Administrative Agent, and certain other lenders entered into a term loan restatement agreement (the “Term Loan Restatement Agreement”) that amended and restated the Term Credit Agreement (as amended and restated by the Term Loan Restatement Agreement, the “2020 Term Credit Agreement”). The Term Credit Agreement provides for aggregate credit facilities of \$1.5 billion, consisting of a \$500.0 million three-year term loan facility (the “Three-Year Term Facility”) and a \$1.0 billion five-year term loan facility (the “Five-Year Term Facility”). The principal changes effected by the Term Loan Restatement agreement were:

- the removal of the subsidiary guarantees and termination of the respective guarantee agreements; and
- the revision of the LIBOR successor rate provisions to permit the use of rates based on SOFR.

March 2020 Term Credit Agreement

In March 2020, the Company, certain of the Company’s subsidiaries as guarantors, Bank of America, N.A., as Administrative Agent and lender (“the Lender”) entered into a 2020 term loan restatement agreement (the “2020 Term Loan Restatement Agreement”) that amended and restated the 2019 Term Credit Agreement (as amended and restated by the 2020 Term Loan Restatement Agreement, the “March 2020 Term Credit Agreement”). The March 2020 Term Credit Agreement provides for a \$491.3 million five-year term loan facility (the “2019 Five-Year Term Facility”). The principal changes effected by the 2020 Term Loan Restatement Agreement were:

- the removal of the subsidiary guarantees and termination of the respective guarantee agreements; and
- the revision of the LIBOR successor rate provisions to permit the use of rates based on SOFR.

As of May 31, 2020, aggregate credit facilities under the 2020 Credit Agreement, the 2020 Term Credit Agreement, and the March 2020 Term Credit Agreement consist of the following:

	Amount	Maturity
(in millions)		
<u>2020 Credit Agreement</u>		
Revolving Credit Facility ^{(1) (2)}	\$ 2,000.0	Sept 14, 2023
<u>2020 Term Credit Agreement</u>		
Three-Year Term Facility ^{(1) (3)}	\$ 500.0	Nov 1, 2021
Five-Year Term Facility ^{(1) (3)}	1,000.0	Nov 1, 2023
	<u>\$ 1,500.0</u>	
<u>March 2020 Term Credit Agreement</u>		
2019 Five-Year Term Facility ^{(1) (3)}	\$ 491.3	Jun 28, 2024

- (1) Contractual interest rate varies based on our debt rating (as defined in the respective agreement) and is a function of LIBOR plus a margin, or the base rate plus a margin, or, in certain circumstances where LIBOR cannot be adequately ascertained or available, an alternative benchmark rate plus a margin.
- (2) We and/or CB International are the borrower under the \$2,000.0 million Revolving Credit Facility. Includes a sub-facility for letters of credit of up to \$200.0 million.
- (3) We are the borrower under the Three-Year Term Facility, the Five-Year Term Facility, and the 2019 Five-Year Term Facility.

As of May 31, 2020, information with respect to borrowings under the 2020 Credit Agreement, the 2020 Term Credit Agreement, and the March 2020 Term Credit Agreement is as follows:

	2020 Credit Agreement	2020 Term Credit Agreement	March 2020 Term Credit Agreement
	Revolving Credit Facility	Three-Year Term Facility ^{(1) (2)}	Five-Year Term Facility ^{(1) (2)}
(in millions)			2019 Five-Year Term Facility ⁽¹⁾
Outstanding borrowings	\$ —	\$ 249.8	\$ 317.1
Interest rate	— %	1.5 %	1.6 %
LIBOR margin	— %	1.13 %	1.25 %
Outstanding letters of credit	\$ 11.8		
Remaining borrowing capacity ⁽³⁾	\$ 1,988.2		

- (1) Outstanding term loan facilities borrowings are net of unamortized debt issuance costs.
- (2) Outstanding borrowings reflect a \$250.0 million and a \$645.0 million partial prepayment of the Three-Year Term Facility and Five-Year Term Facility, respectively, under our 2020 Term Credit Agreement.
- (3) Net of outstanding revolving credit facility borrowings, outstanding letters of credit under the 2020 Credit Agreement, and outstanding borrowings under our commercial paper program (excluding unamortized discount) (see "Commercial paper program").

We and our subsidiaries are subject to covenants that are contained in the 2020 Credit Agreement, 2020 Term Credit Agreement, and the March 2020 Term Credit Agreement, including those restricting the incurrence of additional indebtedness, additional liens, mergers and consolidations, transactions with affiliates, and sale and leaseback transactions, in each case subject to numerous conditions, exceptions, and thresholds. The financial covenants are limited to a minimum interest coverage ratio and a maximum net leverage ratio.

Commercial paper program

We have a commercial paper program which provides for the issuance of up to an aggregate principal amount of \$2.0 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our 2020 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility under our 2020 Credit Agreement. As of May 31, 2020, we had no outstanding borrowings under our commercial paper program.

Interest rate swap contracts

We have outstanding interest rate swap agreements, which are designated as cash flow hedges for \$375.0 million of our floating LIBOR rate debt. As a result of these hedges, we have fixed our interest rates on \$375.0 million of our floating LIBOR rate debt at an average rate of 1.9% (exclusive of borrowing margins) from July 1, 2019, through July 1, 2020.

Treasury lock contracts

In February and March 2020, we entered into treasury lock agreements, which were designated as cash flow hedges. As a result of these hedges, we fixed our 10-year treasury rates on \$500.0 million of future debt issuances at an average rate of 1.2% (exclusive of borrowing margins). In April 2020, we settled all outstanding treasury lock contracts, and recognized an unrealized loss, net of income tax effect, of \$21.8 million in accumulated other comprehensive income (loss). This loss will be amortized to interest expense over 10-years. See "Senior Notes" below.

Senior notes

In April 2020, we issued \$1,200.0 million aggregate principal amount of Senior Notes (the "April 2020 Senior Notes"). Proceeds from this offering, net of discount and debt issuance costs, were \$1,183.4 million. The April 2020 Senior Notes consist of:

		Date of		Redemption	
				Stated Redemption Rate	Stated Basis Points
	Principal	Maturity	Interest Payments		
(in millions, except basis points)					
2.875% Senior Notes ⁽¹⁾ ⁽²⁾	\$ 600.0	May 2030	May/Nov	Feb 2030	35
3.75% Senior Notes ⁽¹⁾ ⁽²⁾	\$ 600.0	May 2050	May/Nov	Nov 2049	40

(1) Senior unsecured obligations which rank equally in right of payment to all of our existing and future senior unsecured indebtedness.

(2) Redeemable, in whole or in part, at our option at any time prior to the stated redemption date as defined in the indenture, at a redemption rate equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and a make-whole payment based on the present value of the future payments at the adjusted Treasury Rate plus the stated basis points as defined in the indenture. On or after the stated redemption date, redeemable, in whole or in part, at our option at any time at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest.

In November 2017, we issued \$700.0 million aggregate principal amount of 2.25% Senior Notes due November 2020 (the "2.25% November 2017 Senior Notes"). On May 27, 2020, we repaid the 2.25% November 2017 Senior Notes with proceeds from the April 2020 Senior Notes. This note was redeemed prior to maturity at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and a make-whole payment of \$6.2 million. The make-whole payment is included in loss on extinguishment of debt within our consolidated results of operations.

Debt payments

As of May 31, 2020, the required principal repayments under long-term debt obligations (excluding unamortized debt issuance costs and unamortized discounts of \$70.0 million and \$18.3 million, respectively) for the remaining nine months of fiscal 2021 and for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)		
2021	\$	26.8
2022		1,432.2
2023		1,828.9
2024		1,393.7
2025		780.7
2026		400.0
Thereafter		6,400.0
	\$	<u>12,262.3</u>

Subsequent event**2020 Term Credit Agreement**

In July 2020, we prepaid the remaining outstanding borrowings of \$317.5 million on our Five-Year Term Facility and made an additional \$25.0 million partial prepayment on the Three-Year Term Facility, both under our 2020 Term Credit Agreement.

10. INCOME TAXES

Our effective tax rate for the three months ended May 31, 2020, was 153.1% of tax expense as compared with 43.9% of tax benefit for the three months ended May 31, 2019.

For the three months ended May 31, 2020, our effective tax rate was higher than the federal statutory rate of 21% primarily due to:

- valuation allowances on the net unrealized loss from the changes in fair value of our investments in Canopy and Canopy equity in earnings (losses); and
- valuation allowances on existing capital loss carryforwards; partially offset by
- the benefit of lower effective tax rates applicable to our foreign businesses.

For the three months ended May 31, 2019, our effective tax rate was higher than the federal statutory rate of 21% primarily due to the net unrealized loss from the changes in fair value of our investments in Canopy. Our effective rate benefited from the following:

- the reversal of valuation allowances for capital loss carryforwards in connection with the Original Wine and Spirits Transaction;
- the recognition of a net income tax benefit from stock-based compensation award activity, and
- lower effective tax rates applicable to our foreign businesses.

11. STOCKHOLDERS' EQUITY

Common stock

The number of shares of common stock issued and treasury stock, and associated share activity, are as follows:

	Common Stock			Treasury Stock	
	Class A	Class B	Class 1	Class A	Class B
Balance at February 29, 2020	186,090,745	28,300,206	1,692,227	18,256,826	5,005,800
Conversion of shares	2,532	(2,532)	—	—	—
Exercise of stock options	—	—	2,576	(44,593)	—
Vesting of restricted stock units ⁽¹⁾	—	—	—	(76,019)	—
Vesting of performance share units ⁽¹⁾	—	—	—	(17,335)	—
Balance at May 31, 2020	<u>186,093,277</u>	<u>28,297,674</u>	<u>1,694,803</u>	<u>18,118,879</u>	<u>5,005,800</u>
Balance at February 28, 2019	185,740,178	28,322,419	1,149,624	18,927,966	5,005,800
Conversion of shares	133,667	(55)	(133,612)	—	—
Exercise of stock options	—	—	2,107	(173,725)	—
Vesting of restricted stock units ⁽¹⁾	—	—	—	(88,683)	—
Vesting of performance share units ⁽¹⁾	—	—	—	(29,015)	—
Cancellation of restricted shares	—	—	—	444	—
Balance at May 31, 2019	<u>185,873,845</u>	<u>28,322,364</u>	<u>1,018,119</u>	<u>18,636,987</u>	<u>5,005,800</u>

⁽¹⁾ Net of the following shares withheld to satisfy tax withholding requirements:

	For the Three Months Ended May 31,
<u>2020</u>	
Restricted Stock Units	37,506
Performance Share Units	9,433
<u>2019</u>	
Restricted Stock Units	48,562
Performance Share Units	17,439

Stock repurchases

In January 2018, our Board of Directors authorized the repurchase of up to \$3.0 billion of our Class A Common Stock and Class B Convertible Common Stock (the "2018 Authorization"). The Board of Directors did not specify a date upon which this authorization would expire. Shares repurchased under the 2018 Authorization have become treasury shares.

As of May 31, 2020, total shares repurchased under the 2018 Authorizations are as follows:

	Repurchase Authorization	Class A Common Shares	
		Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2018 Authorization	\$ 3,000.0	\$ 1,045.9	4,897,605

12. NET INCOME (LOSS) PER COMMON SHARE ATTRIBUTABLE TO CBI

For the three months ended May 31, 2020, and May 31, 2019, net income (loss) per common share – diluted for Class A Common Stock and Class B Convertible Common Stock have been computed using the two-class method. The computation of basic and diluted net income (loss) per common share is as follows:

	For the Three Months Ended			
	May 31, 2020		May 31, 2019	
	Common Stock		Common Stock	
	Class A ⁽¹⁾	Class B	Class A ⁽¹⁾	Class B
(in millions, except per share data)				
Net income (loss) attributable to CBI allocated – basic and diluted	\$ (158.0)	\$ (19.9)	\$ (217.7)	\$ (27.7)
Weighted average common shares outstanding – basic and diluted	169.604	23.293	168.118	23.317
Net income (loss) per common share attributable to CBI – basic and diluted	\$ (0.94)	\$ (0.86)	\$ (1.30)	\$ (1.19)

- ⁽¹⁾ We have excluded the following weighted average common shares outstanding from the calculation of diluted net income (loss) per common share, as the effect of including these would have been anti-dilutive:

	For the Three Months Ended	
	May 31, 2020	May 31, 2019
(in millions)		
Class B Convertible Common Stock	23.293	23.317
Stock-based awards, primarily stock options	1.908	3.433

13. COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CBI

Comprehensive income (loss) consists of net income (loss), foreign currency translation adjustments, net unrealized gain (loss) on derivative instruments, pension/postretirement adjustments, and our share of OCI of equity method investments. The reconciliation of net income (loss) attributable to CBI to comprehensive income (loss) attributable to CBI is as follows:

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
<u>For the Three Months Ended May 31, 2020</u>			
Net income (loss) attributable to CBI			\$ (177.9)
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	\$ (619.9)	\$ —	(619.9)
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(619.9)	—	(619.9)
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	(200.5)	5.3	(195.2)
Reclassification adjustments	7.7	(0.5)	7.2
Net gain (loss) recognized in other comprehensive income (loss)	(192.8)	4.8	(188.0)
Pension/postretirement adjustments:			
Net actuarial gain (loss)	0.5	(0.2)	0.3
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	0.5	(0.2)	0.3
Share of OCI of equity method investments			
Net gain (loss)	52.5	(1.0)	51.5
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	52.5	(1.0)	51.5
Other comprehensive income (loss) attributable to CBI	\$ (759.7)	\$ 3.6	(756.1)
Comprehensive income (loss) attributable to CBI			<u>\$ (934.0)</u>

	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(in millions)			
For the Three Months Ended May 31, 2019			
Net income (loss) attributable to CBI			\$ (245.4)
Other comprehensive income (loss) attributable to CBI:			
Foreign currency translation adjustments:			
Net gain (loss)	\$ 18.3	\$ —	18.3
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	18.3	—	18.3
Unrealized gain (loss) on cash flow hedges:			
Net derivative gain (loss)	(4.4)	1.7	(2.7)
Reclassification adjustments	(2.3)	(0.6)	(2.9)
Net gain (loss) recognized in other comprehensive income (loss)	(6.7)	1.1	(5.6)
Pension/postretirement adjustments:			
Net actuarial gain (loss)	0.1	—	0.1
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	0.1	—	0.1
Share of OCI of equity method investments			
Net gain (loss)	(18.8)	4.4	(14.4)
Reclassification adjustments	—	—	—
Net gain (loss) recognized in other comprehensive income (loss)	(18.8)	4.4	(14.4)
Other comprehensive income (loss) attributable to CBI	\$ (7.1)	\$ 5.5	(1.6)
Comprehensive income (loss) attributable to CBI			\$ (247.0)

Accumulated other comprehensive income (loss), net of income tax effect, includes the following components:

	Foreign Currency Translation Adjustments	Net Unrealized Gain (Loss) on Derivative Instruments	Pension/Postretirement Adjustments	Share of OCI of Equity Method Investments	Accumulated Other Comprehensive Income (Loss)
(in millions)					
Balance, February 29, 2020	\$ (345.7)	\$ 62.5	\$ (2.6)	\$ 19.5	\$ (266.3)
Other comprehensive income (loss):					
Other comprehensive income (loss) before reclassification adjustments	(619.9)	(195.2)	0.3	51.5	(763.3)
Amounts reclassified from accumulated other comprehensive income (loss)	—	7.2	—	—	7.2
Other comprehensive income (loss)	(619.9)	(188.0)	0.3	51.5	(756.1)
Balance, May 31, 2020	\$ (965.6)	\$ (125.5)	\$ (2.3)	\$ 71.0	\$ (1,022.4)

14. BUSINESS SEGMENT INFORMATION

Our internal management financial reporting consists of three business divisions: (i) Beer, (ii) Wine and Spirits, and (iii) Canopy and we report our operating results in four segments: (i) Beer, (ii) Wine and Spirits, (iii) Corporate Operations and Other, and (iv) Canopy. The Canopy Equity Method Investment makes up the Canopy segment.

In the Beer segment, our portfolio consists of high-end imported beer, craft beer, and alternative beverage alcohol brands. We have an exclusive perpetual brand license to import, market, and sell our Mexican beer portfolio in the U.S. In the Wine and Spirits segment, we sell a portfolio that includes higher-margin, higher-growth wine brands complemented by certain higher-end spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, corporate growth and strategy, human resources, internal audit, investor relations, legal, public relations, and information technology, as well as our investments made through our corporate venture capital function. All costs included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our chief operating decision maker's ("CODM") evaluation of the operating income (loss) performance of the other reportable segments. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting. Long-lived tangible assets and total asset information by segment is not provided to, or reviewed by, our CODM as it is not used to make strategic decisions, allocate resources, or assess performance.

In addition, management excludes items that affect comparability ("Comparable Adjustments") from its evaluation of the results of each operating segment as these Comparable Adjustments are not reflective of core operations of the segments. Segment operating performance and segment management compensation are evaluated based upon core segment operating income (loss). As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these Comparable Adjustments.

We evaluate segment operating performance based on operating income (loss) of the respective business units. Comparable Adjustments that impacted comparability in our segment operating income (loss) for each period are as follows:

	For the Three Months Ended May 31,	
	2020	2019
(in millions)		
<u>Cost of product sold</u>		
Strategic business development costs	\$ (24.3)	\$ (44.5)
Net gain (loss) on undesignated commodity derivative contracts	(26.8)	(15.9)
COVID-19 incremental costs	(4.6)	—
Settlements of undesignated commodity derivative contracts	10.4	1.8
Accelerated depreciation	—	(3.5)
Flow through of inventory step-up	—	(0.4)
Total cost of product sold	(45.3)	(62.5)

	For the Three Months Ended May 31,	
	2020	2019
<u>Selling, general, and administrative expenses</u>		
Net gain (loss) on foreign currency derivative contracts	(8.0)	—
COVID-19 incremental costs	(6.5)	—
Restructuring and other strategic business development costs	(3.1)	(23.6)
Transaction, integration, and other acquisition-related costs	(0.8)	(2.3)
Other gains (losses) ⁽¹⁾	7.4	13.4
Total selling, general, and administrative expenses	(11.0)	(12.5)
Impairment of assets held for sale	(25.0)	—
Comparable Adjustments, Operating income (loss)	<u>\$ (81.3)</u>	<u>\$ (75.0)</u>

⁽¹⁾ The three months ended May 31, 2020, includes a gain of \$8.8 million in connection with a vineyard sale. The three months ended May 31, 2019, includes a gain of \$11.8 million in connection with the increase in our ownership interest in Nelson's Green Brier.

The accounting policies of the segments are the same as those described for the Company in Note 1 of our consolidated financial statements included in our 2020 Annual Report. Amounts included below for the Canopy segment represent 100% of Canopy's reported results on a two-month lag, prepared in accordance with U.S. GAAP, and converted from Canadian dollars to U.S. dollars. Although we own less than 100% of the outstanding shares of Canopy, 100% of the Canopy results are included in the information below and subsequently eliminated in order to reconcile to our consolidated financial statements. Segment information is as follows:

	For the Three Months Ended May 31,	
	2020	2019
(in millions)		
<u>Beer</u>		
Net sales	\$ 1,384.1	\$ 1,477.4
Segment operating income (loss)	\$ 577.8	\$ 580.6
Capital expenditures	\$ 108.3	\$ 102.1
Depreciation and amortization	\$ 44.3	\$ 54.3
<u>Wine and Spirits</u>		
Net sales:		
Wine	\$ 499.6	\$ 535.0
Spirits	79.7	84.8
Net sales	\$ 579.3	\$ 619.8
Segment operating income (loss)	\$ 164.0	\$ 160.8
Income (loss) from unconsolidated investments	\$ 3.5	\$ 4.0
Equity method investments ⁽¹⁾	\$ 121.9	\$ 82.7
Capital expenditures	\$ 9.5	\$ 26.9
Depreciation and amortization	\$ 22.5	\$ 25.0

	For the Three Months Ended May 31,	
	2020	2019
(in millions)		
<u>Corporate Operations and Other</u>		
Segment operating income (loss)	\$ (50.5)	\$ (43.7)
Income (loss) from unconsolidated investments	\$ 0.2	\$ (1.1)
Equity method investments	\$ 96.3	\$ 68.4
Capital expenditures	\$ 26.4	\$ 26.7
Depreciation and amortization	\$ 5.6	\$ 5.3
<u>Canopy</u>		
Net sales	\$ 80.3	\$ 70.7
Segment operating income (loss)	\$ (733.2)	\$ (170.0)
Capital expenditures	\$ 70.0	\$ 112.2
Depreciation and amortization	\$ 30.1	\$ 17.6
<u>Consolidation and Eliminations</u>		
Net sales	\$ (80.3)	\$ (70.7)
Operating income (loss)	\$ 733.2	\$ 170.0
Income (loss) from unconsolidated investments	\$ (31.7)	\$ (54.4)
Equity method investments	\$ 2,667.5	\$ 3,279.3
Capital expenditures	\$ (70.0)	\$ (112.2)
Depreciation and amortization	\$ (30.1)	\$ (17.6)
<u>Comparable Adjustments</u>		
Operating income (loss)	\$ (81.3)	\$ (75.0)
Income (loss) from unconsolidated investments	\$ (543.2)	\$ (879.1)
Depreciation and amortization	\$ —	\$ 3.5
<u>Consolidated</u>		
Net sales	\$ 1,963.4	\$ 2,097.2
Operating income (loss)	\$ 610.0	\$ 622.7
Income (loss) from unconsolidated investments ⁽²⁾	\$ (571.2)	\$ (930.6)
Equity method investments ⁽¹⁾	\$ 2,885.7	\$ 3,430.4
Capital expenditures	\$ 144.2	\$ 155.7
Depreciation and amortization	\$ 72.4	\$ 88.1

(1) Equity method investments balance at May 31, 2020, exclude amounts reclassified to assets held for sale.

(2) Income (loss) from unconsolidated investments consists of:

	For the Three Months Ended May 31,	
	2020	2019
(in millions)		
Unrealized net gain (loss) on securities measured at fair value	\$ (197.3)	\$ (827.5)
Equity in earnings (losses) from Canopy and related activities	(377.6)	(106.0)
Equity in earnings (losses) from other equity method investees	3.7	3.0
Net gain (loss) on sale of unconsolidated investment	—	(0.1)
	<u>\$ (571.2)</u>	<u>\$ (930.6)</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

This MD&A provides additional information on our businesses, current developments, financial condition, cash flows, and results of operations. It should be read in conjunction with our consolidated financial statements and notes thereto included herein (the "Financial Statements") and with our consolidated financial statements and notes included in our 2020 Annual Report. This MD&A is organized as follows:

- **Overview.** This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and potential future trends.
- **Strategy.** This section provides a description of our strategy and a discussion of recent developments, significant investments, acquisitions, and divestitures.
- **Results of operations.** This section provides an analysis of our results of operations presented on a business segment basis for the three months ended May 31, 2020 ("First Quarter 2021"), and May 31, 2019 ("First Quarter 2020"). In addition, a brief description of significant transactions and other items that affect the comparability of the results is provided.
- **Financial liquidity and capital resources.** This section provides an analysis of our cash flows, outstanding debt, and a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments, as well as a discussion of other financing arrangements.

OVERVIEW

We are an international beverage alcohol company with a broad portfolio of consumer-preferred high-end imported beer brands, and higher-end wine and spirits brands. Many of our products are recognized as leaders in their respective categories. We are one of the leading U.S. growth drivers at retail among beverage alcohol suppliers. In the U.S. market, we are the third-largest beer company and a leading higher-end wine and spirits company.

Our internal management financial reporting consists of three business divisions: (i) Beer, (ii) Wine and Spirits, and (iii) Canopy and we report our operating results in four segments: (i) Beer, (ii) Wine and Spirits, (iii) Corporate Operations and Other, and (iv) Canopy. Our Canopy Equity Method Investment makes up the Canopy segment.

In the Beer segment, our portfolio consists of high-end imported beer, craft beer, and alternative beverage alcohol brands. We have an exclusive perpetual brand license to import, market, and sell our Mexican beer portfolio in the U.S. In the Wine and Spirits segment, our portfolio includes higher-margin, higher-growth wine brands complemented by certain higher-end spirits brands. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, corporate growth and strategy, human resources, internal audit, investor relations, legal, public relations, and information technology, as well as our investments made through our corporate venture capital function. All costs included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in our CODM's evaluation of the operating income (loss) performance of the other reportable segments. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management, and the structure of our internal financial reporting.

STRATEGY

Our overall strategy is to drive industry-leading growth, build unrivaled shareholder value, and shape the future of our industry by building brands that people love. We believe sharing a toast, unwinding after a day, celebrating milestones, and helping people connect, is Worth Reaching For. We position our portfolio to benefit from the consumer-led trend towards premiumization, which we believe will continue to result in faster growth rates in the higher-end of the beer, wine, and spirits categories. We focus on developing our expertise in consumer insights and category management, as well as our strong distributor network, which provides an effective route-to-market. Additionally, we leverage our scale across the total beverage alcohol market and our level of diversification hedges our portfolio risk. In addition to growing our existing business, we focus on targeted acquisitions of, and investments in, businesses that are higher-margin, higher-growth, consumer-led, have a low integration risk, and/or fill a gap in our portfolio. We also strive to identify, meet, and stay ahead of evolving consumer trends and market dynamics. See “Investments, Acquisitions, and Divestitures – Canopy Investments” below.

We strive to strengthen our portfolio of higher-end beer, wine, and spirits brands and differentiate ourselves through:

- leveraging our leading position in total beverage alcohol and our scale with wholesalers and retailers to expand distribution of our product portfolio;
- strengthening relationships with wholesalers and retailers by providing consumer and beverage alcohol insights;
- investing in brand building and innovation activities;
- positioning ourselves for success with consumer-led products that identify, meet, and stay ahead of evolving consumer trends and market dynamics;
- realizing operating efficiencies through expanding and enhancing production capabilities and maximizing asset utilization; and
- developing employees to enhance performance in the marketplace.

Our business strategy for the Beer segment focuses on leading the high-end segment of U.S. beer and includes continued focus on growing our beer portfolio in the U.S. through expanding distribution for key brands, as well as new product development and innovation within the existing portfolio of brands, and continued expansion, construction, and optimization activities for our Mexico beer operations. Additionally, in an effort to more fully compete in growing sectors of the high-end segment of the U.S. beer market, we have leveraged our innovation capabilities to introduce new brands that align with consumer trends. We continue to refine our options to optimize the value of our Beer segment and drive increased focus on our high-performing import portfolio and new product introductions. See “Investments, Acquisitions, and Divestitures - Ballast Point Divestiture” below.

In connection with our business strategy for the Beer segment, we have more than tripled the production capacity of our brewery located in Nava, Coahuila, Mexico (“the Nava Brewery”) since its June 2013 acquisition. Additionally, we are continuing to invest to expand our brewery operations in Obregon, Sonora, Mexico (the “Obregon Brewery”), where expansion is expected to be completed by the end of Fiscal 2021, although further COVID-19 containment measures may alter that timeline. At this time, we have paused all Mexicali Brewery construction activities, following a negative result from a public consultation held in Mexico, see “Capital expenditures” below. Expansion, construction, and optimization efforts in Mexico continue to align with our anticipated future growth expectations.

Our business strategy for the Wine and Spirits segment is to build an industry-leading portfolio of higher-end wine and spirits brands. We are investing to meet the evolving needs of consumers; building brands through consumer insights, sensory expertise, and innovation; and refreshing existing brands, as we continue to focus on moving our branded wine and spirits portfolio towards a higher-margin, higher-growth portfolio of brands. We dedicate a large share of our sales and marketing resources to well-known wine and spirits brands sold in the U.S., which comprise the U.S. Power Brands (“Power Brands”), as they represent a majority of our U.S. wine and spirits

revenue and profitability, and generally hold strong positions in their respective price categories. These brands and/or portfolio of brands include:

Wine Brands			Wine Portfolio of Brands	Spirits Brands
• 7 Moons	• Drylands	• SIMI	• Charles Smith	• Casa Noble
• Auros	• Kim Crawford	• Spoken Barrel	• Prisoner	• High West
• Champagne Palmer & Co	• Meiomi		• Robert Mondavi	• Mi CAMPO
• Cooper & Thief	• Mount Veeder		• Schrader	• Nelson's Green Brier
• Crafters Union	• Nobile ⁽¹⁾			• SVEDKA
• Cuvée Sauvage	• Ruffino			• The Real McCoy

⁽¹⁾ See "Business Transformation - Wine and Spirits Transactions" below.

We focus our innovation and investment dollars on those brands within our portfolio which position us to benefit from the consumer-led trend towards premiumization. Additionally, in connection with the Wine and Spirits Transactions and Other Wine and Spirits Transactions, we expect to optimize the value of our wine and spirits portfolio by driving increased focus on our higher-end Power Brands to accelerate growth and improve overall operating margins. In markets where it is feasible, we entered into contractual arrangements to consolidate our U.S. distribution network in order to obtain dedicated distributor selling resources which focus on our U.S. wine and spirits portfolio to drive organic growth. This consolidated U.S. distribution network currently represents about 65% of our branded wine and spirits volume in the U.S. Throughout the terms of these contracts, we generally expect shipments on an annual basis to these distributors to essentially equal the distributors' shipments to retailers.

Marketing, sales, and distribution of our products are managed on a geographic basis in order to fully leverage leading market positions. In addition, market dynamics and consumer trends vary across each of our markets. Within our primary market in the U.S., we offer a range of beverage alcohol products across the imported beer, craft beer, alternative beverage alcohol, branded wine, and spirits categories, with generally separate distribution networks utilized for (i) our beer portfolio and (ii) our wine and spirits portfolio. The environment for our products is competitive in each of our markets.

We complemented our total beverage alcohol strategy in an adjacent category by making investments in Canopy, a world-leading, diversified cannabis company. These investments are consistent with our long-term strategy to identify, meet, and stay ahead of evolving consumer trends and market dynamics, and they represent a significant expansion of our strategic relationship to position Canopy as a global leader in cannabis production, branding, intellectual property, and retailing.

We remain committed to our long-term financial model of: growing sales, expanding margins, and increasing cash flow in order to achieve earnings per share growth, maintain our targeted leverage ratio, and deliver returns to shareholders through the payment of quarterly cash dividends and periodic share repurchases.

Recent Developments

COVID-19

We have an existing Crisis Management Committee that has been closely monitoring the impact of the virus that causes COVID-19, on our Company and our workforce since January 2020. In March 2020, the World Health Organization ("WHO") recognized COVID-19 as a pandemic. COVID-19 has severely restricted the level of economic activity around the world. In response to COVID-19, the governments of many countries, states, cities, and other geographic regions took preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes. Temporary closures of businesses were ordered, and numerous other businesses temporarily closed voluntarily. Further, individuals' ability to travel was curtailed through mandated travel restrictions and may be further limited.

through additional voluntary or mandated closures of travel-related businesses. In the key markets where we sell our products, the beverage alcohol industry has been classified as an essential business.

We have implemented various measures to reduce the spread of the virus including working from home, restricting visitors to our production locations, splitting our production workforces, reducing the on-site production workforce levels, screening workers before they enter facilities, implementing social distancing, and encouraging employees to adhere to prevention measures recommended by the Center for Disease Control ("CDC") and the WHO. These prevention measures have been effective as evidenced by the minimal number of COVID-19 cases within our workforce. Since our non-production workforce is able to work remotely using various technology tools, we are able to maintain our operations and internal controls over financial reporting and disclosures.

COVID-19 containment measures have affected us primarily in the reduction of (i) depletion volume on our products in the on-premise business due to bar and restaurant closures and (ii) shipment volume related to the reduced production activity at our major breweries in Mexico. The on-premise business has historically been about 10% to 15% of our depletion volume for beer, wine, and spirits. Various U.S. states are in the process of reopening their economies including bars and restaurants which we expect to begin increasing our on-premise depletion volumes. The decrease in the on-premise business was partially offset by an increase in off-premise, including eCommerce, which has increased since March 2020.

Currently, our breweries, wineries, and bottling facilities are operating at close to normal capacity. In June 2020, beer production at our major breweries in Mexico returned to normal levels. We expect the impacts from the COVID-19 related slowdown of beer production in Mexico will extend into the second quarter of fiscal 2021. We have recently begun reopening our hospitality, tasting rooms, retail, restaurants, and other non-essential public facilities. Our supply chains and distribution channels have not been materially impacted and we are working to rebuild our supply of products to meet forecasted demand. As a result of decreased production levels, we are closely monitoring distributor inventory to optimize stock levels. Product inventories are expected to return to more normal levels during the third quarter of fiscal 2021.

We have also been impacted by the containment actions imposed by the Mexican government, including a temporary halt on expansion activities at the Obregon Brewery. In June 2020, we resumed construction on a planned additional five million hectoliters expansion. Expansion is expected to be completed by the end of Fiscal 2021, although any further containment actions associated with COVID-19 may alter that timeline.

We are not able to estimate the long-term impact of COVID-19 on our business, financial condition, results of operations, and/or cash flow. We believe we have sufficient liquidity available from operating cash flow, cash on hand, and availability under our \$2.0 billion revolving credit facility. We expect to have continued access to capital markets and to continue to return value to shareholders.

Empathy Wines

In June 2020, we acquired Empathy Wines, which primarily included the acquisition of goodwill, trademarks, and inventory, plus an earn-out over five years based on performance. This acquisition, which included a digitally-native wine brand, strengthens our position in the direct-to-consumer and eCommerce markets. The results of operations of Empathy Wines will be reported in the Wine and Spirits segment and will be included in our consolidated results of operations from the date of acquisition.

Paul Masson Transaction

In June 2020, we entered into the Paul Masson Transaction. The Paul Masson Transaction is subject to FTC review and clearance, and is expected to close in the second quarter of fiscal 2021. We expect to use the net cash proceeds from the Paul Masson Transaction primarily to reduce outstanding borrowings.

Concentrate Business Transaction

In June 2020, we entered into the Concentrate Business Transaction. The Concentrate Business Transaction is subject to FTC review and clearance, and is expected to close in the second quarter of fiscal 2021.

Nobilo Wine Transaction

In June 2020, we entered into a definitive agreement to sell the New Zealand-based Nobilo Wine brand and certain related assets and liabilities, subject to certain purchase price adjustments. The definitive agreement was generally consistent with the terms described in “Business Transformation - Wine and Spirits Transactions” below.

New Acreage Agreement

In June 2020, Canopy announced the New Acreage Agreement. The New Acreage Agreement reduces (i) the ratio of Canopy shares required to be exchanged for Acreage shares upon U.S. Federal cannabis legalization and (ii) the number of Acreage shares subject to the fixed exchange ratio from 100% to 70%, calculated as a percentage of Acreage's issued and outstanding shares. The amended agreement is subject to Acreage shareholder and regulatory approval. The issuance of Canopy shares in exchange for Acreage shares that would occur upon U.S. Federal cannabis legalization would decrease our ownership interest in Canopy and could have a significant effect on our share of Canopy's reported earnings or losses.

Investments, acquisitions, and divestitures**Canopy segment****Canopy investments**

In May 2020, we exercised the November 2017 Canopy Warrants at an exercise price of C\$12.98 per warrant share for C\$245.0 million, or \$173.9 million, which increased our ownership interest in Canopy to 38.6%.

We recognized an unrealized net gain (loss) from the changes in fair value of our Canopy investments accounted for at fair value in income (loss) from unconsolidated investments as follows:

Date of Investment	Investment	First Quarter 2021	First Quarter 2020
(in millions)			
Nov 2017	Warrants ⁽¹⁾	\$ (61.8)	\$ (134.1)
June 2018	Convertible debt securities	(12.5)	(32.6)
Nov 2018	Warrants	(123.0)	(660.8)
		<u>\$ (197.3)</u>	<u>\$ (827.5)</u>

⁽¹⁾ For additional information on the May 2020 Canopy Investment, refer to Note 8 of the Financial Statements.

We expect the value of the Canopy investments accounted for at fair value to be volatile in future periods. We evaluated the Canopy investments as of May 31, 2020, and determined that there was not an other-than-temporary-impairment. Additionally, since November 1, 2018, we recognize equity in earnings (losses) and related activities for our Canopy Equity Method Investment on a two-month lag. Accordingly, we recognized our share of Canopy's fourth quarter fiscal 2020 earnings (losses) for the period January through March 2020, in our First Quarter 2021 results. We recognized our share of Canopy's fourth quarter fiscal 2019 earnings (losses) from January through March 2019, in our First Quarter 2020 results. We expect Canopy's earnings to be volatile in future periods.

As of May 31, 2020, the conversion of Canopy equity securities held by its employees and/or held by other third parties, excluding our New November 2018 Canopy Warrants, Canopy Debt Securities, and the Acreage Financial Instrument would not have a significant effect on our share of Canopy's reported earnings or losses. Additionally, under an amended and restated investor rights agreement, we have the option to purchase additional common shares of Canopy at the then-current price of the underlying equity security to allow us to maintain our relative ownership interest. If we exercised all of our New November 2018 Canopy Warrants, expiring November 1, 2023, and November 1, 2026, it could have a significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would be expected to increase to greater than 50 percent. In connection with the Acreage Transaction, Canopy has the Acreage Financial Instrument, which would require the issuance of Canopy shares. If Canopy exercised the Acreage Financial Instrument it could have a

significant effect on our share of Canopy's reported earnings or losses and our ownership interest in Canopy would decrease and no longer be expected to be greater than 50 percent.

As previously noted, these investments are consistent with our long-term strategy to identify, meet, and stay ahead of evolving consumer trends and market dynamics, and they represent a significant expansion of our strategic relationship to position Canopy as a global leader in cannabis production, branding, intellectual property, and retailing.

Beer segment

Ballast Point Divestiture

On March 2, 2020, we sold the Ballast Point craft beer business, including a number of its associated production facilities and brewpubs. Accordingly, our consolidated results of operations include the results of operations of our Ballast Point craft beer business through the date of divestiture. This divestiture is consistent with our strategic focus on our high-performing import portfolio and new product introductions.

Wine and Spirits segment

Other equity method investment

In April 2020, we invested in a wine business that is accounted for under the equity method. We will recognize our share of their equity in earnings (losses) in our consolidated financial statements in the Wine and Spirits segment.

Black Velvet Divestiture

On November 1, 2019, we sold the Black Velvet Canadian Whisky business and the brand's associated production facility, along with a subset of Canadian whisky brands produced at that facility, and related inventory at a transaction value of \$266.3 million. Accordingly, our consolidated results of operations include the results of operations of our Canadian whisky business through the date of divestiture. We received cash proceeds of \$269.7 million, subject to estimated working capital adjustments. This divestiture is consistent with our strategic focus on higher-margin, higher-growth brands. We recognized a net gain of \$73.5 million on the sale of the business primarily in the third quarter of fiscal 2020.

Nelson's Green Brier acquisition

In May 2019, we increased our ownership interest in Nelson's Green Brier to 75%, resulting in consolidation of the business and recognition of a 25% noncontrolling interest. This acquisition included a portfolio of award-winning, Tennessee-based craft bourbon and whiskey products. The fair value of the business combination was allocated primarily to goodwill, trademarks, inventory, and property, plant, and equipment. The results of operations of Nelson's Green Brier are reported in the Wine and Spirits segment and have been included in our consolidated results of operations from the date of acquisition.

Business transformation

Wine and Spirits Transactions

In April 2019, we entered into a definitive agreement with E. & J. Gallo Winery ("Gallo") to sell a portion of our wine and spirits business, including approximately 30 lower-margin, lower-growth wine and spirits brands, wineries, vineyards, offices, and facilities.

In December 2019, we agreed to revise and supersede the Original Wine and Spirits Transaction. The revisions to the transaction address competitive concerns raised by the FTC specifically related to the sparkling wine, brandy, dessert wine, and concentrate categories. As a result, the brands Cook's California Champagne, J. Roget American Champagne, Paul Masson Grande Amber Brandy, and our concentrate business will be excluded from the Original Wine and Spirits Transaction. In May 2020, we further revised the Original Wine and Spirits Transaction to also exclude the Mission Bell Winery in Madera, California and certain related real estate, equipment, contracts, and employees, resulting in an adjusted transaction price of approximately \$783 million, with the potential to earn an incremental \$250 million of contingent consideration if certain brand performance provisions are met over a two-year period after closing. The Further Revised Wine and Spirits Transaction is

expected to close in the second quarter of fiscal 2021 and is subject to FTC review and clearance. Additionally, in a separate, but related, transaction we agreed that upon execution and delivery of a definitive agreement for the Further Revised Wine and Spirits Transaction, we would enter into an agreement to sell the New Zealand-based Nobilo Wine brand and certain related assets for \$130 million to Gallo. The Nobilo Wine Transaction is expected to close by the end of second quarter of fiscal 2021 and is subject to FTC review and clearance. Completion of the Nobilo Transaction is also conditioned on completion of the Further Revised Wine and Spirits Transaction. We expect to use the net cash proceeds from the Wine and Spirits Transactions primarily to reduce outstanding borrowings. The Wine and Spirits Transactions are consistent with our strategic focus on higher-margin, higher-growth brands.

We have communicated our intent to retain the brands Cook's California Champagne and J. Roget American Champagne and the Mission Bell Winery contemplated to be sold in the Original Wine and Spirits Transaction. The FTC is currently reviewing our business plans to support these brands in the future. The Mission Bell Winery has the production capability to support the production of these retained brands.

Other Wine and Spirits Transactions

We plan to divest the Paul Masson Grande Amber Brandy brand and concentrate business excluded from the Original Wine and Spirits Transaction to companies with more aligned business strategies.

In connection with the Wine and Spirits Transactions and the Other Wine and Spirits Transactions, we have wine and spirits net assets of \$946.2 million that met the held for sale criteria as of May 31, 2020.

Selected financial information included in our results of operations for the portion of the business that we expect will no longer be part of our consolidated results after the closing of the Wine and Spirits Transactions and Other Wine and Spirits Transactions is as follows:

	Net Sales	Gross Profit	Marketing ⁽¹⁾
(in millions)			
<u>First Quarter 2021</u>			
Wine and Spirits segment results	\$ 187	\$ 78	\$ 1

⁽¹⁾ Included in selling, general, and administrative expenses within our consolidated results of operations.

For additional information on these recent developments, investments, acquisitions, and divestitures, and business transformation updates refer to Notes 3, 5, and 8 of the Financial Statements.

RESULTS OF OPERATIONS

FINANCIAL HIGHLIGHTS

References to organic throughout the following discussion exclude the impact of divested brand activity in connection with the Ballast Point Divestiture (beer) and Black Velvet Divestiture (wine and spirits), as appropriate.

For First Quarter 2021 compared with First Quarter 2020:

- Our results of operations were negatively impacted by (i) equity in losses from Canopy's results of operations and related activities and (ii) COVID-19 containment measures affecting on-premise sales and reduced production activity at our major breweries in Mexico, partially offset by a decrease in unrealized net loss from the changes in fair value of our investments in Canopy in First Quarter 2021 as compared with First Quarter 2020.
- Net sales decreased 6% due to (i) a decrease in Beer net sales driven predominantly by volume decline largely from COVID-19 containment measures and (ii) Wine and Spirits net sales led by branded volume decline largely from brands to be divested and on-premise and retail tasting room closures as

a result of COVID-19 containment measures, partially offset by favorable impact from pricing within both the Beer and Wine and Spirits segments.

- Operating income (loss) decreased 2% largely due to the net sales volume decline and an impairment of long-lived assets held for sale primarily in connection with the Wine and Spirits Transactions and the Other Wine and Spirits Transactions, partially offset by favorable impact from pricing within the Beer and Wine and Spirits segments and decreased marketing spend within the Beer segment which largely resulted from COVID-19 containment measures.
- Net loss attributable to CBI and diluted net loss per common share attributable to CBI decreased largely from the decrease in loss from unconsolidated investments related to our investments in Canopy, partially offset by the First Quarter 2021 provision for income taxes as compared with the benefit from income taxes for First Quarter 2020.

COMPARABLE ADJUSTMENTS

Management excludes items that affect comparability from its evaluation of the results of each operating segment as these Comparable Adjustments are not reflective of core operations of the segments. Segment operating performance and segment management compensation are evaluated based on core segment operating income (loss). As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these Comparable Adjustments.

As more fully described herein and in the related Notes to the Financial Statements, the Comparable Adjustments that impacted comparability in our segment results for each period are as follows:

	First Quarter 2021	First Quarter 2020
(in millions)		
<u>Cost of product sold</u>		
Net gain (loss) on undesignated commodity derivative contracts	\$ (26.8)	\$ (15.9)
Strategic business development costs	(24.3)	(44.5)
COVID-19 incremental costs	(4.6)	—
Settlements of undesignated commodity derivative contracts	10.4	1.8
Accelerated depreciation	—	(3.5)
Flow through of inventory step-up	—	(0.4)
Total cost of product sold	(45.3)	(62.5)
<u>Selling, general, and administrative expenses</u>		
Net gain (loss) on foreign currency derivative contracts	(8.0)	—
COVID-19 incremental costs	(6.5)	—
Restructuring and other strategic business development costs	(3.1)	(23.6)
Transaction, integration, and other acquisition-related costs	(0.8)	(2.3)
Other gains (losses)	7.4	13.4
Total selling, general, and administrative expenses	(11.0)	(12.5)
Impairment of assets held for sale	(25.0)	—
Comparable Adjustments, Operating income (loss)	<u>\$ (81.3)</u>	<u>\$ (75.0)</u>
Income (loss) from unconsolidated investments	\$ (543.2)	\$ (879.1)

Cost of product sold

Undesignated commodity derivative contracts

Net gain (loss) on undesignated commodity derivative contracts represents a net gain (loss) from the changes in fair value of undesignated commodity derivative contracts. The net gain (loss) is reported outside of

segment operating results until such time that the underlying exposure is recognized in the segment operating results. At settlement, the net gain (loss) from the changes in fair value of the undesignated commodity derivative contracts is reported in the appropriate operating segment, allowing the results of our operating segments to reflect the economic effects of the commodity derivative contracts without the resulting unrealized mark to fair value volatility.

Strategic business development costs

We recognized costs primarily in connection with losses on write-downs of excess inventory and contract terminations resulting from our ongoing efforts to optimize our portfolio, gain efficiencies, and reduce our cost structure within the Wine and Spirits segment.

COVID-19 incremental costs

We recognized costs for incremental wages and hazard payments to employees, costs associated with the unused beer keg reimbursement program with distributors, purchases of personal protective equipment, and more frequent and thorough cleaning and sanitization of our facilities.

Selling, general, and administrative expenses

Net gain (loss) on foreign currency derivative contracts

We recognized a net loss primarily in connection with the settlement of foreign currency forward contracts entered into to fix the U.S. dollar cost of the May 2020 Canopy Investment.

COVID-19 incremental costs

We recognized costs for payments to third-party general contractors to maintain their workforce for expansion activities at the Obregon Brewery and recognized costs for incremental wages and hazard payments to employees.

Restructuring and other strategic business development costs

We recognized costs primarily in connection with costs to optimize our portfolio, gain efficiencies, reduce our cost structure within the Wine and Spirits segment.

Transaction, integration, and other acquisition-related costs

We recognized transaction, integration, and other acquisition-related costs in connection with our acquisitions, divestitures, and investments.

Other gains (losses)

We recognized other gains (losses) primarily in connection with a gain recognized on the sale of a vineyard (First Quarter 2021) and a gain on the remeasurement of our previously held equity interest in Nelson's Green Brier to the acquisition-date fair value (First Quarter 2020).

Impairment of assets held for sale

We recognized an impairment of long-lived assets held for sale in connection with the Wine and Spirits Transactions and the Other Wine and Spirits Transactions.

Income (loss) from unconsolidated investments

We recognized an unrealized gain (loss) primarily from (i) equity losses from Canopy related to costs designed to improve their organizational focus, streamline operations, and align production capability with projected demand (First Quarter 2021), (ii) the changes in fair value of our securities measured at fair value, and (iii) equity in earnings (losses) from Canopy's results of operations and related activities. For additional information, refer to Notes 5 and 8 of the Financial Statements.

FIRST QUARTER 2021 COMPARED TO FIRST QUARTER 2020**Net sales**

	First Quarter 2021	First Quarter 2020	Dollar Change	Percent Change
(in millions)				
Beer	\$ 1,384.1	\$ 1,477.4	\$ (93.3)	(6 %)
Wine and Spirits:				
Wine	499.6	535.0	(35.4)	(7 %)
Spirits	79.7	84.8	(5.1)	(6 %)
Total Wine and Spirits	579.3	619.8	(40.5)	(7 %)
Canopy	80.3	70.7	9.6	14 %
Consolidation and Eliminations	(80.3)	(70.7)	(9.6)	(14 %)
Consolidated net sales	<u>\$ 1,963.4</u>	<u>\$ 2,097.2</u>	<u>\$ (133.8)</u>	(6 %)

Beer segment

	First Quarter 2021	First Quarter 2020	Dollar Change	Percent Change
(in millions, branded product, 24-pack, 12-ounce case equivalents)				
Net sales	\$ 1,384.1	\$ 1,477.4	\$ (93.3)	(6 %)
Shipment volume				
Total	76.2	82.1		(7.2 %)
Organic ⁽¹⁾	76.2	81.3		(6.3 %)
Depletion volume ^{(1) (2)}				5.6 %

⁽¹⁾ Includes an adjustment to remove volume associated with the Ballast Point Divestiture for the period March 2, 2019, through May 31, 2019.

⁽²⁾ Depletions represent distributor shipments of our respective branded products to retail customers, based on third-party data.



The decrease in Beer net sales is primarily due to \$89.3 million of volume decline within our Mexican beer portfolio, which was impacted by COVID-19 containment measures negatively affecting on-premise sales and production activity at our major breweries in Mexico, and \$28.6 million from the Ballast Point Divestiture. The decline was partially offset by an \$18.7 million favorable impact from pricing in select markets within our Mexican beer portfolio. The depletion volume trend outpaced the shipment volume trend for First Quarter Fiscal 2021, driven by reduced production activity in response to COVID-19 containment measures. We expect shipment volume will begin to align with depletion volume during the third quarter of fiscal 2021 as we replenish distribution channels and COVID-19 containment measures allow for return to on-premise.

Wine and Spirits segment

	First Quarter 2021	First Quarter 2020	Dollar Change	Percent Change
(in millions, branded product, 9-liter case equivalents)				
Net sales	\$ 579.3	\$ 619.8	\$ (40.5)	(7 %)
Shipment volume				
Total	10.8	12.4		(12.9 %)
Organic ⁽³⁾	10.8	11.9		(9.2 %)
U.S. Domestic	9.9	11.3		(12.4 %)
Organic U.S. Domestic ⁽³⁾	9.9	10.8		(8.3 %)
U.S. Domestic Power Brands	5.0	4.5		11.1 %
Depletion volume ⁽²⁾				
U.S. Domestic ⁽³⁾				(1.1 %)
U.S. Domestic Power Brands				4.7 %

⁽³⁾ Includes an adjustment to remove volume associated with the Black Velvet Divestiture for the period March 1, 2019, through May 31, 2019.



The decrease in Wine and Spirits net sales is primarily due to a \$49.7 million decline in branded wine and spirits volume and \$18.7 million from the Black Velvet Divestiture, partially offset by \$20.8 million from favorable pricing and \$13.6 million increase from favorable product mix shift. The Wine and Spirits First Quarter 2021 results have been negatively impacted by (i) on-premise and retail tasting room closures as a result of COVID-19 containment measures and (ii) transition activities with distributors who are repositioning for ownership of brands upon closing the Wine and Spirits Transactions, partially offset by an increase in off-premise, including eCommerce. During Fiscal 2021 as these transition activities with distributors continue to occur we do not expect shipment volume to be aligned with depletion volume.

*Canopy segment*

Our ownership interest in Canopy allows us to exercise significant influence, but not control, and, therefore, we account for our investment in Canopy under the equity method. Amounts included for the Canopy segment represent 100% of Canopy's reported results on a two-month lag, prepared in accordance with U.S. GAAP, and converted from Canadian dollars to U.S. dollars. Although we own less than 100% of the outstanding shares of Canopy, 100% of the Canopy results are included and subsequently eliminated in order to reconcile to our consolidated financial statements. See "Income (Loss) from Unconsolidated Investments" below for a discussion of Canopy's net sales, gross profit (loss), selling, general, and administrative expenses, and operating income (loss).

Gross profit

	First Quarter 2021	First Quarter 2020	Dollar Change	Percent Change
(in millions)				
Beer	\$ 769.7	\$ 819.5	\$ (49.8)	(6 %)
Wine and Spirits	263.9	271.7	(7.8)	(3 %)
Canopy	(57.3)	11.3	(68.6)	NM
Consolidation and Eliminations	57.3	(11.3)	68.6	NM
Comparable Adjustments	(45.3)	(62.5)	17.2	28 %
Consolidated gross profit	<u>\$ 988.3</u>	<u>\$ 1,028.7</u>	<u>\$ (40.4)</u>	(4 %)

NM = Not Meaningful



The decrease in Beer is primarily due to \$50.4 million of volume decline and \$7.0 million of higher cost of product sold, partially offset by \$18.7 million favorable impact from pricing. The higher cost of product sold is largely related to COVID-19 containment measures and increased focus on the production of our fastest moving products and packaging sizes to meet forecasted demand. This drove a \$9.8 million increase in operational costs primarily consisting of higher material costs, including glass, pallets, and cartons, and unfavorable fixed cost absorption.



The decrease in Wine and Spirits is largely due to \$19.7 million of decline in branded wine and spirits volume, a decrease of \$8.5 million in gross profit due to the Black Velvet Divestiture, \$5.1 million of decline driven by retail tasting room closures as a result of COVID-19 containment measures, and \$3.8 million higher cost of product sold, partially offset by \$20.8 million from favorable pricing and \$8.5 million of favorable product mix shift.

Gross profit as a percent of net sales increased to 50.3% for First Quarter 2021 compared with 49.1% for First Quarter 2020. This was largely due to (i) a favorable change of approximately 90 basis points in Comparable Adjustments and (ii) a favorable impact from Beer pricing in select markets, which contributed approximately 50 basis points of rate growth.

Selling, general, and administrative expenses

	First Quarter 2021	First Quarter 2020	Dollar Change	Percent Change
(in millions)				
Beer	\$ 191.9	\$ 238.9	\$ (47.0)	(20 %)
Wine and Spirits	99.9	110.9	(11.0)	(10 %)
Corporate Operations and Other	50.5	43.7	6.8	16 %
Canopy	675.9	181.3	494.6	NM
Consolidation and Eliminations	(675.9)	(181.3)	(494.6)	NM
Comparable Adjustments	11.0	12.5	(1.5)	(12 %)
Consolidated selling, general, and administrative expenses	<u>\$ 353.3</u>	<u>\$ 406.0</u>	<u>\$ (52.7)</u>	(13 %)



The decrease in Beer is primarily due to a decrease of \$41.2 million in marketing spend that largely resulted from COVID-19 containment measures. Our planned investment to support the growth of our Mexican beer portfolio through media and event sponsorships was suspended and/or canceled in First Quarter 2021. The favorable marketing spend as a percentage of net sales recognized in First Quarter 2021 is expected to return to targeted assumptions during the remainder of Fiscal 2021.



The decrease in Wine and Spirits is primarily due to a decrease of \$9.6 million in general and administrative expenses. The decrease in general and administrative expenses is largely driven by certain cost saving initiatives including decreased compensation and benefits and decreased travel and entertainment expenses resulting from COVID-19 containment measures.



The increase in Corporate Operations and Other is largely due to approximately \$5 million of unfavorable foreign currency losses and an increase of approximately \$3 million in charitable contributions, primarily driven by COVID-19 support efforts.

Selling, general, and administrative expenses as a percent of net sales decreased to 18.0% for First Quarter 2021 as compared with 19.4% for First Quarter 2020. The decrease is driven largely by Beer selling, general, and administrative expenses, largely related to decreased marketing spend, which results in approximately 150 basis points of rate decline.

Operating income (loss)

	First Quarter 2021	First Quarter 2020	Dollar Change	Percent Change
(in millions)				
Beer	\$ 577.8	\$ 580.6	\$ (2.8)	— %
Wine and Spirits	164.0	160.8	3.2	2 %
Corporate Operations and Other	(50.5)	(43.7)	(6.8)	(16 %)
Canopy	(733.2)	(170.0)	(563.2)	NM
Consolidation and Eliminations	733.2	170.0	563.2	NM
Comparable Adjustments	(81.3)	(75.0)	(6.3)	(8 %)
Consolidated operating income (loss)	<u>\$ 610.0</u>	<u>\$ 622.7</u>	<u>\$ (12.7)</u>	(2 %)



The decrease in Beer is primarily attributable to the net sales decline and higher cost of product sold, partially offset by decreased marketing spend and favorable pricing impact.



The decrease in Wine and Spirits was driven by the decline in branded wine and spirits volume and the Black Velvet Divestiture, partially offset by favorable pricing and decreased compensation and benefits.



As previously discussed, the Corporate Operations and Other increase in operating loss is due largely to unfavorable foreign currency losses and an increase in charitable contributions.

Income (loss) from unconsolidated investments**General**

Loss from unconsolidated investments decreased to \$571.2 million for First Quarter 2021 from \$930.6 million for First Quarter 2020, a decrease of \$359.4 million. This decrease is driven largely by an unrealized net loss from the changes in fair value of our securities measured at fair value of \$197.3 million for First Quarter 2021, as compared to \$827.5 million for First Quarter 2020. The First Quarter 2021 decrease in loss from unconsolidated investments was partially offset by \$377.6 million of equity in losses from Canopy's results of operations, and related activities in First Quarter 2021, as compared to \$106.0 million for First Quarter 2020. The First Quarter 2021 equity losses included \$235.4 million of costs designed to improve their organizational focus, streamline operations, and align production capability with projected demand.

**Canopy segment**

Canopy net sales increased to \$80.3 million for First Quarter 2021 from \$70.7 million for First Quarter 2020. This increase of \$9.6 million, or 14% is primarily attributable to an increase in medical sales, largely resulting from their April 2019 acquisition of C³, Europe's largest cannabinoid-based pharmaceuticals company, partially offset by a decline in Canadian recreational sales. Canopy gross profit (loss) decreased to \$(57.3) million for First Quarter 2021 from \$11.3 million or First Quarter 2020. This decrease of \$68.6 million is primarily driven by inventory write-downs related to its organizational and strategic review of their business and detailed evaluation of inventory. Canopy selling, general, and administrative expenses increased \$494.6 million primarily from their decision to close greenhouse facilities as well as other changes related to its organizational and strategic review of their business. The combination of these factors were the main contributors to the decrease in operating income (loss) of \$563.2 million.

Interest expense

Interest expense decreased to \$100.0 million for First Quarter 2021 from \$114.6 million for First Quarter 2020. This decrease of \$14.6 million or 13% is predominantly due to lower average borrowings of approximately \$1.2 billion primarily attributable to the partial repayment of financing entered into in connection with the November 2018 Canopy Transaction.

(Provision for) benefit from income taxes

Our effective tax rate for First Quarter 2021 was 153.1% of tax expense as compared with 43.9% of tax benefit for First Quarter 2020. In comparison to prior year, our taxes were negatively impacted primarily by:

- valuation allowances on the net unrealized loss from the changes in fair value of our investments in Canopy and Canopy equity in earnings (losses);
- valuation allowances on existing capital loss carryforwards; and to a lesser extent,
- the recognition of tax expense resulting from legislative and governmental initiatives under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") in the First Quarter 2021.

For additional information, refer to Note 10 of the Financial Statements.

Net income (loss) attributable to CBI

Net income (loss) attributable to CBI decreased to \$(177.9) million for First Quarter 2021 from \$(245.4) million for First Quarter 2020. This decrease in net loss of \$67.5 million is largely attributable to the decrease in loss from unconsolidated investments, largely offset by the First Quarter 2021 provision for income taxes as compared with a benefit from income taxes for First Quarter 2020.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES**General**

Our ability to consistently generate cash flow from operating activities is one of our most significant financial strengths. Our strong cash flows enable us to invest in our people and our brands, make appropriate capital investments, provide a quarterly cash dividend program, and from time-to-time, repurchase shares of our common stock, and make strategic investments and acquisitions that we believe will enhance stockholder value. Our primary source of liquidity has been cash flow from operating activities. Our principal use of cash in our operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. Historically, we have used cash flow from operating activities to repay our short-term borrowings and fund capital expenditures. Additionally, we have a commercial paper program which we use to fund our short-term borrowing requirements and to maintain our access to the capital markets. We will continue to use our short-term borrowings, including our commercial paper program, to support our working capital requirements and capital expenditures. COVID-19 has negatively impacted the global economy and financial markets which could interfere with our ability to access sources of liquidity at favorable rates and generate operating cash flows. We are taking advantage of opportunities to temporarily defer some payments including certain excise and payroll taxes under the CARES Act.

We have maintained adequate liquidity to meet working capital requirements, fund capital expenditures, and repay scheduled principal and interest payments on debt. Absent deterioration of market conditions, we believe that cash flows from operating activities and financing activities, primarily short-term borrowings, will provide adequate resources to satisfy our working capital, scheduled principal and interest payments on debt, anticipated dividend payments, and anticipated capital expenditure requirements for both our short-term and long-term capital needs.

We plan to sell a portion of our wine and spirits business. We expect to use the net cash proceeds from closing these transactions primarily to reduce outstanding borrowings.

On May 1, 2020, we exercised the November 2017 Canopy Warrants at an exercise price of C\$12.98 per warrant share for C\$245.0 million, or \$173.9 million. The May 2020 Canopy Transaction was funded with cash from operations.

Cash flows

	First Quarter 2021	First Quarter 2020	Dollar Change
(in millions)			
Net cash provided by (used in):			
Operating activities	\$ 686.5	\$ 593.1	\$ 93.4
Investing activities	(299.1)	(213.5)	(85.6)
Financing activities	(169.0)	(374.4)	205.4
Effect of exchange rate changes on cash and cash equivalents	3.0	(0.1)	3.1
Net increase (decrease) in cash and cash equivalents	<u>\$ 221.4</u>	<u>\$ 5.1</u>	<u>\$ 216.3</u>

Operating activities

The increase in net cash provided by operating activities for First Quarter 2021 is largely due to benefits from reduced inventory levels for the Beer segment and decreased accounts receivable related to net sales decline for the Beer and Wine and Spirits segments all largely resulting from COVID-19 containment measures. The increase in net cash provided by operating activities was partially offset by higher income tax payments in First Quarter 2021 primarily due to the receipt of a federal tax refund in First Quarter 2020.

Investing activities

Net cash used in investing activities for First Quarter 2021 increased primarily due to the \$173.9 million exercise of the November 2017 Canopy Warrants in May 2020. The increase in net cash used in investing activities was partially offset by proceeds of \$41.1 million from the March 2020 Ballast Point Divestiture and lower First Quarter 2021 business acquisition activity of \$36.2 million.

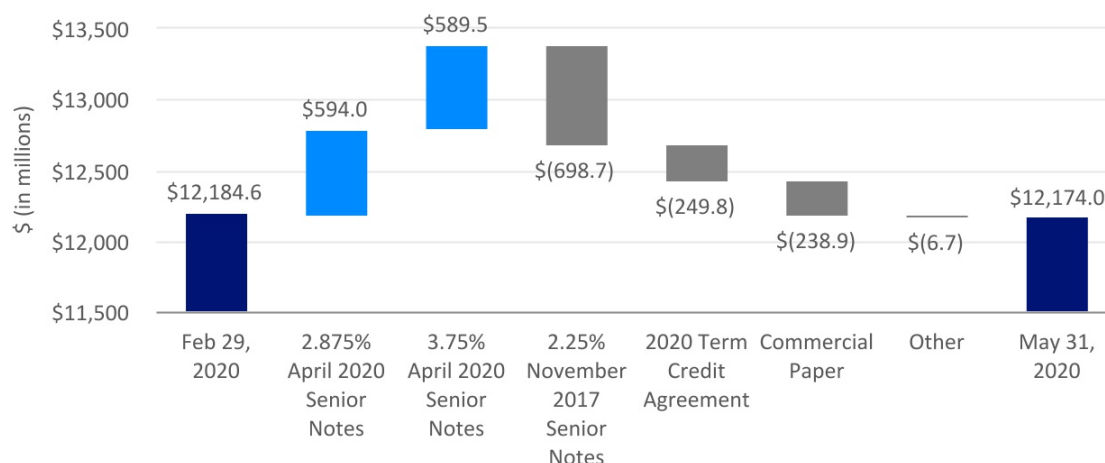
Financing activities

The decrease in net cash provided by (used in) financing activities consists of:

	First Quarter 2021	First Quarter 2020	Dollar Change
(in millions)			
Net proceeds from (payments of) debt, current and long-term, and related activities	\$ (21.9)	\$ (227.9)	\$ 206.0
Dividends paid	(143.9)	(143.0)	(0.9)
Net cash provided by stock-based compensation activities	(3.2)	(3.5)	0.3
Net cash provided by (used in) financing activities	<u>\$ (169.0)</u>	<u>\$ (374.4)</u>	<u>\$ 205.4</u>

Debt

Total debt outstanding as of May 31, 2020, amounted to \$12,174.0 million, a decrease of \$10.6 million from February 29, 2020. This decrease consisted of:



Bank facilities

In March 2020, we entered into the 2020 Restatement Agreement that amended and restated the 2018 Credit Agreement. The 2020 Restatement Agreement resulted in (i) the removal of the subsidiary guarantees and termination of the guarantee agreement, (ii) the inclusion of the parent guaranty provisions in connection with the termination of the guarantee agreement, (iii) the removal of certain provisions pertaining to term loans since no term loans are outstanding, and (iv) the revision of the LIBOR successor rate provisions to permit the use of rates based on the SOFR administered by the Federal Reserve Bank of New York.

In March 2020, we entered into the Term Loan Restatement Agreement and the 2020 Term Loan Restatement Agreement, that amended and restated the Term Credit Agreement and the 2019 Term Credit Agreement, respectively. The Term Loan Restatement Agreement and the 2020 Term Loan Restatement Agreement each resulted in (i) the removal of the subsidiary guarantees and termination of the respective guarantee agreements and (ii) the revision of the LIBOR successor rate provisions in each to permit the use of rates based on SOFR.

In July 2020, we prepaid the remaining outstanding borrowings of \$317.5 million on our Five-Year Term Facility and made an additional \$25.0 million partial prepayment on the Three-Year Term Facility, both under our 2020 Term Credit Agreement.

Senior notes

In April 2020, we issued the April 2020 Senior Notes. Proceeds from this offering, net of discount and debt issuance costs, of \$1,183.4 million were primarily used for the repayment of our 2.25% November 2017 Senior Notes and the repayment of a portion of the Three-Year Term Facility outstanding obligations under our 2020 Term Credit Agreement.

General

The majority of our outstanding borrowings as of May 31, 2020, consisted of fixed-rate senior unsecured notes, with maturities ranging from calendar 2021 to calendar 2050, and variable-rate senior unsecured term loan facilities under our Term Credit Agreement and 2019 Term Credit Agreement, with maturities ranging from calendar 2021 to calendar 2024.

Additionally, we have a commercial paper program which provides for the issuance of up to an aggregate principal amount of \$2.0 billion of commercial paper. Our commercial paper program is backed by unused commitments under our revolving credit facility under our 2020 Credit Agreement. Accordingly, outstanding borrowings under our commercial paper program reduce the amount available under our revolving credit facility under our 2020 Credit Agreement.

We do not have purchase commitments from buyers for our commercial paper and, therefore, our ability to issue commercial paper is subject to market demand. If the commercial paper market is not available to us for any reason when outstanding commercial paper borrowings mature, we will utilize unused commitments under our revolving credit facility under our 2020 Credit Agreement to repay commercial paper borrowings. We do not expect that fluctuations in demand for commercial paper will affect our liquidity given our borrowing capacity available under our revolving credit facility under our 2020 Credit Agreement.

We had the following borrowing capacity available under our 2020 Credit Agreement:

	Remaining Borrowing Capacity	
	May 31, 2020	June 26, 2020
(in millions)		
Revolving Credit Facility ⁽¹⁾	\$ 1,988.2	\$ 1,988.2

⁽¹⁾ Net of outstanding revolving credit facility borrowings and outstanding letters of credit under our 2020 Credit Agreement and outstanding borrowings under our commercial paper program.

The financial institutions participating in our 2020 Credit Agreement have complied with prior funding requests and we believe such financial institutions will comply with any future funding requests. However, there can be no assurances that any particular financial institution will continue to do so.

We and our subsidiaries are subject to covenants that are contained in our 2020 Credit Agreement, including those restricting the incurrence of additional indebtedness, additional liens, mergers and consolidations, transactions with affiliates, and sale and leaseback transactions, in each case subject to numerous conditions, exceptions, and thresholds. The financial covenants are limited to a minimum interest coverage ratio and a maximum net leverage ratio, both as defined in our 2020 Credit Agreement. As of May 31, 2020, under our 2020 Credit Agreement, the minimum interest coverage ratio was 2.5x and the maximum net leverage ratio was 4.5x.

The representations, warranties, covenants, and events of default set forth in our 2020 Term Credit Agreement and our March 2020 Term Credit Agreement are substantially similar to those set forth in our 2020 Credit Agreement.

Our indentures relating to our outstanding senior notes contain certain covenants, including, but not limited to: (i) a limitation on liens on certain assets, (ii) a limitation on certain sale and leaseback transactions, and (iii) restrictions on mergers, consolidations, and the transfer of all or substantially all of our assets to another person.

As of May 31, 2020, we were in compliance with our covenants under our 2020 Credit Agreement, our 2020 Term Credit Agreement, our March 2020 Term Credit Agreement, and our indentures, and have met all debt payment obligations.

For a complete discussion and presentation of all borrowings and available sources of borrowing, refer to Note 13 of our consolidated financial statements included in our 2020 Annual Report and Note 9 of the Financial Statements.

Common stock dividends

On June 30, 2020, our Board of Directors declared a quarterly cash dividend of \$0.75 per share of Class A Common Stock, \$0.68 per share of Class B Convertible Common Stock, and \$0.68 per share of Class 1 Common Stock payable on August 25, 2020, to stockholders of record of each class on August 11, 2020.

We currently expect to continue to pay a regular quarterly cash dividend to stockholders of our common stock in the future, but such payments are subject to approval of our Board of Directors and are dependent upon our financial condition, results of operations, capital requirements, and other factors, including those set forth under Item 1A “Risk Factors” of our 2020 Annual Report.

Share Repurchase Program

Our Board of Directors have authorized the repurchase of up to \$3.0 billion of our Class A Common Stock and Class B Convertible Common Stock under the 2018 Authorization. Shares repurchased under this authorization have become treasury shares. No shares were repurchased during First Quarter 2021.

As of May 31, 2020, total shares repurchased under this authorization are as follows:

	Repurchase Authorization	Class A Common Shares	
		Dollar Value of Shares Repurchased	Number of Shares Repurchased
(in millions, except share data)			
2018 Authorization	\$ 3,000.0	\$ 1,045.9	4,897,605

Share repurchases under the 2018 Authorization may be accomplished at management’s discretion from time to time based on market conditions, our cash and debt position, and other factors as determined by management. Shares may be repurchased through open market or privately negotiated transactions. We may fund future share repurchases with cash generated from operations and/or proceeds from borrowings. Any repurchased shares will become treasury shares.

We currently expect to continue to repurchase shares in the future, but such repurchases are dependent upon our financial condition, results of operations, capital requirements, and other factors, including those set forth under Item 1A “Risk Factors” of our 2020 Annual Report.

For additional information, refer to Note 18 of our consolidated financial statements included in our 2020 Annual Report and Note 11 of the Financial Statements.

Capital expenditures

Management reviews the capital expenditure program periodically and modifies it as required to meet current business needs. We do not believe it is prudent at this time to provide capital expenditure guidance for Fiscal 2021 as we are not able to estimate the long-term impact of COVID-19, including the demand for our products and the impact on the timeframes for completion of our expansion, construction, and optimization projects in Mexico. To the extent possible, we plan to continue capital expenditures during Fiscal 2021 for the Beer segment associated primarily with our Obregon Brewery optimization and expansion.

In fiscal 2017, we began construction of the Mexicali Brewery. In March 2020, a public consultation on the construction of our Mexicali Brewery was held. We have initiated early stage discussions with government officials in Mexico regarding next steps for our brewery construction project and options elsewhere in the country following the negative result of the public consultation. These discussions have been positive and we will continue working with government officials to mutually agree upon a path forward. At this time, we have paused all construction activities at our Mexicali Brewery. As of May 31, 2020, we capitalized approximately \$740 million of construction in progress related to the Mexicali Brewery. Future impairments may result based upon our plans for these assets for any capitalized amounts that are not deemed recoverable.

Guidance

Accounting guidance

Accounting guidance adopted for First Quarter 2021 did not have a material impact on our consolidated financial statements.

Disclosure guidance

In May 2020, the Securities and Exchange Commission ("SEC") issued a final rule that amends business acquisition and disposition financial disclosure requirements. Among other modifications, the amendments change certain criteria in the significance tests used to determine audited financial statements and related pro forma financial information requirements, the periods audited financial statements must cover, and the form and content of the pro forma financial information. We are required to comply with this rule for our annual and interim periods beginning March 1, 2021, however early compliance is permitted. We are currently assessing the impact of this rule on our SEC filings.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements, including without limitation:

- The statements regarding the current global COVID-19 pandemic.
- The statements under Part I - Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding:
 - our business strategy, future operations, future financial position, future net sales and expected volume trends, prospects, plans, and objectives of management;
 - information concerning expected or potential actions of third parties, including potential changes to international trade agreements, tariffs, taxes, and other governmental rules and regulations;
 - information concerning the future expected balance of supply and demand for our products;
 - timing and source of funds for operating activities and New November 2018 Canopy Warrant exercises, if any;

- the manner, timing, and duration of the share repurchase program and source of funds for share repurchases; and
- the amount and timing of future dividends.
- The statements regarding our beer expansion, construction, and optimization activities, including anticipated costs and timeframes for completion, discussions with government officials in Mexico, and potential future impairment of non-recoverable brewery construction assets.
- The statements regarding:
 - the volatility of the fair value of our investments in Canopy measured at fair value;
 - our activities surrounding our investments in Canopy;
 - our targeted leverage ratio;
 - the New November 2018 Canopy Warrants; and
 - our future ownership level in Canopy and our future share of Canopy's reported earnings and losses.
- The statements regarding the Wine and Spirits Transactions and the Other Wine and Spirits Transactions, including expected form and amount of consideration, amount and use of expected proceeds, estimated remaining costs, and any expected restructuring charge.
- The statements regarding Canopy's transaction with Acreage.

When used in this Quarterly Report on Form 10-Q, the words “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations and conditions in the general economy and markets in which we compete, our forward-looking statements contained in this Quarterly Report on Form 10-Q are also subject to the risk and uncertainty that:

- the duration and impact of the COVID-19 pandemic, including but not limited to the closure of non-essential businesses, which may include our manufacturing facilities, and other associated governmental containment actions, may vary from our current expectations;
- the actual balance of supply and demand for our products will vary from current expectations due to, among other reasons, actual raw material supply, actual shipments to distributors, and actual consumer demand;
- the actual demand, net sales, and volume trends for our products will vary from current expectations due to, among other reasons, actual shipments to distributors and actual consumer demand;
- the amount, timing, and source of funds for any share repurchases or Canopy warrant exercises, if any, may vary due to market conditions; our cash and debt position; the impact of the beer operations expansion activities; the impact of our investments in Canopy; any future exercise of the New November 2018 Canopy Warrants; the expected impacts of the Wine and Spirits Transactions and the Other Wine and Spirits Transactions; and other factors as determined by management from time to time;
- the amount and timing of future dividends may differ from our current expectations if our ability to use cash flow to fund dividends is affected by unanticipated increases in total net debt, we are unable to generate cash flow at anticipated levels, or we fail to generate expected earnings;
- the fair value of our investments in Canopy may vary due to market and economic conditions in Canopy's markets and business locations;
- the accuracy of management's projections relating to the Canopy investment may vary from management's current expectations due to Canopy's actual results of operations and market and economic conditions;
- the timeframe and actual costs associated with the beer operations expansion activities and amount of impairment, if any, for non-recoverable brewery construction assets in Mexico may vary from management's current expectations due to market conditions, our cash and debt position, receipt of required regulatory approvals by the expected dates and on the expected terms, results of discussions

with government officials in Mexico, actual amount of non-recoverable brewery construction assets, and other factors as determined by management;

- any consummation of the Wine and Spirits Transactions or the Other Wine and Spirits Transactions and any actual date of consummation of any of them may vary from our current expectations; the actual restructuring charge, if any, will vary based on management's final plans; and the amount of additional loss, if any, on the future write-down of assets held for sale will vary based on the form of consideration, amount of consideration actually received, and future brand performance;
- any impact of U.S. federal laws on the transaction between Acreage and Canopy or upon the implementation of that transaction, or the impact of the Acreage Transaction upon our future ownership level in Canopy or our future share of Canopy's reported earnings and losses, may vary from management's current expectations; and
- our targeted leverage ratio may vary from management's current expectations due to market conditions, our ability to generate cash flow at expected levels and our ability to generate expected earnings.

The Wine and Spirits Transactions are subject to the satisfaction of certain closing conditions. The Nobilo Transaction is also conditioned on completion of the Further Revised Wine and Spirits Transaction. For additional information about risks and uncertainties that could adversely affect our forward looking statements, please refer to Item 1A. "Risk Factors" of our 2020 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a result of our global operating, investment, acquisition, and financing activities, we are exposed to market risk associated with changes in foreign currency exchange rates, commodity prices, interest rates, and equity prices. To manage the volatility relating to these risks, we periodically purchase and/or sell derivative instruments including foreign currency forward and option contracts, commodity swap contracts, interest rate swap contracts, and treasury lock contracts. We use derivative instruments to reduce earnings and cash flow volatility resulting from shifts in market rates, as well as to hedge economic exposures. We do not enter into derivative instruments for trading or speculative purposes.

Foreign currency and commodity price risk

Foreign currency derivative instruments are or may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales/purchases to/from third parties as well as intercompany sales/purchases, intercompany principal and interest payments, and in connection with investments, acquisitions, or divestitures outside the U.S. As of May 31, 2020, we had exposures to foreign currency risk primarily related to the Mexican peso, euro, Canadian dollar, and New Zealand dollar. Approximately 100% of our balance sheet exposures and 77% of our forecasted transactional exposures for the remaining nine months of fiscal 2021 were hedged as of May 31, 2020.

Commodity derivative instruments are or may be used to hedge forecasted commodity purchases from third parties as either economic hedges or accounting hedges. As of May 31, 2020, exposures to commodity price risk which we are currently hedging include aluminum, corn, diesel fuel, natural gas, and wheat prices. Approximately 77% of our forecasted transactional exposures for the remaining nine months of fiscal 2021 were hedged as of May 31, 2020.

We have performed a sensitivity analysis to estimate our exposure to market risk of foreign exchange rates and commodity prices reflecting the impact of a hypothetical 10% adverse change in the applicable market. The volatility of the applicable rates and prices is dependent on many factors which cannot be forecasted with reliable accuracy. Gains or losses from the revaluation or settlement of the related underlying positions would substantially offset such gains or losses on the derivative instruments. The aggregate notional value, estimated fair value, and sensitivity analysis for our open foreign currency and commodity derivative instruments are summarized as follows:

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 10% Adverse Change	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
(in millions)						
Foreign currency contracts	\$ 1,991.4	\$ 2,155.5	\$ (102.0)	\$ 13.9	\$ 144.9	\$ (157.5)
Commodity derivative contracts	\$ 268.3	\$ 271.3	\$ (56.2)	\$ (17.3)	\$ 19.8	\$ 22.2

Interest rate risk

The estimated fair value of our fixed interest rate debt is subject to interest rate risk, credit risk, and foreign currency risk. In addition, we also have variable interest rate debt outstanding (primarily LIBOR-based), certain of which includes a fixed margin subject to the same risks identified for our fixed interest rate debt.

As of May 31, 2020, we had \$375.0 million of outstanding cash flow designated interest rate swap agreements which fixed LIBOR interest rates (to minimize interest rate volatility) on our floating LIBOR rate debt. There were no cash flow designated interest rate swap contracts outstanding as of May 31, 2019. As of May 31, 2020, and May 31, 2019, there were no undesignated interest rate swap contracts outstanding.

As of May 31, 2020, and May 31, 2019, we had no treasury lock contracts outstanding.

We have performed a sensitivity analysis to estimate our exposure to market risk of interest rates reflecting the impact of a hypothetical 1% increase in the prevailing interest rates. The volatility of the applicable rates is dependent on many factors which cannot be forecasted with reliable accuracy. The aggregate notional value, estimated fair value and sensitivity analysis for our outstanding fixed-rate debt, including current maturities and open interest rate derivative instruments are summarized as follows:

	Aggregate Notional Value		Fair Value, Net Asset (Liability)		Increase (Decrease) in Fair Value – Hypothetical 1% Rate Increase ⁽¹⁾	
	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019	May 31, 2020	May 31, 2019
(in millions)						
Fixed interest rate debt	\$ 10,572.0	\$ 10,274.8	\$ (11,445.0)	\$ (10,487.0)	\$ (841.2)	\$ (616.5)
Interest rate swap contracts	\$ 375.0	\$ —	\$ (0.6)	\$ —	\$ —	\$ —

⁽¹⁾ In May 2020, the final settlement rates on the outstanding interest rate swap contracts were locked, therefore, there was no future exposure to interest rate risk as of May 31, 2020. There were no cash flow designated interest rate swap contracts outstanding as of May 31, 2019.

A 1% hypothetical change in the prevailing interest rates would have increased interest expense on our variable interest rate debt by \$4.9 million and \$8.6 million for the three months ended May 31, 2020, and May 31, 2019, respectively.

Equity price risk

The estimated fair value of our investments in the Canopy warrants and the Canopy convertible debt securities are subject to equity price risk, interest rate risk, credit risk, and foreign currency risk. These investments are recognized at fair value utilizing various option-pricing models and have the potential to fluctuate from, among other items, changes in the quoted market price of the underlying equity security. We manage our equity price risk exposure by closely monitoring the financial condition, performance, and outlook of Canopy Growth Corporation.

As of May 31, 2020, the fair value of our investments in the Canopy warrants and the Canopy convertible debt securities was \$809.5 million, with an unrealized net gain (loss) on these investments of \$(197.3) million recognized in our results of operations for the three months ended May 31, 2020. We have performed a sensitivity analysis to estimate our exposure to market risk of the equity price reflecting the impact of a hypothetical 10% adverse change in the quoted market price of the underlying equity security. As of May 31, 2020, such a hypothetical 10% adverse change would have resulted in a decrease in fair value of \$121.5 million.

For additional discussion on our market risk, refer to Notes 4 and 5 of the Financial Statements.

Item 4. Controls and Procedures.

Disclosure controls and procedures

Our Chief Executive Officer and our Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) are effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting

Although most of our corporate and non-production workforce are working remotely due to COVID-19, we have not experienced a material impact to our internal control over financial reporting. We continue to monitor the pandemic and its effects on the design and operating effectiveness of our internal controls.

We are in the process of implementing a new enterprise resource planning system across our business units using a phased approach over the next several years. There will be changes in our internal controls as this system becomes operational at each business unit.

In connection with the foregoing evaluation by our Chief Executive Officer and our Chief Financial Officer, no other changes were identified in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during our fiscal quarter ended May 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION**Item 6. Exhibits.**

Exhibits required to be filed by Item 601 of Regulation S-K.

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits immediately following.

INDEX TO EXHIBITS

Exhibit No.	
2.1	<u>Subscription Agreement, dated as of August 14, 2018, by and between CBG Holdings LLC and Canopy Growth Corporation, including, among other things, a form of the Amended and Restated Investor Rights Agreement (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated August 14, 2018, filed August 16, 2018, and incorporated herein by reference).</u> †
2.2	<u>Foreign Exchange Rate Agreement dated October 26, 2018 between CBG Holdings LLC and Canopy Growth Corporation (filed as Exhibit 2.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2018 and incorporated herein by reference).</u>
2.3	<u>Asset Purchase Agreement made and entered into by and between the Company and E. & J. Gallo Winery (no longer outstanding) (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated April 3, 2019, filed April 8, 2019 and incorporated herein by reference).</u> †
2.4	<u>Binding Letter Agreement dated December 11, 2019 and effective December 11, 2019 between Constellation Brands, Inc. and E. & J. Gallo Winery regarding the Modified Transaction (including the Form of Amended Agreement) (no longer outstanding) (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 11, 2019, filed December 17, 2019 and incorporated herein by reference).</u> ††
2.5	<u>Second Amended and Restated Asset Purchase Agreement made and entered into as of May 22, 2020, by and between Constellation Brands, Inc. and E. & J. Gallo Winery (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated May 22, 2020, filed May 29, 2020 and incorporated herein by reference).</u> ††
2.6	<u>Nobilo Binding Letter Agreement dated December 11, 2019 and effective December 11, 2019 between Constellation Brands, Inc. and E. & J. Gallo Winery regarding the Nobilo Transaction (including the Form of Nobilo Asset Purchase Agreement) (no longer outstanding) (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K dated December 11, 2019, filed December 17, 2019 and incorporated herein by reference).</u> †
2.7	<u>Amendment dated May 22, 2020 and effective May 22, 2020, to Nobilo Binding Letter Agreement dated December 11, 2019 and effective December 11, 2019 between Constellation Brands, Inc. and E. & J. Gallo Winery regarding the Nobilo Transaction (no longer outstanding) (filed herewith).</u>
2.8	<u>Asset Purchase Agreement made and entered into as of June 22, 2020, by and between Constellation Brands, Inc. and E. & J. Gallo Winery regarding the Nobilo Transaction (filed as Exhibit 2.1 to the Company's Current Form 8-K dated June 22, 2020, filed June 25, 2020 and incorporated herein by reference).</u> †
3.1	<u>Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference).</u> #
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2009 and incorporated herein by reference).</u> #
3.3	<u>By-Laws of the Company, amended and restated as of October 3, 2018 (filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2018 and incorporated herein by reference).</u>
4.1	<u>Indenture, dated as of April 17, 2012, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 17, 2012, filed April 23, 2012 and incorporated herein by reference).</u> #

- 4.2 [Supplemental Indenture No. 1, with respect to 6.0% Senior Notes due May 2022, dated as of April 17, 2012, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(no longer outstanding\) \(filed as Exhibit 4.1.1 to the Company's Current Report on Form 8-K dated April 17, 2012, filed April 23, 2012 and incorporated herein by reference\).](#) #
- 4.3 [Supplemental Indenture No. 3, with respect to 3.75% Senior Notes due May 2021, dated as of May 14, 2013, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 14, 2013, filed May 16, 2013 and incorporated herein by reference\).](#) #
- 4.4 [Supplemental Indenture No. 4, with respect to 4.25% Senior Notes due May 2023, dated as of May 14, 2013, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 14, 2013, filed May 16, 2013 and incorporated herein by reference\).](#) #
- 4.5 [Supplemental Indenture No. 5, dated as of June 7, 2013, among the Company, Constellation Brands Beach Holdings, Inc., Crown Imports LLC, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference\).](#) #
- 4.6 [Supplemental Indenture No. 6, dated as of May 28, 2014, among the Company, Constellation Marketing Services, Inc., and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.21 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2014 and incorporated herein by reference\).](#) #
- 4.7 [Supplemental Indenture No. 7, with respect to 3.875% Senior Notes due 2019, dated as of November 3, 2014, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(no longer outstanding\) \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 3, 2014, filed November 7, 2014 and incorporated herein by reference\).](#) #
- 4.8 [Supplemental Indenture No. 8, with respect to 4.750% Senior Notes due 2024, dated as of November 3, 2014, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 3, 2014, filed November 7, 2014 and incorporated herein by reference\).](#) #
- 4.9 [Supplemental Indenture No. 9, with respect to 4.750% Senior Notes due 2025, dated as of December 4, 2015, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 2015, filed December 8, 2015 and incorporated herein by reference\).](#) #
- 4.10 [Supplemental Indenture No. 10, dated as of January 15, 2016, among the Company, Home Brew Mart, Inc. and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.26 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2016 and incorporated herein by reference\).](#)
- 4.11 [Supplemental Indenture No. 11 with respect to 3.700% Senior Notes due 2026, dated as of December 6, 2016, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee, \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 6, 2016, filed December 6, 2016 and incorporated herein by reference\).](#)
- 4.12 [Supplemental Indenture No. 12 with respect to 2.700% Senior Notes due 2022, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference\).](#)
- 4.13 [Supplemental Indenture No. 13 with respect to 3.500% Senior Notes due 2027, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference\).](#)

- 4.14 [Supplemental Indenture No. 14 with respect to 4.500% Senior Notes due 2047, dated as of May 9, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated May 9, 2017, filed May 9, 2017 and incorporated herein by reference\).](#)
- 4.15 [Supplemental Indenture No. 15 with respect to 2.000% Senior Notes due 2019, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(no longer outstanding\) \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference\).](#)
- 4.16 [Supplemental Indenture No. 16 with respect to 2.250% Senior Notes due 2020, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(no longer outstanding\) \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference\).](#)
- 4.17 [Supplemental Indenture No. 17 with respect to 2.650% Senior Notes due 2022, dated as of November 7, 2017, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated November 7, 2017, filed November 7, 2017 and incorporated herein by reference\).](#)
- 4.18 [Supplemental Indenture No. 18 with respect to 3.200% Senior Notes due 2023, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference\).](#)
- 4.19 [Supplemental Indenture No. 19 with respect to 3.600% Senior Notes due 2028, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference\).](#)
- 4.20 [Supplemental Indenture No. 20 with respect to 4.100% Senior Notes due 2048, dated as of February 7, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated February 7, 2018 filed February 7, 2018 and incorporated herein by reference\).](#)
- 4.21 [Supplemental Indenture No. 21 with respect to Senior Floating Rate Notes due 2021, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018, and incorporated herein by reference\).](#)
- 4.22 [Supplemental Indenture No. 22 with respect to 4.400% Senior Notes due 2025, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018, and incorporated herein by reference\).](#)
- 4.23 [Supplemental Indenture No. 23 with respect to 4.650% Senior Notes due 2028, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018 and incorporated herein by reference\).](#)
- 4.24 [Supplemental Indenture No. 24 with respect to 5.250% Senior Notes due 2048, dated as of October 29, 2018, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated October 29, 2018, filed October 29, 2018 and incorporated herein by reference\).](#)
- 4.25 [Supplemental Indenture No. 25 with respect to 3.150% Senior Notes due 2029, dated as of July 29, 2019, among the Company, as Issuer, certain subsidiaries, as Guarantors, and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 29, 2019, filed July 29, 2019 and incorporated herein by reference\).](#)

- 4.26 [Supplemental Indenture No. 26 with respect to 2.875% Senior Notes due 2030, dated as of April 27, 2020, among the Company, as Issuer and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 27, 2020, filed April 27, 2020 and incorporated herein by reference\).](#)
- 4.27 [Supplemental Indenture No. 27 with respect to 3.750% Senior Notes due 2050, dated as of April 27, 2020, among the Company, as Issuer and Manufacturers and Traders Trust Company, as Trustee \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated April 27, 2020, filed April 27, 2020 and incorporated herein by reference\).](#)
- 4.28 [Restatement Agreement, dated as of September 14, 2018, by and among the Company, CB International Finance S.à r.l., certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Eighth Amended and Restated Credit Agreement dated as of September 14, 2018, by and among the Company, CB International Finance S.à r.l., Bank of America, N.A., as Administrative Agent, and the Lenders party thereto \(no longer outstanding\) \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference\).](#)
- 4.29 [Restatement Agreement, dated as of March 26, 2020 by and among the Company, CB International Finance S.à r.l., certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto, including the Ninth Amended and Restated Credit Agreement dated as of March 26, 2020, by and among the Company, CB International Financing S.à r.l., Bank of America, N.A., as Administrative Agent, and the Lenders party thereto \(filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 26, 2020, filed March 31, 2020 and incorporated herein by reference\).](#) †
- 4.30 [2018 Term Loan Credit Agreement, dated as of September 14, 2018, by and among the Company, Bank of America, N.A., as Administrative Agent, and the Lenders party thereto \(no longer outstanding\) \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference\).](#)
- 4.31 [Term Loan Restatement Agreement, dated as of March 26, 2020, by and among the Company, certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as administrative agent, and the Lenders party thereto, including the Amended and Restated Term Loan Credit Agreement, dated March 26, 2020, by and among the Company, Bank of America, N.A., as administrative agent and the Lenders party thereto \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 26, 2020, filed March 31, 2020 and incorporated herein by reference\).](#) †
- 4.32 [2019 Term Loan Credit Agreement, dated as of June 28, 2019, by and among the Company and Bank of America, N.A., as Administrative Agent and Lender \(no longer outstanding\) \(filed as Exhibit 4.1 to the Company Current Report on Form 8-K dated June 28, 2019, filed July 3, 2019 and incorporated herein by reference\).](#) †
- 4.33 [2020 Term Loan Restatement Agreement, dated as of March 26, 2020, by and among the Company, certain of the Company's subsidiaries as guarantors, Bank of America, N.A., as administrative agent and lender, including the Amended and Restated Term Loan Credit Agreement, dated March 26, 2020, by and between the Company, Bank of America, N.A., as administrative agent and lender \(filed as Exhibit 4.3 to the Company Current Report on Form 8-K dated March 26, 2020 filed March 31, 2020 and incorporated herein by reference\).](#) †
- 10.1 [Amended and Restated Guarantee Agreement, dated as of July 14, 2017, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto and Constellation Brands, Inc. in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the Credit Agreement \(no longer outstanding\) \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated July 14, 2017, filed July 19, 2017 and incorporated herein by reference\).](#)
- 10.2 [Guarantee Agreement \(2018 Term Loan Credit Agreement\), dated as of September 14, 2018, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the 2018 Term Loan Credit Agreement \(no longer outstanding\) \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 14, 2018, filed September 19, 2018 and incorporated herein by reference\).](#)

10.3	<u>Guarantee Agreement (2019 Term Loan Credit Agreement)</u>, dated as of June 28, 2019, made by the subsidiaries of Constellation Brands, Inc. from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders party to the 2019 Term Loan Credit Agreement (no longer outstanding) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 28, 2019, filed July 3, 2019 and incorporated herein by reference).
10.4	<u>Form of Executive Employment Agreement between Constellation Brands, Inc. and certain of its Other Executive Officers (including James Bourdeau, James A. Sabia, Jr., Mallika Monteiro, Garth Hankinson, and Michael McGrew) (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2017 and incorporated herein by reference).</u> *
10.5	<u>Form of Stock Option Agreement with respect to the Company's Long-Term Stock Incentive Plan (grants on and after April 21, 2020) (filed herewith).</u> *†
10.6	<u>Form of Restricted Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (awards on and after April 21, 2020) (filed herewith).</u> *†
10.7	<u>Form of Performance Share Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (awards on and after April 21, 2020) (filed herewith).</u> *†
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).</u>
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).</u>
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith).</u>
99.1	<u>Consent Agreement, dated April 18, 2019, by and between CBG Holdings LLC and Canopy Growth Corporation (incorporated herein by reference to Exhibit 99.4 of Canopy Growth Corporation's Form 6-K filed April 30, 2019).</u>
99.2	<u>Second Amended and Restated Investor Rights Agreement, dated April 18, 2019, by and among Greenstar Canada Investment Limited Partnership, CBG Holdings LLC and Canopy Growth Corporation (incorporated herein by reference to Exhibit 99.3 of Canopy Growth Corporation's Form 6-K filed April 30, 2019).</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (filed herewith).
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document (filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

- * Designates management contract or compensatory plan or arrangement.
- # Company's Commission File No. 001-08495.
- † The exhibits, disclosure schedules, and other schedules, as applicable, have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Constellation Brands, Inc. agrees to furnish supplementally a copy of such exhibits, disclosure schedules, and other schedules, as applicable, or any section thereof, to the SEC upon request.
- ‡ Portions of this exhibit are redacted pursuant to Item 601(b)(2)(ii) of Regulation S-K.

The Company agrees, upon request of the Securities and Exchange Commission, to furnish copies of each instrument that defines the rights of holders of long-term debt of the Company or its subsidiaries that is not filed herewith pursuant to Item 601(b)(4)(iii)(A) because the total amount of long-term debt authorized under such instrument does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

SIGNATURES

Pursuant to the requirements 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.

Date: July 1, 2020

CONSTELLATION BRANDS, INC.

By: /s/ Kenneth W. Metz

Kenneth W. Metz, Vice President
and Controller

Date: July 1, 2020

By: /s/ Garth Hankinson

Garth Hankinson, Executive Vice President and
Chief Financial Officer (principal financial
officer and principal accounting officer)



May 22, 2020

STRICTLY CONFIDENTIAL

E. & J. Gallo Winery
600 Yosemite Blvd.
Modesto, CA 95354
Attention: Doug Vilas

Dear Doug:

As you know, Constellation Brands, Inc., a Delaware corporation (“**CBI**”), and E. & J. Gallo Winery, a California corporation (“**Gallo**” and, together with CBI, the “**Parties**”), are parties to that certain binding letter agreement (the “**Signing Letter**”) dated December 11, 2019, pursuant to which the Parties agreed, subject to the terms and conditions set forth therein, to execute an Asset Purchase Agreement, including the Seller Disclosure Schedules and Other Schedules thereto, in the form attached thereto. The Parties hereby mutually agree that the Signing Letter is hereby deemed to be amended to provide that, notwithstanding anything to the contrary therein, the Parties shall instead execute the Asset Purchase Agreement with (i) such additions, deletions and other modifications to the Seller Disclosure Schedules and Other Schedules thereto and (ii) such modifications to (a) the definitions of “Closing Book Value of the Product Inventory” and “Target Closing Book Value of the Product Inventory,” and (b) Annex A to the Form of Supply Agreement attached as Exhibit G to the Asset Purchase Agreement, in each case, as may be mutually agreed by the Parties acting in good faith, as promptly as practicable, but in no event later than fifteen (15) Business Days, after the execution by CBI and Gallo of that certain Second Amended and Restated Asset Purchase Agreement by and between CBI and Gallo (as amended from time to time), which amends and restates the Amended and Restated Asset Purchase Agreement referred to in the Signing Letter.

Unless specifically altered by this amendment, the Signing Letter remains unchanged and shall continue in full force and effect. No reference to this amendment need be made in any instrument or document making reference to the Signing Letter, and any reference to the Signing Letter in any such instrument or document shall be deemed a reference to the Signing Letter as amended hereby.

[Signature Page Follows]

If Gallo is in agreement with the foregoing, please so indicate by signing and returning one copy of this amendment, whereupon this amendment shall constitute a legally binding agreement between Gallo and CBI with respect to the subject matter hereof.

Very truly yours,

CONSTELLATION BRANDS, INC.

By: /s/ Blair Veenema

Name: Blair Veenema

Title: Vice President, Corporate Development

CONFIRMED AND AGREED TO:

E. & J. GALLO WINERY

By: /s/ Doug Vilas

Name : Doug Vilas

Title: Chief Executive Officer

Date: May 22, 2020

[Signature Page to Amendment to Letter Agreement Regarding Execution of Nobile Purchase Agreement]



Constellation Brands

STOCK OPTION AGREEMENT - GLOBAL

TERMS AND CONDITIONS OF STOCK OPTIONS CLASS 1 COMMON STOCK

Name of Participant:

Grant Date:

Number of Options Granted:

Exercise Price:

Vesting Dates:

- **1st anniversary of the Grant Date: 25% of the Shares subject to the Options (“Option Shares”)**
- **2nd anniversary of the Grant Date: 25% of Option Shares**
- **3rd anniversary of the Grant Date: 25% of Option Shares**
- **4th anniversary of the Grant Date: remaining balance of Option Shares**

Earliest Retirement Date:

The first November 1st that is at least six months following the Grant Date

Termination Date:

Constellation Brands, Inc. (the “Company”) hereby awards under the Company’s Long-Term Stock Incentive Plan, Amended and Restated as of July 18, 2017 (the “Plan”) to the designated participant (the “Participant”), stock options to purchase Class 1 Common Stock, par value US\$0.01 per share, of the Company (“Shares”). The principal features of this Award are set forth above, including the date of grant of the stock options (the “Grant Date”). The stock options represented by this agreement (the “Options”) are subject to the provisions of the terms and conditions of the agreement and the appendix, if any (together, the “Agreement”). The Options are Non-Qualified Stock Options granted pursuant to Section 5 of the Plan.

PLEASE BE SURE TO READ ALL OF THE SPECIFIC TERMS AND CONDITIONS OF THE AGREEMENT. TO THE EXTENT ANY CAPITALIZED TERMS USED IN THE TERMS AND CONDITIONS ARE NOT DEFINED HEREIN, THEY WILL HAVE THE MEANING ASCRIBED TO THEM IN THE PLAN.

BY MY ELECTRONIC ELECTION TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD OF OPTIONS (WHICH SERVES AS MY ELECTRONIC SIGNATURE OF THE AGREEMENT), I AGREE THAT MY PARTICIPATION IN THE PLAN IS GOVERNED BY THE PROVISIONS OF THE PLAN AND THE AGREEMENT (INCLUDING ITS TERMS AND CONDITIONS AND THE APPENDIX, IF ANY, FOR MY COUNTRY OF RESIDENCE OR EMPLOYMENT, IF DIFFERENT).

TERMS AND CONDITIONS OF STOCK OPTION AGREEMENT

1. **Term of Options.** The Options hereby granted on the Grant Date (as set forth on the first page of this Agreement) to purchase up to the Number of Options Granted (as set forth on the first page of this Agreement) will terminate and expire, to the extent not previously exercised or earlier terminated as provided in this Agreement, at 5:00 p.m. U.S. Eastern Time on the Termination Date (as set forth on the first page of this Agreement). All references to times and dates in the Plan or in documents or materials relating to the Plan refer to Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate) in the United States of America and to dates in New York State based on such Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate).

2. **Vesting Schedule and Exercise Period.**

(a) **Service.** Except as otherwise provided for in this Section, the Options shall vest and become exercisable in accordance with the Vesting Dates (as set forth on the first page of this Agreement); provided, in each case, that the Participant remains in Continuous Service with the Company, any of its Subsidiaries, or any other entity which is a Related Entity (the "Employer") until such date. The Participant ceases to be in Continuous Service with the Employer on the date that the entity employing the Participant ceases to be a Subsidiary or an entity which is a Related Entity. For Participants based outside of the United States, the Participant ceases to be employed on the later of (i) the date that is the last day of any statutory notice of termination period applicable to the Participant pursuant to applicable employment standards legislation (but only if the Participant is entitled to such a notice under applicable employment standards legislation), or (ii) the date that is designated by the Employer as the last day of the Participant's employment with the Employer, and the date that the Participant ceases to be employed by the Employer specifically does not mean the expiration date for any period of reasonable notice that the Employer may be required at law to provide to the Participant.

(b) **Death or Disability.** Subject to the limitations on exercise set forth below, if a Participant dies or suffers a Disability (as defined below), all the unvested Option Shares shall become immediately vested and exercisable on the date of death or Disability. Options which have vested due to death or Disability prior to the date that the Participant ceases to be employed by the Employer may be exercised within three (3) years after the date of death or Disability. "Disability" means a disability as defined under Treasury regulation section 1.409A-3(i)(4)(i)(A) which generally means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

(c) **Retirement.** Subject to the limitations on exercise set forth below, if a Participant ceases to be in Continuous Service with the Employer as a result of the Participant's Retirement (as defined below) at any time on or after the Earliest Retirement Date (as set forth on the first page of this Agreement), all the unvested Option Shares shall continue to vest and become exercisable according to the percentages and Vesting Dates (as set forth on the first page of this Agreement). Options which have vested after the Participant's Retirement may be exercised within any time prior to the Termination Date (as set forth on the first page of this Agreement). For purposes of the Agreement:

(i) "Retirement" means the Participant ceases to be in Continuous Service with the Employer for any reason other than Cause, death or disability (including but not limited to a Disability) on or after the date the Participant attains Retirement Eligibility with respect to this Award;

(ii) "Retirement Eligibility" with respect to this Award means a Participant attaining age sixty (60) and completing five (5) Full Years of Continuous Service with the Employer; and

(iii) "Full Year" means a twelve-month period beginning on the date of the Participant's commencement of service for the Employer and each anniversary thereof.

The Participant's Continuous Service with the Employer shall be determined by the Committee in its sole discretion.

(d) Other Terminations. Subject to the limitations on exercise set forth below, if a Participant ceases to be in Continuous Service with the Employer, and sections 2(b) or 2(c) are not applicable to the Participant, all the unvested Option Shares shall become immediately forfeited on the date that the Participant ceases to be in Continuous Service and Options which have vested prior to the date may be exercised for a period of ninety (90) days following such termination.

(e) Leave of Absence. Unless otherwise determined by the Committee, an authorized leave of absence pursuant to a written agreement or other leave entitling the Participant to reemployment in a comparable position by law or rule shall not constitute a termination of employment for purposes of the Plan and shall not interrupt the Participant's Continuous Service with the Employer unless the Participant does not return at or before the end of the authorized leave or within the period for which re-employment is guaranteed by law or rule.

(f) Change in Control. If the successor or purchaser in the Change in Control has assumed the Company's obligations with respect to the Options or provided a substitute award as contemplated by Section 22 of the Plan and, within 24 months following the occurrence of the Change in Control, the Participant's employment is terminated without Cause or Participant terminates employment for Good Reason, the Options or such substitute award shall become fully vested and exercisable with respect to all Option Shares covered by the Options as of the time immediately prior to such termination of employment and, the Options shall become exercisable by the Participant for ninety (90) days following such termination.

(g) Limitations on Exercise.

(i) No Option may be exercised by any person if the Participant (A) has at any time after the Grant Date (as set forth on the first page of this Agreement) violated the Restrictive Covenants set forth below, or (B) has been terminated by the Employer for Cause, as defined in the Plan.

(ii) Any Options which are exercisable under this Section that are not exercised within the applicable period specified in this Section, will automatically terminate at the end of that applicable period.

(h) Clawback. Notwithstanding any provision to the contrary, any "clawback" or "recoupment" policy required under applicable law or provided for under Company policy shall automatically apply to this Award.

3. Manner of Exercise.

(a) The Participant can exercise Options by complying with the provisions of the Plan and by following instructions provided in materials distributed by the Company. Unless such alternatives are limited by the Company in its sole discretion, the Exercise Price (as set forth on the first page of this Agreement), for the number of Option Shares being purchased and any related withholding tax

obligations may be paid by the Participant by (i) delivery of cash, money order or a certified or cashier's check; (ii) tendering previously acquired Shares or shares of Class A Common Stock, par value US\$0.01 per share, of the Company ("Class A Shares"), as provided for in the Plan; (iii) delivery of a conversion notice or other conversion instructions acceptable to the Company irrevocably electing to convert a sufficient number of Shares received under the Option into Class A Shares ("Conversion Shares") together with delivery of irrevocable instructions to a broker or other agent acceptable to the Company to promptly sell the Conversion Shares received under the Option and to deliver to the Company the appropriate amount of proceeds; and/or (iv) any other payment method that is established by the Company (which payment method may be restricted or eliminated from time to time by the Company, in its sole discretion).

(b) The Company or the Participant's Employer will, without transfer or issue tax to the Participant, issue and cause to be delivered to the Participant the number of Option Shares purchased as soon as reasonably practicable after the Participant has appropriately exercised any Options. The Company is not required to issue Shares to the Participant until all obligations to withhold taxes have been resolved to the satisfaction of the Company or the Employer.

4. Restrictive Covenants.

(a) The Participant agrees that (i) during the period of employment with the Company, its Subsidiaries, and/or any other entity which is a Related Entity (and its successors) ("Constellation" for purpose of this Section) and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant will not, without the written consent of the Company, seek or obtain a position with a Competitor (as defined below) in which the Participant will use or is likely to use any confidential information or trade secrets of Constellation, or in which the Participant has duties for such Competitor that involve Competitive Services (as defined below) and that are the same or similar to those services actually performed by the Participant for Constellation. The parties agree that the Participant may continue service on any boards of directors on which he or she is serving while employed by Constellation. If Participant's employment is terminated by the Participant for Good Reason or by Constellation for any reason other than Cause, then Constellation will not unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding the Participant's new position.

(b) The Participant understands and agrees that the relationship between Constellation and each of their respective employees constitutes a valuable asset of Constellation and may not be converted to the Participant's own use. Accordingly, the Participant hereby agrees that (i) during the period of employment with Constellation and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant shall not directly or indirectly, on his or her own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Constellation or to enter into employment with another person. The foregoing shall not apply to employees who respond to solicitations of employment directed to the general public or who seek employment at their own initiative.

For the purposes of this Section, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation including, but not limited to manufacturing, importing, exporting, distributing or selling cannabis, wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy and/or Mexico. The parties acknowledge that Constellation may from time to time during the term of this Agreement change or increase the line of goods or services it provides and its geographic markets, and Participant agrees that this provision shall be deemed to be amended from time to time to include such different or additional goods, services, and

geographic markets to the definition of “Competitive Services” for purposes of this Section. “Competitor” means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(c) The Participant agrees that, due to his or her position of trust and confidence, the restrictions contained in this Section are reasonable, and the equity compensation conferred on the Participant in this Agreement is adequate consideration, and, since the nature of Constellation’s collective business is international in scope, the geographic restriction herein is reasonable.

(d) The Participant acknowledges that a breach of this Section will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, the Participant acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, and the Company shall be entitled to money damages, costs and attorneys’ fees, and other legal or equitable remedies, including an injunction pending trial, without the posting of bond or other security. Any period of restriction set forth in this Section shall be extended for a period of time equal to the duration of any breach or violation thereof.

(e) In the event of the Participant’s breach of this Section, in addition to the injunctive relief described above, all unexercised Options held by the Participant shall be immediately forfeited on the date which the Participant breaches this Section unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and any gain realized by the Participant from the vesting and exercise of all or a portion of the Options shall be paid by the Participant to the Company.

(f) In the event that any provision of this Section is held to be in any respect an unreasonable restriction, then the court so holding may modify the terms thereof, including the period of time during which it operates or the geographic area to which it applies, or effect any other change to the extent necessary to render this Section enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement. Notwithstanding anything in this Agreement to the contrary, the post-employment restrictive covenants described in this Section above will not apply to this Award to the extent required under California law.

(g) Trade Secrets and Confidential Information. The Participant agrees that unless duly authorized in writing by the Company, the Participant will neither during his or her employment by Constellation nor at any time thereafter divulge or use in connection with any business activity other than that of Constellation any trade secrets or confidential information first acquired by the Participant during and by virtue of employment with Constellation. Notwithstanding the foregoing, nothing in this Agreement prohibits the Participant from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Securities and Exchange Commission, or making other disclosures that are protected under the whistleblower protections of federal law or regulation.

5. Committee Discretion. The Committee, in its absolute discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Options at any time. If so accelerated, such Options shall be considered as having vested as of the date specified by the Committee.

6. Code Section 409A. The Options are intended to be exempt from Code Section 409A and the Treasury regulations and guidance issued thereunder (“Section 409A”) and, accordingly, the terms of the Agreement shall be construed to preserve such exemption. To the extent that the Options are subject to the requirements of Section 409A, the Agreement shall be interpreted and administered in accordance with the intent that the Participant not be subject to tax under Section 409A. Neither the Company, any of its Subsidiaries nor any other entity which is a Related Entity shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the

Participant might owe as a result of participation in the Plan, and the Company, its Subsidiaries and any other entity which is a Related Entity shall have no obligation to indemnify or otherwise protect the Participant from the obligation to pay any taxes pursuant to Section 409A, unless otherwise specified.

7. **Responsibility for Taxes & Withholding.** Regardless of any action the Company, any of its Subsidiaries or any other entity which is a Related Entity takes with respect to any or all income tax, social insurance or social security, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company, any of its Subsidiaries or any other entity which is a Related Entity, if any. The Participant further acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect to the Options, including, but not limited to, the grant, vesting or exercise of the Options, the issuance of Shares upon exercise of the Options, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of any Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Participant agrees as a condition of his or her participation in the Plan to make arrangements satisfactory to the Company, any of its Subsidiaries or any other entity which is a Related Entity (including the employer) to enable it to satisfy all withholding, payment and/or collection requirements associated with the satisfaction of the Tax-Related Items. The withholding obligation shall be satisfied in a manner acceptable to the Company in its sole discretion and may include the following methods:

- (a) by surrender to the Company by attestation to the ownership of Shares already owned that would satisfy the withholding amount, or by having the Company retain a portion of the Shares otherwise issuable upon exercise of the Option, or
- (b) by the Company, or if different, the employer withholding all applicable amounts from the Participant's wages or other cash compensation due to the Participant, in accordance with any requirements under the laws, rules, and regulations of the country of which the Participant is a resident ("Local Law"), or
- (c) by delivery of a conversion notice or other conversion instructions acceptable to the Company irrevocably electing to convert a sufficient number of Shares received under the Option into Conversion Shares together with delivery of irrevocable instructions to a broker or other agent acceptable to the Company to promptly sell the Conversion Shares received under the Option and to deliver to the Company the appropriate amount of proceeds to satisfy the withholding requirements.

To avoid negative accounting treatment, the Company, any of its Subsidiaries or any other entity which is a Related Entity may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates (but not in excess of the maximum amount permitted for tax withholding under applicable law). Furthermore, the Participant agrees to pay the Company, or if different, the employer, any amount the Company, or if different, the employer may be required to withhold, collect or pay as a result of the Participant's participation in the Plan or that cannot be satisfied by deduction from the Participant's wages or other cash compensation paid to the Participant by the Company, or if different, the employer or sale of the Shares acquired under the Plan. The

Participant acknowledges that he or she may not participate in the Plan unless the tax withholding, payment and/or collection obligations of the Company, any of its Subsidiaries or any other entity which is a Related Entity are satisfied.

8. **No Transfer of Options.** Unless transferability is authorized by the Option grant or otherwise permitted by the Committee, Options are not transferable by the Participant other than (a) by will or the laws of descent and distribution, or (b) pursuant to a domestic relations order. Because of laws affecting the transferability of the Option Shares, the Participant should understand the securities laws and other implications of any transfer of Options. Any attempt at assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof, and the levy of any attachment or similar process upon such Option, shall be null and void and without effect.

9. **Transferability of Shares.** Following exercise of the Option and issuance of Shares, in the event the Company permits the Participant to arrange for sale of Shares through a broker or another designated agent of the Company, the Participant acknowledges and agrees that the Company may block any such sale and/or cancel any order to sell placed by the Participant, in each case if the Participant is not then permitted under the Company's insider trading policy to engage in transactions with respect to securities of the Company. If the Committee determines that the ability of the Participant to sell or transfer Shares is restricted, then the Company may place a restrictive legend or stop transfer notation on any certificate that may be issued to represent such Shares or on its books with respect to such Shares. If a legend or stop transfer notation is placed on any certificate or the Company's books with respect to the Participant's Shares, the Participant may only sell such Shares in compliance with such legend or notation.

10. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Options (whether vested or unvested) unless and until such Options are exercised and the corresponding Shares are issued. After such issuance, the Participant shall have the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares, if any.

11. **Acknowledgment.** The Participant acknowledges and agrees to the following:

- (a) The Plan is discretionary in nature and the Committee may amend, suspend, or terminate it at any time.
- (b) The grant of the Options is voluntary and occasional and does not create any contractual or other right to receive future grants of Options or benefits in lieu of the Options even if the Options have been granted repeatedly in the past.
- (c) All determinations with respect to such future Options, if any, including but not limited to, the times when the Options shall be granted or when the Options shall vest, will be at the sole discretion of the Committee.
- (d) The Participant's participation in the Plan is voluntary.
- (e) The future value of the Shares is unknown and cannot be predicted with certainty.
- (f) No claim or entitlement to compensation or damages arises from the termination or forfeiture of the Award, termination of the Plan, or diminution in value of the Options or Shares and the Participant irrevocably releases the Company, its Subsidiaries or any entity which is a Related Entity from any such claim that may arise.

(g) Neither the Plan nor the Options shall be construed to create an employment relationship where any employment relationship did not otherwise already exist.

(h) Nothing in the Agreement or the Plan shall confer upon the Participant any right to continue to be employed by the Employer or shall interfere with or restrict in any way the rights of the Employer, which are hereby expressly reserved, to terminate the employment of the Participant under applicable law.

(i) The transfer of the employment of the Participant between the Company and any one of its Subsidiaries or any other entity which is a Related Entity (or between such entities) shall not be deemed a termination of service.

(j) Nothing herein contained shall affect the Participant's right to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance or other Participant welfare plan or program of the Company or any Subsidiary.

(k) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(l) The Company reserves the right to impose other requirements on participation in the Plan, on the Options and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Local Law or facilitate the administration of the Plan, and to require the Participants to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(m) In addition, the following provisions apply if the Participant is providing services outside of the United States:

(i) the value of the Options is an extraordinary item of compensation, which is outside the scope of the Participant's employment contract (if any), except as may otherwise be explicitly provided in the Participant's employment contract (if any).

(ii) the Options are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits.

(iii) the Participant acknowledges and agrees that neither the Company, any Subsidiary nor any other entity which is a Related Entity shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Option or any amounts due to the Participant pursuant to the settlement of the Option or the subsequent sale of any Shares acquired upon settlement.

12. **Changes in Stock.** In the event of a change in the capital stock of the Company as set forth in Section 16 of the Plan, the number and kind of unexercised Options and the Exercise Price of such Options are subject to adjustment consistent with such change to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participant hereunder.

13. **Address for Notices.** All notices to the Company shall be in writing and sent to the Company's General Counsel at the Company's corporate headquarters. Notices to the Participant shall be addressed to the Participant at the address as from time to time reflected in the Company's employment records as the Participant's address.
14. **Binding Agreement.** Subject to the limitation on the transferability of this Award contained herein, the Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.
15. **Plan Governs.** The Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of the Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.
16. **Governing Law.** The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, United States of America, regardless of the law that might be applied under principles of conflict of laws.
17. **Captions.** Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of the Agreement.
18. **Severability.** In the event that any provision in the Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of the Agreement.
19. **Modifications to the Agreement.** The Agreement constitutes the entire understanding of the parties on the subjects covered. The Participant expressly warrants that he or she is not executing the Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to the Agreement can be made only in an express written contract executed by a duly authorized officer of the Company.
20. **Amendment, Suspension or Termination of the Plan.** By accepting this Award, the Participant expressly warrants that he or she has received a right to an equity-based award under the Plan, and has received, read, and understood a description of the Plan. The Participant understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.
21. **Compliance with Laws and Regulations; General Restrictions on Delivery of Shares.** The Participant understands that the exercise of the Options under the Plan and the issuance, transfer, assignment, sale, or other dealings of the Shares shall be subject to compliance by the Company, any of its Subsidiaries or any other entity which is a Related Entity and the Participant with all applicable requirements under the laws, rules, and regulations of the country of which the Participant is a resident and/or employed. Furthermore, the Participant agrees that he or she will not acquire Shares pursuant to the Plan except in compliance with Local Law.

The Company shall not be required to transfer or deliver any Shares or dividends or distributions relating to such Shares until it has been furnished with such opinions, representations or other documents as it may deem necessary or desirable, in its discretion, to ensure compliance with any law or Rules of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan or over the Company, the Participant, or the Shares or any interests therein. The Award of Options evidenced by the Agreement is also subject to the condition that, if at any time the Committee administering the Plan shall determine, in its discretion, that the listing, registration or qualification of the Shares (or any capital stock distributed with respect thereto) upon the New York Stock Exchange (or any

other securities exchange or trading market) or under any United States state or Federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of the Award of Options evidenced by the Agreement or the issuance, transfer or delivery of the Shares (or the payment of any dividends or other distributions related to the Shares), the Company shall not be required to transfer or deliver any Shares or dividends or distributions relating to such Shares unless such listing, registration, qualification, consent or approval shall have been effected or obtained to the complete satisfaction of the Committee and free of any conditions not acceptable to the Committee.

22. **Authorization to Release and Transfer Necessary Personal Information.** The Participant hereby explicitly and unambiguously consents to the collection, use, processing, and transfer, in electronic or other form, of his or her personal data by and among, as applicable, the Company, any of its Subsidiaries or any other entity which is a Related Entity for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company, any of its Subsidiaries or any other entity which is a Related Entity may hold certain personal information about the Participant including, but not limited to, the Participant's name, home address, email address, and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Options and/or Option Shares held and the details of all Options or any other entitlement to Shares awarded, exercised, cancelled, vested, unvested or outstanding for the purpose of implementing, administering and managing the Participant's participation in the Plan (the "Data"). The Participant understands that the Data may be transferred to the Company, any of its Subsidiaries or any other entity which is a Related Entity, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of Options under the Plan or with whom Shares acquired pursuant to the exercise of the Options or cash from the sale of such Shares may be deposited. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company, any of its Subsidiaries or any other entity which is a Related Entity or to any third parties is necessary for his or her participation in the Plan. The Participant understands that the Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting the Company's Global Privacy Lead at privacy@cbrands.com. The Participant further acknowledges that withdrawal of consent may affect his or her ability to vest in or realize benefits from the Options, and his or her ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's Global Privacy Lead at privacy@cbrands.com.

Finally, upon request of the Company, or if different the Employer, the Participant agrees to provide an executed data privacy consent form (or any other agreements or consents that may be required by the Company and/or the Employer) to the Company and/or the Employer that the Company and/or the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that the Participant will not be

able to participate in the Plan if the Participant fails to provide any such consent or agreement requested by the Company and/or the Employer.

23. **No Listing of Option Shares; Conversion.** The Company has not listed the Option Shares for trading on the New York Stock Exchange and does not intend to effect such a listing. Pursuant to the Certificate of Incorporation of the Company, Option Shares may be converted into Class A Shares, but only if the Class A Shares received upon the conversion are sold or transferred immediately following the conversion in a market transaction or qualifying private transaction as such terms are defined in the Company's Certificate of Incorporation. The Class A Shares into which Option Shares may be converted have been or will, prior to issuance, be listed for trading on the New York Stock Exchange.

24. **Electronic Delivery and Execution.** The Participant hereby consents and agrees to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, plan documents, prospectus and prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other Award made or offered under the Plan. The Participant understands that, unless revoked by the Participant by giving written notice to the Company pursuant to the Plan, this consent will be effective for the duration of the Agreement. The Participant also understands that he or she will have the right at any time to request that the Company deliver written copies of any and all materials referred to above. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and agree that his or her electronic signature is the same as, and will have the same force and effect as, his or her manual signature. The Participant consents and agrees that any such procedures and delivery may be affected by a third party engaged by the Company to provide administrative services related to the Plan.

25. **English Language.** The Participant acknowledges and agrees that it is the Participant's express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Plan be drawn up in English. If the Participant receives this Agreement, the Plan or any other document related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

26. **Appendix.** Notwithstanding any provision of the Agreement to the contrary, this Option grant and the Shares acquired under the Plan shall be subject to any and all special terms and provisions as set forth in the Appendix, if any, for the Participant's country of residence (and country of employment, if different).

RESTRICTED STOCK UNIT AGREEMENT
Pursuant to the
CONSTELLATION BRANDS, INC.
LONG-TERM STOCK INCENTIVE PLAN

Name of Participant:

Grant Date:

Number of Restricted Stock Units:

Vesting Dates:

- **The first May 1st that is at least six months following the Grant Date (the “Initial Vesting Date”): 25% of the Restricted Stock Units**
- **1st anniversary of the Initial Vesting Date: 25% of Restricted Stock Units**
- **2nd anniversary of the Initial Vesting Date: 25% of Restricted Stock Units**
- **3rd anniversary of the Initial Vesting Date (the “Final Vesting Date”): remaining balance of Restricted Stock Units**

Earliest Retirement Date:

The first November 1st that is at least six months following the Grant Date

Constellation Brands, Inc. (the “Company”) hereby awards to the designated participant (the “Participant”), Restricted Stock Units under the Company’s Long-Term Stock Incentive Plan, Amended and Restated as of July 18, 2017 (the “Plan”). The principal features of this Award are set forth above, including the date of grant of the Restricted Stock Units (the “Grant Date”). This Award shall be effective on the Grant Date. The Restricted Stock Units consist of the right to receive shares of Class A Common Stock, par value \$.01 per share, of the Company (“Shares”) and are subject to the provisions of the Terms and Conditions of the Agreement and the Appendix, if any (together, the “Agreement”).

PLEASE BE SURE TO READ ALL OF THE SPECIFIC TERMS AND CONDITIONS OF THE AGREEMENT. TO THE EXTENT ANY CAPITALIZED TERMS USED IN THE TERMS AND CONDITIONS ARE NOT DEFINED HEREIN, THEY WILL HAVE THE MEANING ASCRIBED TO THEM IN THE PLAN.

BY MY ELECTRONIC ELECTION TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD OF RESTRICTED STOCK UNITS (WHICH SERVES AS MY ELECTRONIC SIGNATURE OF THE AGREEMENT), I AGREE THAT MY PARTICIPATION IN THE PLAN IS GOVERNED BY THE PROVISIONS OF THE PLAN AND THE AGREEMENT (INCLUDING ITS TERMS AND CONDITIONS AND THE APPENDIX, IF ANY, FOR MY COUNTRY OF RESIDENCE OR EMPLOYMENT, IF DIFFERENT). IF I FAIL TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD WITHIN NINETY (90) DAYS OF THE GRANT DATE SET FORTH ABOVE, THE COMPANY MAY DETERMINE THAT THIS AWARD HAS BEEN FORFEITED.

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AGREEMENT

1. **Award.** The Company hereby grants to the Participant under the Plan as a separate incentive and not in lieu of any salary or other compensation for his or her services, an Award of Restricted Stock Units as of the Grant Date specified above, subject to all of the terms and conditions in the Agreement and the Plan.

2. **Vesting Schedule.** Any Restricted Stock Units that do not vest in accordance with this Section shall be forfeited and shall not be paid.

(a) **Service.** Except as otherwise provided under this Agreement, the Restricted Stock Units shall vest in accordance with the Vesting Dates (as set forth on the first page of this Agreement); provided, in each case, that the Participant remains in Continuous Service with the Company, any of its Subsidiaries, or any other entity which is a Related Entity (the “Employer”) until such date. The Participant ceases to be in Continuous Service with the Employer on the date that the entity employing the Participant ceases to be a Subsidiary or an entity which is a Related Entity. For Participants based outside of the United States, the Participant ceases to be employed by the Employer on the later of (i) the date that is the last day of any statutory notice of termination period applicable to the Participant pursuant to applicable employment standards legislation, or (ii) the date that is designated by the Employer as the last day of the Participant’s employment with the Employer, and the date that the Participant ceases to be employed by the Employer specifically does not mean the expiration date for any period of reasonable notice that the Employer may be required at law to provide to the Participant.

(b) **Death or Disability.** If the Participant dies or incurs a RSU Disability (as defined below) while employed by the Employer prior to the Final Vesting Date, any Restricted Stock Units that have not vested prior to the date of the Participant’s death or RSU Disability shall immediately vest. “RSU Disability” means a disability as defined under Treasury regulation section 1.409A-3(i)(4)(i)(A) which generally means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(c) **Retirement.** If the Participant ceases to be in Continuous Service with the Employer prior to the Final Vesting Date as a result of the Participant’s Retirement at any time on or after the Earliest Retirement Date (as set forth on the first page of this Agreement), any Restricted Stock Units that have not vested prior to the date of the Participant’s Retirement, shall continue to vest according to the percentages and dates (as set forth on the first page of this Agreement). For purposes of this Agreement:

(i) “Retirement” means the Participant ceases to be in Continuous Service with the Employer for any reason other than Cause, death or disability (including but not limited to a RSU Disability) on or after the date the Participant attains Retirement Eligibility with respect to this Award;

(ii) “Retirement Eligibility” with respect to this Award means a Participant attaining age sixty (60) and completing five (5) Full Years of Continuous Service with the Employer; and

(iii) “Full Year” means a twelve-month period beginning on the date of the Participant’s commencement of service for the Employer and each anniversary thereof.

The Participant's Continuous Service with the Employer shall be determined by the Committee in its sole discretion (subject to applicable requirements of Code Section 409A and the Treasury regulations and guidance issued thereunder ("Section 409A"), to the extent applicable).

(d) Leave of Absence. Unless otherwise determined by the Committee or required under Section 409A, an authorized leave of absence pursuant to a written agreement or other leave entitling the Participant to reemployment in a comparable position by law or Rule shall not constitute a termination of employment for purposes of the Plan and shall not interrupt the Participant's Continuous Service with the Employer unless the Participant does not return at or before the end of the authorized leave or within the period for which reemployment is guaranteed by law or Rule.

(e) Change in Control. If the successor or purchaser in the Change in Control has assumed the Company's obligations with respect to the Restricted Stock Units or provided a substitute award as contemplated by Section 22 of the Plan and, within 24 months following the occurrence of the Change in Control, the Participant's employment is terminated without Cause or the Participant terminates employment for Good Reason, the Restricted Stock Units shall become fully vested immediately prior to such termination of employment.

3. **Restrictive Covenants.**

(a) The Participant agrees that (i) during the period of employment with the Company, its Subsidiaries, and/or any other entity which is a Related Entity (and its successors) ("Constellation" for purpose of this Section) and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant will not, without the written consent of the Company, seek or obtain a position with a Competitor (as defined below) in which the Participant will use or is likely to use any confidential information or trade secrets of Constellation, or in which the Participant has duties for such Competitor that involve Competitive Services (as defined below) and that are the same or similar to those services actually performed by the Participant for Constellation. The parties agree that the Participant may continue service on any boards of directors on which he or she is serving while employed by Constellation. If Participant's employment is terminated by the Participant for Good Reason or by Constellation for any reason other than Cause, then Constellation will not unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding the Participant's new position.

(b) The Participant understands and agrees that the relationship between Constellation and each of their respective employees constitutes a valuable asset of Constellation and may not be converted to the Participant's own use. Accordingly, the Participant hereby agrees that (i) during the period of employment with Constellation and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant shall not directly or indirectly, on his or her own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Constellation or to enter into employment with another person. The foregoing shall not apply to employees who respond to solicitations of employment directed to the general public or who seek employment at their own initiative.

For the purposes of this Section, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation including, but not limited to manufacturing, importing, exporting, distributing or selling cannabis, wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy and/or Mexico. The parties acknowledge that Constellation may from time to time during the term of this Agreement change or increase the line of goods or services it provides and its geographic markets, and the Participant agrees that this provision shall be deemed to be amended from time to time to include such different or

additional goods, services, and geographic markets to the definition of “Competitive Services” for purposes of this Section. “Competitor” means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(c) The Participant agrees that, due to his or her position of trust and confidence, the restrictions contained in this Section are reasonable, and the equity compensation conferred on the Participant in this Agreement is adequate consideration, and, since the nature of Constellation’s collective business is international in scope, the geographic restriction herein is reasonable.

(d) The Participant acknowledges that a breach of this Section will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, the Participant acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, and the Company shall be entitled to money damages, costs and attorneys’ fees, and other legal or equitable remedies, including an injunction pending trial, without the posting of bond or other security. Any period of restriction set forth in this Section shall be extended for a period of time equal to the duration of any breach or violation thereof.

(e) In the event of the Participant’s breach of this Section, in addition to the injunctive relief described above, all unvested Restricted Stock Units held by the Participant shall be immediately forfeited on the date which the Participant breaches this Section unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and any gain realized by the Participant from the vesting of any Restricted Stock Units, following such breach, shall be paid by the Participant to the Company.

(f) In the event that any provision of this Section is held to be in any respect an unreasonable restriction, then the court so holding may modify the terms thereof, including the period of time during which it operates or the geographic area to which it applies, or effect any other change to the extent necessary to render this Section enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement. Notwithstanding anything in this Agreement to the contrary, the post-employment restrictive covenants described in this Section above will not apply to this Award to the extent required under California law.

(g) Trade Secrets and Confidential Information. The Participant agrees that unless duly authorized in writing by the Company, the Participant will neither during his or her employment by Constellation nor at any time thereafter divulge or use in connection with any business activity other than that of Constellation any trade secrets or confidential information first acquired by the Participant during and by virtue of employment with Constellation. Notwithstanding the foregoing, nothing in this Agreement prohibits the Participant from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Securities and Exchange Commission, or making other disclosures that are protected under the whistleblower protections of federal law or regulation.

4. Committee Discretion. The Committee, in its absolute discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time; provided that, the time or schedule of any amount to be settled pursuant to the terms of this Agreement that provides for the deferral of compensation under Section 409A, may not be accelerated except as otherwise permitted under Section 409A. If so accelerated, such Restricted Stock Units shall be considered as having vested as of the date specified by the Committee.

5. Death of Participant. Any distribution or delivery to be made to the Participant under the Agreement shall, if the Participant is then deceased, be made to the Participant’s designated

beneficiary, or if either no beneficiary survives the Participant or the Committee does not permit beneficiary designations, to the administrator or executor of the Participant's estate. Any designation of a beneficiary by the Participant shall be effective only if such designation is made in a form and manner acceptable to the Committee. Any transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

6. **Code Section 409A.** Notwithstanding any provision of this Agreement to the contrary, in the event that any delivery of Shares to the Participant is made upon, or as a result of the Participant's termination of employment (other than as a result of death), and the Participant is a "specified employee" (as that term is defined under Section 409A) at the time the Participant becomes entitled to delivery of such Shares, and provided further that the delivery of such Shares does not otherwise qualify for an applicable exemption from Section 409A, then no such delivery of such Shares shall be made to the Participant under this Agreement until the date that is the earlier to occur of: (i) the Participant's death, or (ii) six (6) months and one (1) day following the Participant's termination of employment (the "Delay Period"). For purposes of applying the provisions of Section 409A, each group of the total Restricted Stock Units granted hereunder that would normally vest on the Initial Vesting Date and each anniversary of the Initial Vesting Date thereafter shall be treated as a separate payment. For purposes of this Agreement, to the extent the Restricted Stock Units (or applicable portion thereof) are subject to the provision of Section 409A, the terms "ceases to be employed", "termination of employment" and variations thereof, as used in this Agreement, are intended to mean a termination of employment that constitutes a "separation from service" under Section 409A.

Restricted Stock Units are generally intended to be exempt from Section 409A as short-term deferrals and, accordingly, the terms of this Agreement shall be construed to preserve such exemption. To the extent that Restricted Stock Units granted under this Agreement are subject to the requirements of Section 409A, this Agreement shall be interpreted and administered in accordance with the intent that the Participant not be subject to tax under Section 409A. Neither the Company, any of its Subsidiaries nor any other entity which is a Related Entity, shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant might owe as a result of participation in the Plan, and the Company, its Subsidiaries nor any other entity which is a Related Entity shall have no obligation to indemnify or otherwise protect the Participant from the obligation to pay any taxes pursuant to Section 409A, unless otherwise specified.

7. **Settlement of Restricted Stock Units.**

(a) **Status as a Creditor.** Unless and until Restricted Stock Units have vested, the Participant will have no settlement right with respect to any Restricted Stock Units. Prior to settlement of any vested Restricted Stock Units, the vested Restricted Stock Units will represent an unfunded and unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. The Participant is an unsecured general creditor of the Company, and settlement of Restricted Stock Units is subject to the claims of the Company's creditors.

(b) **Form and Timing of Settlement.** Restricted Stock Units will be settled in the form of Shares upon the vesting of the Restricted Stock Units. Where a fractional Share would be owed to the Participant upon the vesting of Restricted Stock Units, the Company may (1) round up the Shares that are payable to the Participant to the nearest whole number, or (2) pay a cash payment equivalent in place of such fractional Share. Upon issuance, Shares will be electronically transferred to an account in the Participant's name at the provider then administering the Plan as it relates to the Restricted Stock Units. The Shares to be issued upon settlement will be issued as soon as practicable to the Participant following each Vesting Date; provided that:

(i) such Shares will be issued no later than the date that is two and a half (2.5) months from the end of the later of (1) the Participant's tax year that includes the Vesting Date, or (2) the Company's tax year that includes the Vesting Date; and

(ii) for any Restricted Stock Units for which the Vesting Date is after the date the Participant attains Retirement Eligibility and which would constitute a "deferral of compensation" under Section 409A, Shares will be issued:

- (A) on the applicable Vesting Date;
- (B) within thirty (30) days following a Separation from Service within 24 months of a Change in Control which triggers accelerated vesting in accordance with the terms of this Agreement; or
- (C) in the event of a Participant's death or RSU Disability, within thirty (30) days of the date of death or RSU Disability.

(c) Clawback. Notwithstanding any provision to the contrary, any "clawback" or "recoupment" policy required under applicable law or provided for under Company policy shall automatically apply to this Award.

8. **Dividend Equivalents**. During the period beginning on the Grant Date and ending on the date that Shares are issued in settlement of vested Restricted Stock Units, the Participant will accrue dividend equivalents on the Restricted Stock Units equal to any cash dividend or cash distribution that would have been paid on the Restricted Stock Unit had that Restricted Stock Unit been an issued and outstanding Share of Class A Common Stock on the record date for the dividend or distribution. Such accrued dividend equivalents (1) will vest and become payable upon the same terms and at the same time of settlement as the Restricted Stock Unit to which they relate (and will be payable with respect to any Shares that are issued or that are withheld in order to satisfy Participant's Tax-Related Items), (2) will be denominated and payable solely in cash and paid in such manner as the Company deems appropriate, and (3) will not bear or accrue interest. Dividend equivalent payments, at settlement, will be net of applicable federal, state, local and foreign income and social insurance withholding taxes. Upon the forfeiture of the Restricted Stock Units, any accrued dividend equivalents attributable to such Restricted Stock Units will also be forfeited.

9. **Responsibility for Taxes & Withholding**. Regardless of any action the Company, any of its Subsidiaries or any other entity which is a Related Entity takes with respect to any or all income tax, social insurance or social security, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company, any of its Subsidiaries or any other entity which is a Related Entity, if any. The Participant further acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the issuance of Shares upon settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of any Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Grant

Date and the date of any relevant taxable event, the Participant acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Participant agrees as a condition of his or her participation in the Plan to make arrangements satisfactory to the Company, any of its Subsidiaries or any other entity which is a Related Entity (including the employer) to satisfy all Tax-Related Items. In this regard, the Company, or their respective agents, will withhold Shares to be issued upon vesting/settlement of the Restricted Stock Units, unless the Company, or if different, the employer, at their discretion, permit the obligations to be satisfied with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from the Participant's wages/salary or other cash compensation paid to the Participant by the Company, or if different, the employer; or

(b) withholding from proceeds of the Shares acquired upon vesting/settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization).

Notwithstanding the above, if the Participant is a Section 16 officer of the Company under the U.S. Securities and Exchange Act of 1934, as amended, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (a) and (b) above.

Notwithstanding anything to the contrary in the Plan, the Participant shall not be entitled to satisfy any Tax-Related Item or withholding obligation that arises as a result of the Agreement by delivering to the Company any shares of capital stock of the Company. To avoid negative accounting treatment, the Company, any of its Subsidiaries or any other entity which is a Related Entity may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates (but not in excess of the maximum amount permitted for tax withholding under applicable law). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares attributable to the vested Restricted Stock Units, notwithstanding that a number of Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

The Participant shall pay to the Company, or if different, the Employer, any amount of Tax-Related Items that the Company, or if different, the Employer, may be required to withhold or account for as a result of the Participant's participation in the Plan that will not for any reason be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

By accepting this grant of Restricted Stock Units, the Participant expressly consents to the methods of withholding Tax-Related Items by the Company, or if different, the Employer as set forth herein, including the withholding of Shares and the withholding from the Participant's wages/salary or other amounts payable to the Participant. All other Tax-Related Items related to the Restricted Stock Units and any Shares delivered in satisfaction thereof are the Participant's sole responsibility.

10. **Transferability.** The Participant shall have no right to sell, assign, transfer, pledge or otherwise encumber the Restricted Stock Units in any manner until the Shares are issued to the Participant upon settlement. Following settlement and issuance of Shares, in the event the Company permits the Participant to arrange for sale of Shares through a broker or another designated agent of the Company, the Participant acknowledges and agrees that the Company may block any such sale and/or cancel any order to sell placed by the Participant, in each case if the Participant is not then permitted under the Company's insider trading policy to engage in transactions with respect to securities of the Company. If the Committee determines that the ability of the Participant to sell or transfer Shares is restricted, then the Company may notify the Participant in accordance with the terms of the Agreement. The Participant may only sell such Shares in compliance with such notification by the Company.

11. **Rights as Stockholder.** Neither the Participant nor any person claiming under or through the Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Restricted Stock Units (whether vested or unvested) unless and until such Restricted Stock Units vest and the corresponding Shares are issued. After such issuance, the Participant shall have the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares, if any.

12. **Acknowledgments.** The Participant acknowledges and agrees to the following:

(a) The Plan is discretionary in nature and the Committee may amend, suspend, or terminate it at any time.

(b) The grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of the Restricted Stock Units even if the Restricted Stock Units have been granted repeatedly in the past.

(c) All determinations with respect to such future Restricted Stock Units, if any, including but not limited to, the times when the Restricted Stock Units shall be granted or when the Restricted Stock Units shall vest, will be at the sole discretion of the Committee.

(d) The Participant's participation in the Plan is voluntary.

(e) The future value of the Shares is unknown and cannot be predicted with certainty.

(f) No claim or entitlement to compensation or damages arises from the termination or forfeiture of the Award, termination of the Plan, or diminution in value of the Restricted Stock Units or Shares and the Participant irrevocably releases the Company, any of its Subsidiaries or any other entity which is a Related Entity from any such claim that may arise.

(g) Neither the Plan nor the Restricted Stock Units shall be construed to create an employment relationship where any employment relationship did not otherwise already exist.

(h) Nothing in the Agreement or the Plan shall confer upon the Participant any right to continue to be employed by the Employer or shall interfere with or restrict in any way the rights of the Employer, which are hereby expressly reserved, to terminate the employment of the Participant under applicable law.

(i) The transfer of the employment of the Participant between the Company, any one of its Subsidiaries or any other entity which is a Related Entity (or between such entities) shall not be deemed a termination of service.

(j) Nothing herein contained shall affect the Participant's right to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance or other Participant welfare plan or program of the Employer.

(k) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(l) In addition, the following provisions apply if the Participant is providing services outside the United States:

(i) The value of the Restricted Stock Units is an extraordinary item of compensation, which is outside the scope of the Participant's employment contract (if any), except as may otherwise be explicitly provided in the Participant's employment contract (if any).

(ii) The Restricted Stock Units are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits.

(iii) The Participant acknowledges and agrees that neither the Company, any Subsidiary nor any other entity which is a Related Entity shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to the Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

(iv) The Company reserves the right to impose other requirements on participation in the Plan, on the Restricted Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or other applicable Rule or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

13. **Changes in Stock.** In the event of a change in the capital stock of the Company as set forth in Section 16 of the Plan, the Restricted Stock Units shall be adjusted automatically consistent with such change to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participant hereunder.

14. **Address for Notices.** All notices to the Company shall be in writing and sent to the Company's General Counsel at the Company's corporate headquarters. Notices to the Participant shall be addressed to the Participant at the address as from time to time reflected in the Company's employment records as the Participant's address.

15. **Binding Agreement.** Subject to the limitation on the transferability of this Award contained herein, the Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. **Plan Governs.** The Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of the Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.
17. **Governing Law.** The Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, United States of America, regardless of the law that might be applied under principles of conflict of laws.
18. **Captions.** Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of the Agreement.
19. **Severability.** In the event that any provision in the Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of the Agreement.
20. **Modifications to the Agreement.** The Agreement constitutes the entire understanding of the parties on the subjects covered. The Participant expressly warrants that he or she is not executing the Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to the Agreement can be made only in an express written contract executed by a duly authorized officer of the Company.
21. **Amendment, Suspension or Termination of the Plan.** By accepting this Award, the Participant expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Participant understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.
22. **Compliance with Laws and Regulations; General Restrictions on Delivery of Shares.** The Participant understands that the vesting of the Restricted Stock Units under the Plan and the issuance, transfer, assignment, sale, or other dealings of the Shares shall be subject to compliance by the Company, any of its Subsidiaries or any other entity which is a Related Entity and the Participant with all applicable requirements under the laws and Rules of the country of which the Participant is a resident. Furthermore, the Participant agrees that he or she will not acquire Shares pursuant to the Plan except in compliance with the laws and Rules of the country of which the Participant is a resident and/or employed.

The Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares until it has been furnished with such opinions, representations or other documents as it may deem necessary or desirable, in its discretion, to ensure compliance with any law or Rules of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan or over the Company, the Participant, or the Shares or any interests therein. The Award of Restricted Stock Units evidenced by the Agreement is also subject to the condition that, if at any time the Committee administering the Plan shall determine, in its discretion, that the listing, registration or qualification of the Shares (or any capital stock distributed with respect thereto) upon the New York Stock Exchange (or any other securities exchange or trading market) or under any United States state or federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of the Award of Restricted Stock Units evidenced by the Agreement or the issuance, transfer or delivery of the Shares (or the payment of any dividends, dividend equivalents or other distributions related to the Shares), the Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares unless such listing, registration, qualification,

consent or approval shall have been effected or obtained to the complete satisfaction of the Committee and free of any conditions not acceptable to the Committee.

23. **Authorization to Release and Transfer Necessary Personal Information.** *The Participant hereby explicitly and unambiguously consents to the collection, use, processing, and transfer, in electronic or other form, of his or her personal data by and among, as applicable, the Company, any of its Subsidiaries or any other entity which is a Related Entity for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company, any of its Subsidiaries or any other entity which is a Related Entity may hold certain personal information about the Participant including, but not limited to, the Participant's name, home address, email address, and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Restricted Stock Units and/or Shares held and the details of all Restricted Stock Units or any other entitlement to Shares awarded, cancelled, vested, unvested or outstanding for the purpose of implementing, administering and managing the Participant's participation in the Plan (the "Data"). The Participant understands that the Data may be transferred to the Company, any of its Subsidiaries or any other entity which is a Related Entity, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's Global Privacy Lead at privacy@cbrands.com. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of Restricted Stock Units under the Plan or with whom Shares acquired pursuant to the vesting of the Restricted Stock Units or cash from the sale of such Shares may be deposited. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company, any of its Subsidiaries or any other entity which is a Related Entity or to any third parties is necessary for his or her participation in the Plan. The Participant understands that the Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting the Company's Global Privacy Lead at privacy@cbrands.com. The Participant further acknowledges that withdrawal of consent may affect his or her ability to vest in or realize benefits from the Restricted Stock Units, and his or her ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's Global Privacy Lead at privacy@cbrands.com.*

Finally, upon request of the Employer, the Participant agrees to provide an executed data privacy consent form (or any other agreements or consents that may be required by the Employer) to the Employer that the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that the Participant will not be able to participate in the Plan if the Participant fails to provide any such consent or agreement requested by the Employer.

24. **Electronic Delivery and Execution.** *The Participant hereby consents and agrees to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, plan documents, prospectus and prospectus supplements, grant or award notifications and agreements,*

account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other Award made or offered under the Plan. The Participant understands that, unless revoked by the Participant by giving written notice to the Company pursuant to the Plan, this consent will be effective for the duration of the Agreement. The Participant also understands that he or she will have the right at any time to request that the Company deliver written copies of any and all materials referred to above. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and agree that his or her electronic signature is the same as, and will have the same force and effect as, his or her manual signature. The Participant consents and agrees that any such procedures and delivery may be affected by a third party engaged by the Company to provide administrative services related to the Plan.

25. **English Language.** The Participant acknowledges and agrees that it is the Participant's express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Plan be drawn up in English. If the Participant receives this Agreement, the Plan or any other documents related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

26. **Appendix.** Notwithstanding any provision of the Agreement to the contrary, this Restricted Stock Unit Award and the Shares acquired under the Plan shall be subject to any and all special terms and provisions as set forth in the Appendix, if any, for the Participant's country of residence (and country of employment, if different). Further, if the Participant transfers his or her residence and/or employment to another country reflected in the Appendix to this Agreement, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws or rules to facilitate the operation and administration of the Restricted Stock Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Appendix shall constitute part of this Agreement.

PERFORMANCE SHARE UNIT AGREEMENT
Pursuant to the
CONSTELLATION BRANDS, INC.
LONG-TERM STOCK INCENTIVE PLAN

Name of Participant:

Grant Date:

Target Number of Performance Share Units:

Service Vesting Date:

Earliest Retirement Date:

**The first November 1st that is at least six months following
the Date of Grant**

PSU Payment Period

**Within the two-week period following the Service Vesting
Date**

Constellation Brands, Inc. (the “Company”) hereby awards to the designated participant (the “Participant”), the opportunity to receive the Performance Share Units described herein under the Company’s Long-Term Stock Incentive Plan, Amended and Restated as of July 18, 2017 (the “Plan”). The principal features of this Award are set forth above, including the date of grant of the Performance Share Units (the “Grant Date”). This Award shall be effective on the Grant Date. The Performance Share Units consist of the right to receive shares of Class A Common Stock, par value \$.01 per share, of the Company (“Shares”). Generally, the Participant will not receive any Performance Share Units unless specified service and performance requirements are satisfied. This Performance Share Unit Agreement is subject to the provisions of the Terms and Conditions of Performance Share Unit Agreement and the Appendix, if any (together, this “Agreement”) and terms of the Plan.

PLEASE BE SURE TO READ ALL OF THE SPECIFIC TERMS AND CONDITIONS OF THIS AGREEMENT. TO THE EXTENT ANY CAPITALIZED TERMS USED IN THE TERMS AND CONDITIONS ARE NOT DEFINED HEREIN, THEY WILL HAVE THE MEANING ASCRIBED TO THEM IN THE PLAN.

BY MY ELECTRONIC ELECTION TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD OF PERFORMANCE SHARE UNITS (WHICH SERVES AS MY ELECTRONIC SIGNATURE OF THIS AGREEMENT), I AGREE THAT MY PARTICIPATION IN THE PLAN IS GOVERNED BY THE PROVISIONS OF THE PLAN AND THIS AGREEMENT (INCLUDING ITS TERMS AND CONDITIONS AND THE APPENDIX, IF ANY, FOR MY COUNTRY OF RESIDENCE OR EMPLOYMENT, IF DIFFERENT). IF I FAIL TO ACCEPT THE TERMS AND CONDITIONS OF THIS AWARD WITHIN NINETY (90) DAYS OF THE GRANT DATE SET FORTH ABOVE, THE COMPANY MAY DETERMINE THAT THIS AWARD HAS BEEN FORFEITED.

TERMS AND CONDITIONS OF PERFORMANCE SHARE UNIT AGREEMENT

1. Award. The Company hereby grants to the Participant under the Plan as a separate incentive and not in lieu of any salary or other compensation for his or her services the opportunity to receive Performance Share Units as of the Grant Date specified above, subject to all of the terms and conditions in this Agreement and the Plan. Generally, the Participant will not receive any Performance Share Units unless the specified service and performance requirements set forth herein are satisfied.

2. Vesting in Performance Share Units. Any Performance Share Units that do not vest in accordance with this Section shall be forfeited and shall not be paid.

(a) Performance and service vesting requirements. Except as otherwise provided under this Agreement, both performance and service vesting requirements must be satisfied before the Participant can earn Performance Share Units under this Agreement. With certain exceptions noted below, the Participant will vest in his/her right to receive Performance Share Units under this Agreement if the Participant remains in Continuous Service with the Company, any of its Subsidiaries, or any other entity which is a Related Entity (the "Employer") until the Service Vesting Date (as set forth on the first page of this Agreement) and the Company achieves the performance targets specified in Schedule A. The Participant ceases to be employed with the Employer on the date that the entity employing the Participant ceases to be a Subsidiary or an entity which is a Related Entity. For participants based outside of the United States, the Participant ceases to be employed by the Employer on the later of (i) the date that is the last day of any statutory notice of termination period applicable to the Participant pursuant to applicable employment standards legislation or (ii) the date that is designated by the Employer as the last date of the Participant's employment with the Employer, and the date the Participant's ceases to be employed by the Employer specifically does not mean the date on which any period of reasonable notice that the Employer may be required at law to provide to the Participant expires. If the Participant remains in Continuous Service with the Employer until the Service Vesting Date, the Participant shall vest in his/her right to receive a number of Performance Share Units based on the performance matrix set forth in Schedule A. Schedule A sets forth how the number of the Participant's vested Performance Share Units is calculated.

(b) Death or Disability. If the Participant dies or incurs a PSU Disability (as defined below) while employed by the Employer prior to the Service Vesting Date, the Participant shall vest in a number of Performance Share Units equal to the number of the Participant's Target Number of Performance Share Units, provided that such Performance Share Units were not previously forfeited. A "PSU Disability" means a disability as defined under Treasury regulation section 1.409A-3(i)(4)(i)(A) which generally means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. Any Performance Share Units that do not vest under this provision shall be forfeited upon the Participant's death or PSU Disability.

(c) Retirement. If the Participant ceases to be in Continuous Service with the Employer prior to the Service Vesting Date as a result of the Participant's Retirement at any time on or after the Earliest Retirement Date (as set forth on the first page of this Agreement), the Participant shall be deemed to have met the service vesting requirements under this Agreement and shall be eligible to receive a number of Performance Share Units equal to (X) multiplied by (Y), where: (X) equals the number of Performance Share Units to which the Participant would be entitled based on actual performance during the Valuation Period as described in the performance matrix set forth in Schedule A; and (Y) is a ratio, the numerator of which equals the number of days the Participant remained in Continuous Service with the Employer from the beginning of the Valuation Period as described in the

performance matrix set forth in Schedule A (“Performance Start Date”) until Retirement, and the denominator of which equals the number of days from the Performance Start Date through the end of the Valuation Period as described in the performance matrix set forth in Schedule A. For purposes of this Agreement:

(i) “Retirement” means the Participant ceases to be employed by the Employer for any reason other than Cause, death or disability (including but not limited to a PSU Disability) on or after the date the Participant attains Retirement Eligibility with respect to this Award;

(ii) “Retirement Eligibility” with respect to this Award means a Participant attaining age sixty (60) and completing five (5) Full Years of Continuous Service with the Employer; and

(iii) Full Year” means a twelve-month period beginning on the date of the Participant's commencement of service for the Employer and each anniversary thereof.

The Participant’s Continuous Service with the Employer shall be determined by the Committee in its sole discretion (subject to applicable requirements of Code Section 409A and the Treasury regulations and guidance issued thereunder (“Section 409A”), to the extent applicable).

(d) Leave of Absence. Unless otherwise determined by the Committee or required under Section 409A, an authorized leave of absence pursuant to a written agreement or other leave entitling the Participant to re-employment in a comparable position by law or Rule shall not constitute a termination of employment for purposes of the Plan and shall not interrupt the Participant’s Continuous Service with the Employer unless the Participant does not return at or before the end of the authorized leave or within the period for which re-employment is guaranteed by law or Rule.

(e) Change in Control. If the successor or purchaser in the Change in Control has assumed the Company’s obligations with respect to the Performance Share Units or provided a substitute award as contemplated by Section 22 of the Plan and, within 24 months following the occurrence of the Change in Control, the Participant’s employment is terminated without Cause or the Participant terminates employment for Good Reason, the Participant shall become vested in the Participant’s Target Number of Performance Share Units or if a substitute award has been provided, a number of units in the successor company (or a subsidiary or affiliate of such successor company, as applicable) that is equal in value to the Participant’s Target Number of Performance Share Units as of the effective date of the Change in Control; provided that such Performance Share Units or substitute award units were not previously forfeited.

3. Restrictive Covenants.

(a) The Participant agrees that (i) during the period of employment with the Company, its Subsidiaries, and/or any other entity which is a Related Entity (and its successors) (“Constellation” for purpose of this Section) and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant will not, without the written consent of the Company, seek or obtain a position with a Competitor (as defined below) in which the Participant will use or is likely to use any confidential information or trade secrets of Constellation, or in which the Participant has duties for such Competitor that involve Competitive Services (as defined below) and that are the same or similar to those services actually performed by the Participant for Constellation. The parties agree that the Participant may continue service on any boards of directors on which he or she is serving while employed by Constellation. If Participant’s employment is terminated by the Participant for Good Reason or by Constellation for any reason other than Cause, then Constellation will not

unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding the Participant's new position.

(b) The Participant understands and agrees that the relationship between Constellation and each of their respective employees constitutes a valuable asset of Constellation and may not be converted to the Participant's own use. Accordingly, the Participant hereby agrees that (i) during the period of employment with Constellation and (ii) during any period of continued vesting following Retirement in accordance with the terms of this Agreement, the Participant shall not directly or indirectly, on his or her own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Constellation or to enter into employment with another person. The foregoing shall not apply to employees who respond to solicitations of employment directed to the general public or who seek employment at their own initiative.

For the purposes of this Section, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation including, but not limited to manufacturing, importing, exporting, distributing or selling cannabis, wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy and/or Mexico. The parties acknowledge that Constellation may from time to time during the term of this Agreement change or increase the line of goods or services it provides and its geographic markets, and the Participant agrees that this provision shall be deemed to be amended from time to time to include such different or additional goods, services, and geographic markets to the definition of "Competitive Services" for purposes of this Section. "Competitor" means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(c) The Participant agrees that, due to his or her position of trust and confidence, the restrictions contained in this Section are reasonable, and the equity compensation conferred on the Participant in this Agreement is adequate consideration, and, since the nature of Constellation's collective business is international in scope, the geographic restriction herein is reasonable.

(d) The Participant acknowledges that a breach of this Section will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, the Participant acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, and the Company shall be entitled to money damages, costs and attorneys' fees, and other legal or equitable remedies, including an injunction pending trial, without the posting of bond or other security. Any period of restriction set forth in this Section shall be extended for a period of time equal to the duration of any breach or violation thereof.

(e) In the event of the Participant's breach of this Section, in addition to the injunctive relief described above, all unvested Performance Share Units held by the Participant shall be immediately forfeited on the date which the Participant breaches this Section unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and any gain realized by the Participant from the vesting of any Performance Share Units, following such breach, shall be paid by the Participant to the Company.

(f) In the event that any provision of this Section is held to be in any respect an unreasonable restriction, then the court so holding may modify the terms thereof, including the period of time during which it operates or the geographic area to which it applies, or effect any other change to the extent necessary to render this Section enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement. Notwithstanding anything in this Agreement to the contrary, the post-employment restrictive covenants described in this Section above will not apply to this Award to the extent required under California law.

(g) Trade Secrets and Confidential Information. The Participant agrees that unless duly authorized in writing by the Company, the Participant will neither during his or her employment by Constellation nor at any time thereafter divulge or use in connection with any business activity other than that of Constellation any trade secrets or confidential information first acquired by the Participant during and by virtue of employment with Constellation. Notwithstanding the foregoing, nothing in this Agreement prohibits the Participant from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Securities and Exchange Commission, or making other disclosures that are protected under the whistleblower protections of federal law or regulation.

4. Committee Discretion. The Committee, in its absolute discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Performance Share Units at any time; provided that, the time or schedule of any amount to be settled pursuant to the terms of this Agreement that provides for the deferral of compensation under Section 409A, may not be accelerated except as otherwise permitted under Section 409A. The Committee has complete and full discretionary authority to make all decisions and determinations under this Agreement, and all decisions and determinations by the Committee will be final and binding upon all persons, including, but not limited to, the Participant and his/her personal representatives, heirs and assigns.

5. Death of Participant. Any distribution or delivery to be made to the Participant under this Agreement shall, if the Participant is then deceased, be made to the Participant's designated beneficiary, or if no beneficiary survives the Participant, the Participant does not designate any beneficiary or the Committee does not permit beneficiary designations, to the administrator or executor of the Participant's estate. Any designation of a beneficiary by the Participant shall be effective only if such designation is made in a form and manner acceptable to the Committee. Any such permitted transferee upon the Participant's death must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

6. Code Section 409A. Notwithstanding any provision of this Agreement to the contrary, in the event that any delivery of Shares to the Participant is made upon, or as a result of the Participant's termination of employment (other than as a result of death), and the Participant is a "specified employee" (as that term is defined under Section 409A) at the time the Participant becomes entitled to delivery of such Shares, and provided further that the delivery of such Shares does not otherwise qualify for an applicable exemption from Section 409A, then no such delivery of such Shares shall be made to the Participant under this Agreement until the date that is the earlier to occur of: (i) the Participant's death, or (ii) six (6) months and one (1) day following the Participant's termination of employment (the "Delay Period"). For purposes of this Agreement, to the extent the Performance Share Units (or equivalent units received following a Change in Control) are subject to the provision of Section 409A, the terms "ceases to be employed", "termination of employment" and variations thereof, as used in this Agreement, are intended to mean a termination of employment that constitutes a "separation from service" under Section 409A.

Performance Share Units are generally intended to be exempt from Section 409A as short-term deferrals and, accordingly, the terms of this Agreement shall be construed to preserve such exemption. To the extent that Performance Share Units granted under this Agreement are subject to the requirements of Section 409A, this Agreement shall be interpreted and administered in accordance with the intent that the Participant not be subject to tax under Section 409A. Neither the Company, any of its Subsidiaries nor any entity which is a Related Entity shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant

might owe as a result of participation in the Plan, and the Company, its Subsidiaries nor any other entity which is a Related Entity shall have no obligation to indemnify or otherwise protect the Participant from the obligation to pay any taxes pursuant to Section 409A, unless otherwise specified.

7. Settlement of Performance Share Units.

(a) Status as a Creditor. Unless and until Performance Share Units have vested and become payable, the Participant will have no settlement right with respect to any Performance Share Units. Prior to settlement of any vested Performance Share Units, the vested Performance Share Units will represent an unfunded and unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. The Participant is an unsecured general creditor of the Company, and settlement of Performance Share Units is subject to the claims of the Company's creditors.

(b) Form and Timing of Settlement. Performance Share Units will be settled in the form of Shares of Class A Stock. Fractional Shares will not be issued upon the vesting of Performance Share Units. In the event that a fractional Share is owed to the Participant, the Company may (1) round up the Shares that are payable to the Participant to the nearest whole number, or (2) pay a cash payment equivalent in place of such fractional Share. Upon issuance, Shares will be electronically transferred to an account in the Participant's name at the provider then administering the Plan as it relates to the Performance Share Units. The Shares to be issued upon settlement will be issued as soon as practicable to the Participant following the Service Vesting Date; provided that:

(i) such Shares shall be paid during the PSU Payment Period (as set forth on the first page of this Agreement), but payment shall only be made after the Committee completes a written certification with respect to this Award;

(ii) if the Participant dies or incurs a PSU Disability while employed by the Employer prior to the Service Vesting Date, the Participant's vested Performance Share Units shall be paid within thirty (30) days following the date of the Participant's death or PSU Disability; or

(iii) if the Participant's employment is terminated within 24 months of a Change in Control which triggers accelerated vesting in accordance with the terms of this Agreement, the Participant shall receive payment within thirty (30) days following the date of the Participant's termination of employment.

(c) Clawback. Notwithstanding any provision to the contrary, any "clawback" or "recoupment" policy required under applicable law or provided for under Company policy shall automatically apply to this Award.

8. Dividend Equivalents. During the period beginning on the Grant Date and ending on the date that Shares are issued in settlement of vested Performance Share Units, the Participant will accrue dividend equivalents on the Performance Share Units equal to any cash dividend or cash distribution that would have been paid on the Performance Share Unit had that Performance Share Unit been an issued and outstanding Share of Class A Common Stock on the record date for the dividend or distribution. Such accrued dividend equivalents (i) will vest and become payable upon the same terms and at the same time of settlement as the Performance Share Unit to which they relate (and will be payable with respect to any Shares that are issued or that are withheld in order to satisfy Participant's Tax-Related Items), (ii) will be denominated and payable solely in cash and paid in such manner as the Company deems appropriate, and (iii) will not bear or accrue interest. Dividend equivalent payments, at settlement, will be net of applicable federal, state, local and foreign income and social insurance withholding taxes. Upon the

forfeiture of the Performance Share Units, any accrued dividend equivalents attributable to such Performance Share Units will also be forfeited.

9. Responsibility for Taxes & Withholding. Regardless of any action the Company, any of its Subsidiaries or any other entity which is a Related Entity takes with respect to any or all income tax, social insurance or social security, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company, any of its Subsidiaries or any other entity which is a Related Entity, if any. The Participant further acknowledges that the Company, any of its Subsidiaries or any other entity which is a Related Entity (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Share Units, including, but not limited to, the grant, vesting or settlement of the Performance Share Units, the issuance of Shares upon settlement of the Performance Share Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of any Award to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that Company, any of its Subsidiaries or any other entity which is a Related Entity may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Participant agrees as a condition of his or her participation in the Plan to make arrangements satisfactory to the Company, any of its Subsidiaries or any other entity which is a Related Entity (including the employer) to satisfy all Tax-Related Items. In this regard, the Company, or their respective agents, will withhold Shares to be issued upon vesting/settlement of the Performance Share Units, unless the Company, or if different, the employer, at their discretion, permit the obligations to be satisfied with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from the Participant's wages/salary or other cash compensation paid to the Participant by the Company, or if different, the employer; or

(b) withholding from proceeds of the Shares acquired upon settlement of the Performance Share Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization).

Notwithstanding the above, if the Participant is a Section 16 officer of the Company under the U.S. Securities and Exchange Act of 1934, as amended, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case, the obligation for Tax-Related Items may be satisfied by one or a combination of methods (a) and (b) above.

Notwithstanding anything to the contrary in the Plan, the Participant shall not be entitled to satisfy any Tax-Related Item or withholding obligation that arises as a result of the Agreement by delivering to the Company any shares of capital stock of the Company. To avoid negative accounting treatment, the Company, any of its Subsidiaries or any other entity which is a Related Entity may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates (but not in excess of the maximum amount permitted for tax withholding under applicable law). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares

attributable to the vested Performance Share Units, notwithstanding that a number of Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan.

The Participant shall pay to the Company, or if different, the employer, any amount of Tax-Related Items that the Company, or if different, the employer, may be required to withhold or account for as a result of the Participant's participation in the Plan that will not for any reason be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

By accepting this grant of Performance Share Units, the Participant expressly consents to the methods of withholding Tax-Related Items by the Company, or if different, the employer as set forth herein, including the withholding of Shares and the withholding from the Participant's wages/salary or other amounts payable to the Participant. All other Tax-Related Items related to the Performance Share Units and any Shares delivered in satisfaction thereof are the Participant's sole responsibility.

10. Transferability. The Participant shall have no right to sell, assign, transfer, pledge or otherwise encumber the Performance Share Units in any manner until the Shares are issued to the Participant upon settlement. Following settlement and issuance of Shares, in the event the Company permits the Participant to arrange for a sale of Shares through a broker or another designated agent of the Company, the Participant acknowledges and agrees that the Company may block any such sale and/or cancel any order to sell placed by the Participant, in each case if the Participant is not then permitted under the Company's insider trading policy to engage in transactions with respect to securities of the Company. If the Committee determines that the ability of the Participant to sell or transfer Shares is restricted, then the Company may notify the Participant in accordance with the terms this Agreement. The Participant may only sell such Shares in compliance with such notification by the Company.

11. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant shall have any of the rights or privileges of a stockholder of the Company in respect of any Performance Share Units (whether vested or unvested) or underlying Shares unless and until such Performance Share Units vest and the corresponding Shares are issued. After such issuance, the Participant shall have the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares, if any.

12. Acknowledgments. The Participant acknowledges and agrees to the following:

(a) The Plan is discretionary in nature and the Committee may amend, suspend, or terminate it at any time.

(b) The grant of the Performance Share Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Share Units, or benefits in lieu of the Performance Share Units, even if the Performance Share Units have been granted repeatedly in the past.

(c) All determinations with respect to such future Performance Share Units, if any, including, but not limited to, the times when Performance Share Units shall be granted or when Performance Share Units shall vest, will be at the sole discretion of the Committee.

(d) The Participant's participation in the Plan is voluntary.

(e) The future value of the Shares is unknown and cannot be predicted with certainty.

(f) No claim or entitlement to compensation or damages arises from the termination or forfeiture of the Award, termination of the Plan, or diminution in value of the Performance Share Units or Shares, and the Participant irrevocably releases the Company, any of its Subsidiaries or any other entity which is a Related Entity from any such claim that may arise.

(g) Neither the Plan nor the Performance Share Units shall be construed to create an employment relationship where any employment relationship did not otherwise already exist.

(h) Nothing in this Agreement or the Plan shall confer upon the Participant any right to continue to be employed by the Employer or shall interfere with or restrict in any way the rights of the Employer, which are hereby expressly reserved, to terminate the employment of the Participant under applicable law.

(i) The transfer of the employment of the Participant between the Company, any one of its Subsidiaries or any other entity which is a Related Entity (or between such entities) shall not be deemed a termination of service.

(j) Nothing in this Agreement shall affect the Participant's right to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance or other employee welfare plan or program of the Employer.

(k) The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(l) In addition, the following provisions apply if the Participant is providing services outside the United States:

(i) The value of the Performance Share Units is an extraordinary item of compensation, which is outside the scope of the Participant's employment contract (if any), except as may otherwise be explicitly provided in the Participant's employment contract (if any).

(ii) The Performance Share Units are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating termination, severance, resignation, redundancy, end of service, or similar payments, or bonuses, long-service awards, pension or retirement benefits.

(iii) The Participant acknowledges and agrees that neither the Company, any Subsidiary nor any other entity which is a Related Entity shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Performance Share Units or of any amounts due to the Participant pursuant to the settlement of the Performance Share Units or the subsequent sale of any Shares acquired upon settlement.

(iv) The Company reserves the right to impose other requirements on participation in the Plan, on the Performance Share Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local laws or other

applicable Rule or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

13. Changes in Stock. In the event of a change in the capital stock of the Company as set forth in Section 16 of the Plan, the Performance Share Units shall be adjusted automatically consistent with such change to prevent substantial dilution or enlargement of the rights granted to, or available for, the Participant hereunder.

14. Address for Notices. All notices to the Company shall be in writing and sent to the Company's General Counsel at the Company's corporate headquarters. Notices to the Participant shall be addressed to the Participant at the address as from time to time reflected in the Company's employment records as the Participant's address.

15. Binding Agreement. Subject to the limitation on the transferability of this Award contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

16. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan shall govern.

17. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, United States of America, regardless of the law that might be applied under principles of conflict of laws.

18. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

19. Severability. In the event that any provision in this Agreement shall be held invalid or unenforceable, such provision shall be severable from, and such invalidity or unenforceability shall not be construed to have any effect on, the remaining provisions of this Agreement.

20. Modifications to this Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Participant expressly warrants that he or she is not executing this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement can be made only in an express written contract executed by a duly authorized officer of the Company.

21. Amendment, Suspension or Termination of the Plan. By accepting this Award, the Participant expressly warrants that he or she has received a right to an equity based award under the Plan, and has received, read, and understood a description of the Plan. The Participant understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

22. Compliance with Laws and Regulations; General Restrictions on Delivery of Shares. The Participant understands that the vesting of the Performance Share Units under the Plan and the issuance, transfer, assignment, sale, or other dealings of the Shares shall be subject to compliance by the Company, any of its Subsidiaries or any other entity which is a Related Entity and the Participant with all applicable requirements under the laws and Rules of the country of which the Participant is a resident.

Furthermore, the Participant agrees that he or she will not acquire Shares pursuant to the Plan except in compliance with the laws and Rules of the country of which the Participant is a resident and/or employed.

The Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares until it has been furnished with such opinions, representations or other documents as it may deem necessary or desirable, in its discretion, to ensure compliance with any law or Rules of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan or over the Company, the Participant, or the Shares or any interests therein. The Award of Performance Share Units evidenced by this Agreement is also subject to the condition that, if at any time the Committee administering the Plan shall determine, in its discretion, that the listing, registration or qualification of the Shares (or any capital stock distributed with respect thereto) upon the New York Stock Exchange (or any other securities exchange or trading market) or under any United States state or federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of the Performance Share Units evidenced by this Agreement or the issuance, transfer or delivery of the Shares (or the payment of any dividends, dividend equivalents or other distributions related to the Shares), the Company shall not be required to transfer or deliver any Shares, dividends, dividend equivalents or distributions relating to such Shares unless such listing, registration, qualification, consent or approval shall have been effected or obtained to the complete satisfaction of the Committee and free of any conditions not acceptable to the Committee.

23. **Authorization to Release and Transfer Necessary Personal Information.** *The Participant hereby explicitly and unambiguously consents to the collection, use, processing, and transfer, in electronic or other form, of his or her personal data by and among, as applicable, the Company, any of its Subsidiaries or any other entity which is a Related Entity for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that the Company, any of its Subsidiaries or any other entity which is a Related Entity may hold certain personal information about the Participant including, but not limited to, the Participant's name, home address, email address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of Performance Share Units and/or Shares held and the details of all Performance Share Units or any other entitlement to Shares awarded, cancelled, vested, unvested or outstanding for the purpose of implementing, administering and managing the Participant's participation in the Plan (the "Data"). The Participant understands that the Data may be transferred to the Company, any of its Subsidiaries or any other entity which is a Related Entity, or to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, and that any recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Company's Global Privacy Lead at privacy@cbrands.com. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data to a broker or other third party assisting with the administration of Performance Share Units under the Plan or with whom Shares acquired pursuant to the vesting of the Performance Share Units or cash from the sale of such Shares may be deposited. Furthermore, the Participant acknowledges and understands that the transfer of the Data to the Company, any of its Subsidiaries or any other entity which is a Related Entity or to any third parties is necessary for his or her participation in the Plan. The Participant understands that the Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein by contacting the Company's Global*

Privacy Lead at privacy@cbrands.com. The Participant further acknowledges that withdrawal of consent may affect his or her ability to vest in or realize benefits from the Performance Share Units, and his or her ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's Global Privacy Lead at privacy@cbrands.com.

Finally, upon request of the Employer, the Participant agrees to provide an executed data privacy consent form (or any other agreements or consents that may be required by the Employer) to the Employer that the Employer may deem necessary to obtain from the Participant for the purpose of administering the Participant's participation in the Plan in compliance with the data privacy laws in the Participant's country, either now or in the future. The Participant understands and agrees that the Participant will not be able to participate in the Plan if the Participant fails to provide any such consent or agreement requested by the Employer.

24. Electronic Delivery and Execution. The Participant hereby consents and agrees to electronic delivery of any documents that the Company may elect to deliver (including, but not limited to, plan documents, prospectus and prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other Award made or offered under the Plan. The Participant understands that, unless revoked by the Participant by giving written notice to the Company pursuant to the Plan, this consent will be effective for the duration of this Agreement. The Participant also understands that he or she will have the right at any time to request that the Company deliver written copies of any and all materials referred to above. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may elect to deliver, and agrees that his or her electronic signature is the same as, and will have the same force and effect as, his or her manual signature. The Participant consents and agrees that any such procedures and delivery may be affected by a third party engaged by the Company to provide administrative services related to the Plan.

25. English Language. The Participant acknowledges and agrees that it is the Participant's express intent that this Agreement, the Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Plan be drawn up in English. If the Participant receives this Agreement, the Plan or any other documents related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

26. Appendix. Notwithstanding any provision of the Agreement to the contrary, this Performance Share Unit Award and the Shares acquired under the Plan shall be subject to any and all special terms and provisions as set forth in the Appendix, if any, for the Participant's country of residence (and country of employment, if different). Further, if the Participant transfers his or her residence and/or employment to another country reflected in the Appendix to this Agreement, the special terms and conditions for such country will apply to the Participant to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local laws or rules to facilitate the operation and administration of the Performance Share Units and the Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate the Participant's transfer). Any applicable Appendix shall constitute part of this Agreement.

**RULE 13a-14(a)/15d-14(a) CERTIFICATION
OF CHIEF EXECUTIVE OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended May 31, 2020**

I, William A. Newlands, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2020

/s/ William A. Newlands

William A. Newlands

President and

Chief Executive Officer

**RULE 13a-14(a)/15d-14(a) CERTIFICATION
OF CHIEF FINANCIAL OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended May 31, 2020**

I, Garth Hankinson, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2020

/s/ Garth Hankinson

Garth Hankinson

Executive Vice President and
Chief Financial Officer

**SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended May 31, 2020**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended May 31, 2020, I, William A. Newlands, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q for the Fiscal Quarter Ended May 31, 2020 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended May 31, 2020 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: July 1, 2020

/s/ William A. Newlands

William A. Newlands
President and
Chief Executive Officer

**SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended May 31, 2020**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended May 31, 2020, I, Garth Hankinson, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The Quarterly Report on Form 10-Q for the Fiscal Quarter Ended May 31, 2020 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended May 31, 2020 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: July 1, 2020

/s/ Garth Hankinson

Garth Hankinson
Executive Vice President and
Chief Financial Officer