

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 August 31, 2013

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

(State or other jurisdiction of
incorporation or organization)

16-0716709

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

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

(Address of principal executive offices)

14564

(Zip Code)

(585) 678-7100

(Registrant's telephone number, including area code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of September 30, 2013, is set forth below:

<u>Class</u>	<u>Number of Shares Outstanding</u>
Class A Common Stock, par value \$.01 per share	165,875,270
Class B Common Stock, par value \$.01 per share	23,460,435
Class 1 Common Stock, par value \$.01 per share	37

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements	1
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	40
Item 3. Quantitative and Qualitative Disclosures About Market Risk	59
Item 4. Controls and Procedures	61

PART II – OTHER INFORMATION

Item 1. Legal Proceedings	61
Item 4. Mine Safety Disclosures	62
Item 6. Exhibits	62

SIGNATURES	63
----------------------------	--------------------

INDEX TO EXHIBITS	64
-----------------------------------	--------------------

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.”

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)

	August 31, 2013	February 28, 2013
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash investments	\$ 116.8	\$ 331.5
Accounts receivable, net	655.9	471.9
Inventories	1,643.0	1,480.9
Prepaid expenses and other	254.4	186.9
Total current assets	2,670.1	2,471.2
PROPERTY, PLANT AND EQUIPMENT, net	1,870.4	1,229.0
GOODWILL	6,139.2	2,722.3
INTANGIBLE ASSETS, net	3,243.9	871.4
OTHER ASSETS, net	199.2	344.2
Total assets	\$ 14,122.8	\$ 7,638.1
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Notes payable to banks	\$ 272.1	\$ —
Current maturities of long-term debt	115.7	27.6
Accounts payable	341.2	209.0
Accrued excise taxes	27.6	18.9
Other accrued expenses and liabilities	1,054.0	422.4
Total current liabilities	1,810.6	677.9
LONG-TERM DEBT, less current maturities	6,912.7	3,277.8
DEFERRED INCOME TAXES	696.8	599.6
OTHER LIABILITIES	192.3	222.5
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
STOCKHOLDERS' EQUITY:		
Class A Common Stock, \$.01 par value- Authorized, 322,000,000 shares; Issued, 246,034,797 shares at August 31, 2013, and 242,064,514 shares at February 28, 2013	2.5	2.4
Class B Convertible Common Stock, \$.01 par value- Authorized, 30,000,000 shares; Issued, 28,470,735 shares at August 31, 2013, and 28,517,035 shares at February 28, 2013	0.3	0.3
Additional paid-in capital	2,037.0	1,907.1
Retained earnings	4,070.0	2,495.1
Accumulated other comprehensive income	64.6	132.1
	6,174.4	4,537.0
Less: Treasury stock –		
Class A Common Stock, 80,296,108 shares at August 31, 2013, and 80,799,298 shares at February 28, 2013, at cost	(1,661.8)	(1,674.5)
Class B Convertible Common Stock, 5,005,800 shares at August 31, 2013, and February 28, 2013, at cost	(2.2)	(2.2)
	(1,664.0)	(1,676.7)
Total stockholders' equity	4,510.4	2,860.3
Total liabilities and stockholders' equity	\$ 14,122.8	\$ 7,638.1

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, except per share data)
(unaudited)

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2013	2012	2013	2012
SALES	\$ 2,379.5	\$ 1,523.0	\$ 1,613.3	\$ 797.7
Less – excise taxes	(246.3)	(189.7)	(153.5)	(99.2)
Net sales	2,133.2	1,333.3	1,459.8	698.5
COST OF PRODUCT SOLD	(1,300.1)	(797.6)	(882.8)	(413.4)
Gross profit	833.1	535.7	577.0	285.1
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(429.7)	(299.0)	(244.1)	(154.5)
IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS	(300.9)	—	(300.9)	—
GAIN ON REMEASUREMENT TO FAIR VALUE OF EQUITY METHOD INVESTMENT	1,642.0	—	1,642.0	—
Operating income	1,744.5	236.7	1,674.0	130.6
EQUITY IN EARNINGS OF EQUITY METHOD INVESTEEES	70.3	131.1	3.7	70.5
INTEREST EXPENSE, net	(145.1)	(105.3)	(90.3)	(54.6)
LOSS ON WRITE-OFF OF FINANCING COSTS	—	(2.8)	—	—
Income before income taxes	1,669.7	259.7	1,587.4	146.5
PROVISION FOR INCOME TAXES	(94.8)	(63.1)	(65.4)	(21.9)
NET INCOME	\$ 1,574.9	\$ 196.6	\$ 1,522.0	\$ 124.6
COMPREHENSIVE INCOME	\$ 1,507.4	\$ 180.6	\$ 1,478.0	\$ 199.2

SHARE DATA:

Earnings per common share:

Basic – Class A Common Stock	\$ 8.53	\$ 1.09	\$ 8.18	\$ 0.71
Basic – Class B Convertible Common Stock	\$ 7.75	\$ 0.99	\$ 7.43	\$ 0.64
Diluted – Class A Common Stock	\$ 8.03	\$ 1.05	\$ 7.74	\$ 0.67
Diluted – Class B Convertible Common Stock	\$ 7.38	\$ 0.96	\$ 7.11	\$ 0.62

Weighted average common shares outstanding:

Basic – Class A Common Stock	163.277	158.527	164.825	154.794
Basic – Class B Convertible Common Stock	23.485	23.545	23.472	23.536
Diluted – Class A Common Stock	196.056	187.458	196.767	184.640
Diluted – Class B Convertible Common Stock	23.485	23.545	23.472	23.536

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 Six Months Ended August 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,574.9	\$ 196.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on remeasurement to fair value of equity method investment	(1,642.0)	—
Equity in earnings of equity method investees, net of distributed earnings	(39.1)	(0.6)
Impairment of goodwill and intangible assets	300.9	—
Depreciation of property, plant and equipment	64.1	52.4
Stock-based compensation expense	25.6	21.4
Deferred tax provision	9.6	31.9
Amortization of intangible assets	7.1	3.6
Amortization of deferred financing costs	5.0	1.2
Loss (gain) on disposal of long-lived assets, net	0.1	(0.5)
Loss on write-off of financing costs	—	2.8
Change in operating assets and liabilities, net of effects from purchase of business:		
Accounts receivable, net	8.4	(51.1)
Inventories	67.4	37.2
Prepaid expenses and other current assets	17.6	(1.0)
Accounts payable	10.4	52.5
Accrued excise taxes	(5.6)	2.9
Other accrued expenses and liabilities	59.8	3.7
Other, net	24.8	15.5
Total adjustments	(1,085.9)	171.9
Net cash provided by operating activities	489.0	368.5
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of business, net of cash acquired	(4,672.9)	(159.7)
Purchases of property, plant and equipment	(49.2)	(35.6)
Proceeds from sales of assets	1.6	7.9
Proceeds from notes receivable	—	4.6
Other investing activities	1.1	(1.2)
Net cash used in investing activities	(4,719.4)	(184.0)

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	For the Six Months Ended August 31,	
	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	3,725.0	2,050.0
Net proceeds from (repayment of) notes payable	272.1	(358.3)
Proceeds from exercises of employee stock options	77.5	110.5
Excess tax benefits from stock-based payment awards	53.8	11.4
Proceeds from employee stock purchases	2.5	2.1
Payment of financing costs of long-term debt	(82.2)	(34.1)
Payment of minimum tax withholdings on stock-based payment awards	(18.0)	(0.5)
Principal payments of long-term debt	(9.9)	(838.0)
Payment of restricted cash upon issuance of long-term debt	—	(650.0)
Purchases of treasury stock	—	(383.0)
Net cash provided by (used in) financing activities	<u>4,020.8</u>	<u>(89.9)</u>
Effect of exchange rate changes on cash and cash investments	<u>(5.1)</u>	<u>(1.9)</u>
NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS	(214.7)	92.7
CASH AND CASH INVESTMENTS, beginning of period	331.5	85.8
CASH AND CASH INVESTMENTS, end of period	<u>\$ 116.8</u>	<u>\$ 178.5</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of business		
Fair value of assets acquired, including cash acquired	\$ 7,465.7	\$ 159.7
Liabilities assumed	(287.5)	—
Net assets acquired	<u>7,178.2</u>	<u>159.7</u>
Less – fair value of preexisting 50% equity interest	(1,845.0)	—
Less – purchase price and working capital adjustments not yet paid	(553.5)	—
Less – cash acquired	(106.8)	—
Net cash paid for purchase of business	<u>\$ 4,672.9</u>	<u>\$ 159.7</u>
Property, plant and equipment acquired under financing arrangements	<u>\$ 6.7</u>	<u>\$ 8.3</u>

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2013
(unaudited)

1. BASIS OF PRESENTATION:

The consolidated financial statements included herein have been prepared by Constellation Brands, Inc. and its subsidiaries (the “Company”), 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 the opinion of the Company, all adjustments necessary to present fairly the financial information for the Company. 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 the Company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2013. Results of operations for interim periods are not necessarily indicative of annual results. During the three months ended August 31, 2013, the Company recorded an immaterial adjustment in provision for income taxes on the Company’s Consolidated Statements of Comprehensive Income of \$6.6 million related to prior periods. This adjustment was to correct for previously unrecognized tax benefits associated with the resolution of certain tax positions.

2. RECENTLY ADOPTED ACCOUNTING GUIDANCE:

Disclosures about offsetting assets and liabilities –

Effective March 1, 2013, the Company adopted the Financial Accounting Standards Board (“FASB”) amended guidance creating new disclosure requirements about the nature of an entity’s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. In addition, this amended guidance requires retrospective application. The adoption of this amended guidance on March 1, 2013, did not have a material impact on the Company’s consolidated financial statements.

Intangibles – goodwill and other –

Effective March 1, 2013, the Company adopted the FASB amended guidance for indefinite lived intangible asset impairment testing. The amended guidance allows an entity to assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that an indefinite lived intangible asset is impaired. If an entity concludes it is not more likely than not that an indefinite lived intangible asset is impaired, the entity is not required to take further action. If an entity concludes otherwise, then the entity would be required to determine the fair value of the indefinite lived intangible asset and compare the fair value with the carrying amount of the indefinite lived intangible asset. The adoption of this amended guidance on March 1, 2013, did not have a material impact on the Company’s consolidated financial statements.

Comprehensive income –

Effective March 1, 2013, the Company adopted the amended guidance for reporting of amounts reclassified out of AOCI (as defined in Note 18). The amended guidance requires an entity to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present significant amounts reclassified out of AOCI by the respective line items of net income, or, for amounts not required to be reclassified in their entirety to net income under generally accepted accounting principles in the U.S., an entity is required to cross-reference to other disclosures required under generally accepted accounting principles in the U.S. that provide additional detail about those amounts. The adoption of this amended guidance on March 1, 2013, did not have a material impact on the Company’s consolidated financial statements.

Derivative instruments –

Effective July 17, 2013, the Company adopted the amended guidance for inclusion of the Federal Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes, in addition to the interest rate on direct Treasury obligations of the U.S. Government and the London Interbank Offered Rate. The amended guidance also allows for the use of different benchmark rates for similar hedging relationships. The amended

guidance is effective prospectively, for qualifying new or redesignated hedging relationships entered into on or after the effective date. The adoption of this amended guidance on July 17, 2013, did not have a material impact on the Company's consolidated financial statements.

3. ACQUISITION:

On June 7, 2013, the Company acquired (i) the remaining 50% equity interest in Crown Imports (as defined in Note 11) (the "Crown Acquisition") and (ii)(a) all of the issued and outstanding equity interests of Compañía Cervecera de Coahuila, S. de R.L. de C.V. (the "Brewery Company"), which owns and operates a brewery located in Nava, Coahuila, Mexico (the "Brewery"), (ii)(b) all of the issued and outstanding equity interests of Servicios Modelo de Coahuila, S. de R.L. de C.V., which provides personnel and services for the operation and maintenance of the Brewery (the "Service Company"), and (ii)(c) an irrevocable, fully-paid license to produce in Mexico (or worldwide under certain circumstances) and exclusively import, market and sell the Mexican Beer Brands (as defined in Note 11) as of the date of acquisition, and certain extensions (all collectively referred to as the "Brewery Purchase"). The business of the Brewery Company and Service Company acquired by the Company is referred to as the "Brewery Business." The Crown Acquisition and the Brewery Purchase are collectively referred to as the "Beer Business Acquisition." In connection with the Beer Business Acquisition, the Company is required to build out and expand the Brewery to a nominal capacity of at least 20.0 million hectoliters of packaged beer annually by December 31, 2016. In addition, an interim supply agreement and a transition services agreement were entered into in association with the Beer Business Acquisition. The interim supply agreement obligates Modelo (as defined in Note 11) to provide Crown Imports with a supply of product not produced by the Brewery and the transition services agreement provides for certain specified services and production materials, both for a specified period of time. The associated agreements provide, among other things, that the United States will have approval rights, in its sole discretion, for amendments or modifications to the associated agreements and the United States will have a right of approval, in its sole discretion, of any extension of the term of the interim supply agreement beyond three years. The estimated aggregate purchase price of \$5,226.4 million consists of cash paid at closing of \$4,745.0 million, net of cash acquired of \$106.8 million, plus additional estimated cash payments of \$588.2 million (expected to be paid within 12 months of closing) which represent an adjustment to the purchase price for the finalization of the 2012 EBITDA (as defined below) as well as certain working capital adjustments. The aggregate cash paid at closing was financed with:

- The proceeds from the issuance of \$1,550.0 million aggregate principal amount of May 2013 Senior Notes (as defined in Note 13);
- \$1,500.0 million in term loans consisting of a \$500.0 million European Term A Facility (as defined in Note 13) and a \$1,000.0 million European Term B Facility (as defined in Note 13) under the 2013 Credit Agreement (as defined in Note 13);
- \$675.0 million in term loans under the U.S. Term A-2 facility (as defined in Note 13) under the 2013 Credit Agreement;
- \$208.0 million in proceeds of borrowings under the Company's then existing accounts receivable securitization facility;
- \$580.0 million in borrowings under the revolving credit facility under the 2013 Credit Agreement;
- and
- Approximately \$232.0 million of cash on hand (inclusive of \$13.0 million of borrowings under a subsidiary working capital facility).

As a result of the closing of the Beer Business Acquisition without utilizing any of the commitments under an amended and restated bridge financing, this agreement terminated pursuant to its terms on June 7, 2013.

The primary additional estimated payment consists of an adjustment to the purchase price if the Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") of Modelo's operations relating to the profit on all sales of beer to Crown Imports during calendar 2012, as defined in the purchase agreement and referred to below as the "2012 EBITDA," is greater or less than \$310.0 million. If the 2012 EBITDA is less than \$310.0 million, the Company will be entitled to a purchase price refund equal to 9.3 times the amount by which the 2012 EBITDA is less than \$310.0 million. If the 2012 EBITDA is greater than \$310.0 million, the Company will be required to pay an additional purchase price equal to 9.3 times the amount by which the 2012 EBITDA is greater than \$310.0 million; provided, the increased purchase price may not exceed a cap based on a 2012 EBITDA of \$370.0 million.

The potential undiscounted amount of all future payments that the Company could be required to make in connection with this adjustment is between \$0.0 million and \$558.0 million. The fair value of the additional estimated payment of \$543.3 million related to the 2012 EBITDA was estimated by discounting future cash flows.

Prior to the Beer Business Acquisition, the Company accounted for its investment in Crown Imports under the equity method of accounting. In connection with the acquisition method of accounting, the Company's preexisting 50% equity interest was remeasured to its estimated fair value of \$1,845.0 million, and the Company recognized a gain of \$1,642.0 million on its Consolidated Statements of Comprehensive Income for the second quarter of fiscal 2014. The fair value of the Company's preexisting 50% equity interest was based upon the estimated fair value of the acquired 50% equity interest in Crown Imports. In connection with the Beer Business Acquisition, the Company is required to estimate the fair value of 100% of the separately identifiable assets acquired and liabilities assumed of Crown Imports.

The purchase price of the Beer Business Acquisition and the estimated fair value of the Company's preexisting 50% equity interest in Crown Imports have been allocated to the assets acquired and the liabilities assumed based on estimated fair values as of the acquisition date. As of the date of filing this Quarterly Report on Form 10-Q, the purchase accounting has not been finalized due primarily to the proximity of the closing date of the transaction to the filing date of this Quarterly Report on Form 10-Q and the pending receipt of the final valuations for certain assets, including inventories, a favorable interim supply agreement, property, plant and equipment, and identifiable intangible assets. The following table summarizes the allocation of the estimated fair value of the Beer Business Acquisition to the separately identifiable assets acquired and liabilities assumed as of June 7, 2013:

(in millions)

Cash	\$	106.8
Accounts receivable		193.7
Inventories		243.1
Prepaid expenses and other		103.9
Property, plant and equipment		698.9
Goodwill		3,715.8
Intangible assets		2,403.2
Other assets		0.3
Total assets acquired		7,465.7
Accounts payable		123.2
Accrued excise taxes		14.4
Other accrued expenses and liabilities		72.9
Deferred income taxes		66.4
Other liabilities		10.6
Total liabilities assumed		287.5
Total estimated fair value		7,178.2
Less – fair value of the Company's preexisting 50% equity interest in Crown Imports		(1,845.0)
Less – cash acquired		(106.8)
Estimated aggregate purchase price	\$	5,226.4

The acquired accounts receivable consist primarily of trade receivables, all of which are expected to be collectible. The acquired inventory was all sold during the second quarter of fiscal 2014. The preliminary intangible assets consist of definite lived customer relationships with an estimated fair value of \$22.5 million which are being amortized over a life of 25 years; definite lived copyrights with an estimated fair value of \$6.5 million which are being amortized over a life of 2 years; a definite lived distribution agreement with an estimated fair value of \$0.4 million which is being amortized over a life of 1.6 years; a definite lived favorable interim supply agreement with an estimated fair value of \$68.3 million which is being amortized over a life of 3 years; and a perpetual right to use trademarks with an estimated fair value of \$2,305.5 million which is indefinite lived and therefore not subject to amortization.

In determining the preliminary purchase price allocation, the Company considered, among other factors, market participants' intentions to use the acquired assets and the historical and estimated future demand for the acquired Mexican Beer Brands. The estimated fair values for the customer relationships and the copyrights were determined using a cost approach. The estimated fair value for the distribution agreement was determined using an income approach. The estimated fair value for the trademarks was determined using an income approach, specifically, the relief from royalty method. The estimated fair value for the favorable supply contract was determined using an income approach, specifically, the differential method.

The intangible assets are being amortized either on a straight-line basis or an economic consumption basis, which is consistent with the pattern that the economic benefits of the intangible assets are expected to be utilized based upon estimated cash flows generated from such assets. Goodwill associated with the acquisition is primarily attributable to the distribution of the Mexican Beer Brands in the U.S. as well as complete control over the sourcing of product into the U.S. Approximately \$1,649.4 million of the goodwill recognized is expected to be deductible for income tax purposes.

The Company has recognized total acquisition-related costs of \$35.7 million and \$6.1 million for the six months ended August 31, 2013, and August 31, 2012, respectively, and \$8.1 million and \$6.1 million for the three months ended August 31, 2013, and August 31, 2012, respectively. Through August 31, 2013, the Company has incurred total acquisition-related costs of \$61.7 million, with \$35.7 million recognized for the six months ended August 31, 2013, and \$26.0 million recognized for the year ended February 28, 2013. These costs are included in selling, general and administrative expenses on the Company's Consolidated Statements of Comprehensive Income.

The results of operations of the Beer Business Acquisition is reported in the Company's Beer segment and has been included in the consolidated results of operations of the Company from the date of acquisition. The following unaudited pro forma financial information for the six months and three months ended August 31, 2013, and August 31, 2012, presents consolidated information as if the Beer Business Acquisition had occurred on March 1, 2012. Because of different fiscal period ends, and in order to present results for comparable periods, the unaudited pro forma financial information for the six months ended August 31, 2013, combines (i) the Company's historical statement of income for the six months ended August 31, 2013; (ii) Crown Imports' historical statement of income for (a) the three months ended March 31, 2013, and (b) the period from June 1, 2013, through June 6, 2013; and (iii) the Brewery Business' carve-out combined income statement for the three months ended March 31, 2013. The unaudited pro forma financial information for the three months ended August 31, 2013, combines (i) the Company's historical statement of income for the three months ended August 31, 2013; and (ii) Crown Imports' historical statement of income for the period from June 1, 2013, through June 6, 2013. The unaudited pro forma financial information for the six months and three months ended August 31, 2013, does not give effect to the Brewery Business' carve-out combined income statement for the period from June 1, 2013, through June 6, 2013, as it is not significant. The unaudited pro forma financial information for the six months and three months ended August 31, 2012, combines (i) the Company's historical statement of income for the six months and three months ended August 31, 2012; (ii) Crown Imports' historical statement of income for the six months and three months ended June 30, 2012; and (iii) the Brewery Business' carve-out combined income statement for the six months and three months ended ended June 30, 2012. The unaudited pro forma financial information is presented after giving effect to certain adjustments for acquisition-related costs, depreciation, amortization of definite lived intangible assets, interest expense on acquisition financing, amortization of deferred financing costs and related income tax effects. The unaudited pro forma financial information excludes the estimated gain of \$1,642.0 million on the remeasurement to fair value of the Company's preexisting 50% equity interest in Crown Imports as it is a one-time, nonrecurring gain. The unaudited pro forma financial information is based upon currently available information and upon certain assumptions that the Company believes are reasonable under the circumstances. The unaudited pro forma financial information does not purport to present what the Company's results of operations would actually have been if the aforementioned transaction had in fact occurred on such date or at the beginning of the period indicated, nor does it project the Company's financial position or results of operations at any future date or for any future period.

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2013	2012	2013	2012
<i>(in millions, except per share data)</i>				
Net sales	\$ 2,750.6	\$ 2,643.4	\$ 1,511.6	\$ 1,465.8
Income (loss) before income taxes	\$ 156.5	\$ 450.4	\$ (47.4)	\$ 260.4
Net income (loss)	\$ 18.3	\$ 329.9	\$ (115.3)	\$ 204.0
Earnings (loss) per common share:				
Basic – Class A Common Stock	\$ 0.10	\$ 1.83	\$ (0.62)	\$ 1.16
Basic – Class B Convertible Common Stock	\$ 0.09	\$ 1.67	\$ (0.56)	\$ 1.05
Diluted – Class A Common Stock	\$ 0.09	\$ 1.76	\$ (0.62)	\$ 1.10
Diluted – Class B Convertible Common Stock	\$ 0.09	\$ 1.62	\$ (0.56)	\$ 1.02
Weighted average common shares outstanding:				
Basic – Class A Common Stock	163.277	158.527	164.825	154.794
Basic – Class B Convertible Common Stock	23.485	23.545	23.472	23.536
Diluted – Class A Common Stock	196.056	187.458	196.767	184.640
Diluted – Class B Convertible Common Stock	23.485	23.545	23.472	23.536

4. INVENTORIES:

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

	August 31, 2013	February 28, 2013
<i>(in millions)</i>		
Raw materials and supplies	\$ 90.6	\$ 45.5
In-process inventories	1,115.7	1,168.1
Finished case goods	436.7	267.3
	<u>\$ 1,643.0</u>	<u>\$ 1,480.9</u>

5. PREPAID EXPENSES AND OTHER:

The major components of prepaid expenses and other are as follows:

	August 31, 2013	February 28, 2013
<i>(in millions)</i>		
Income taxes receivable	\$ 98.5	\$ 117.2
Prepaid excise, sales and value added taxes	71.7	20.2
Other	84.2	49.5
	<u>\$ 254.4</u>	<u>\$ 186.9</u>

6. PROPERTY, PLANT AND EQUIPMENT:

The major components of property, plant and equipment are as follows:

<i>(in millions)</i>	August 31, 2013	February 28, 2013
Land and land improvements	\$ 330.4	\$ 304.6
Vineyards	214.4	214.5
Buildings and improvements	507.9	342.0
Machinery and equipment	1,533.0	1,090.6
Motor vehicles	47.5	47.3
Construction in progress	95.7	47.9
	2,728.9	2,046.9
Less – Accumulated depreciation	(858.5)	(817.9)
	<u>\$ 1,870.4</u>	<u>\$ 1,229.0</u>

7. DERIVATIVE INSTRUMENTS:

As a multinational company, the Company is exposed to market risk from changes in foreign currency exchange rates, diesel fuel prices and interest rates that could affect the Company's results of operations and financial condition. The amount of volatility realized will vary based upon the effectiveness and level of derivative instruments outstanding during a particular period of time, as well as the currency, fuel pricing and interest rate market movements during that same period.

The Company enters into derivative instruments, primarily interest rate swaps, foreign currency forward and option contracts, and diesel fuel swaps, to manage interest rate, foreign currency and diesel fuel pricing risks, respectively. In accordance with the FASB guidance for derivatives and hedging, the Company recognizes all derivatives as either assets or liabilities on its Consolidated Balance Sheets and measures those instruments at fair value (see Note 8). The fair values of the Company's derivative instruments change with fluctuations in interest rates, currency rates and/or fuel prices and are expected to offset changes in the values of the underlying exposures. The Company's derivative instruments are held solely to hedge economic exposures. The Company follows strict policies to manage interest rate, foreign currency and diesel fuel pricing risks, including prohibitions on derivative market-making or other speculative activities.

To qualify for hedge accounting treatment under the FASB guidance for derivatives and hedging, the details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risk that is being hedged, the derivative instrument, how effectiveness is being assessed and how ineffectiveness will be measured. The derivative must be highly effective in offsetting either changes in the fair value or cash flows, as appropriate, of the risk being hedged. Effectiveness is evaluated on a retrospective and prospective basis based on quantitative measures.

Certain of the Company's derivative instruments do not qualify for hedge accounting treatment under the FASB guidance for derivatives and hedging; for others, the Company chooses not to maintain the required documentation to apply hedge accounting treatment. These undesignated instruments are primarily used to economically hedge the Company's exposure to fluctuations in the value of foreign currency denominated receivables and payables; foreign currency investments, primarily consisting of loans to subsidiaries, and cash flows related primarily to the repatriation of those loans or investments; and transportation fuel prices in the U.S. Foreign currency contracts, generally less than 12 months in duration, and diesel fuel swap contracts, generally less than 36 months in duration, are used to hedge some of these risks. The Company's derivative policy permits the use of undesignated derivatives as approved by senior management. For these undesignated instruments, the mark to fair value is reported currently through earnings in selling, general and administrative expenses on the Company's Consolidated Statements of Comprehensive Income. The Company had undesignated foreign currency contracts outstanding with an absolute notional value of \$724.7 million and \$355.1 million as of August 31, 2013, and

February 28, 2013, respectively; offsetting undesignated interest rate swap agreements outstanding with an absolute notional value of \$1.0 billion as of August 31, 2013, and February 28, 2013 (see Note 13); and undesignated diesel fuel swap contracts outstanding with an absolute notional value of \$36.6 million as of August 31, 2013. The Company had no undesignated diesel fuel swap contracts outstanding as of February 28, 2013.

Furthermore, when the Company determines that a derivative instrument which qualified for hedge accounting treatment has ceased to be highly effective as a hedge, the Company discontinues hedge accounting prospectively. The Company also discontinues hedge accounting prospectively when (i) a derivative expires or is sold, terminated, or exercised; (ii) it is no longer probable that the forecasted transaction will occur; or (iii) management determines that designating the derivative as a hedging instrument is no longer appropriate.

Cash flow hedges:

The Company is exposed to foreign denominated cash flow fluctuations in connection with third party and intercompany sales and purchases and, historically, third party financing arrangements. The Company primarily uses foreign currency forward and option contracts to hedge certain of these risks. In addition, the Company utilizes interest rate swaps to manage its exposure to changes in interest rates and diesel fuel swaps to manage its exposure to changes in diesel fuel prices. Derivatives managing the Company's cash flow exposures generally mature within three years or less, with a maximum maturity of five years. Throughout the term of the designated cash flow hedge relationship on at least a quarterly basis, a retrospective evaluation and prospective assessment of hedge effectiveness is performed. All components of the Company's derivative instruments' gains or losses are included in the assessment of hedge effectiveness. In the event the relationship is no longer effective, the Company recognizes the change in the fair value of the hedging derivative instrument from the date the hedging derivative instrument became no longer effective immediately on the Company's Consolidated Statements of Comprehensive Income. In conjunction with its effectiveness testing, the Company also evaluates ineffectiveness associated with the hedge relationship. Resulting ineffectiveness, if any, is recognized immediately on the Company's Consolidated Statements of Comprehensive Income in selling, general and administrative expenses.

The Company records the fair value of its foreign currency contracts, interest rate swap contracts and diesel fuel swap contracts qualifying for cash flow hedge accounting treatment on its Consolidated Balance Sheets with the effective portion of the related gain or loss on those contracts deferred in stockholders' equity (as a component of AOCI). These deferred gains or losses are recognized on the Company's Consolidated Statements of Comprehensive Income in the same period in which the underlying hedged items are recognized and on the same line item as the underlying hedged items. However, to the extent that any derivative instrument is not considered to be highly effective in offsetting the change in the value of the hedged item, the hedging relationship is terminated and the amount related to the ineffective portion of such derivative instrument is immediately recognized on the Company's Consolidated Statements of Comprehensive Income in selling, general and administrative expenses.

The Company had cash flow designated foreign currency contracts outstanding with an absolute notional value of \$210.8 million and \$220.3 million as of August 31, 2013, and February 28, 2013, respectively; a cash flow designated interest rate swap agreement outstanding with a notional value of \$500.0 million as of August 31, 2013, and February 28, 2013 (see Note 13); and cash flow designated diesel fuel swap contracts outstanding with an absolute notional value of \$17.4 million as of February 28, 2013. The Company had no cash flow designated diesel fuel swap contracts outstanding as of August 31, 2013. The Company expects \$6.8 million of net losses, net of income tax effect, to be reclassified from AOCI to earnings within the next 12 months.

Fair values of derivative instruments:

The fair value and location of the Company's derivative instruments on its Consolidated Balance Sheets are as follows (see Note 8):

Balance Sheet Location	August 31, 2013	February 28, 2013
<i>(in millions)</i>		
<u>Derivative instruments designated as hedging instruments</u>		
Foreign currency contracts:		
Prepaid expenses and other	\$ 3.7	\$ 6.4
Other accrued expenses and liabilities	\$ 0.8	\$ 0.1
Other assets, net	\$ 1.3	\$ 2.4
Other liabilities	\$ 1.3	\$ 0.1
Interest rate swap contracts:		
Other accrued expenses and liabilities	\$ 3.5	\$ 3.2
Other assets, net	\$ 2.8	\$ —
Other liabilities	\$ —	\$ 3.1
Diesel fuel swap contracts:		
Prepaid expenses and other	\$ —	\$ 0.5
Other assets, net	\$ —	\$ 0.1
Other liabilities	\$ —	\$ 0.1
<u>Derivative instruments not designated as hedging instruments</u>		
Foreign currency contracts:		
Prepaid expenses and other	\$ 5.9	\$ 0.9
Other accrued expenses and liabilities	\$ 7.8	\$ 5.1
Interest rate swap contracts:		
Prepaid expenses and other	\$ 4.1	\$ 3.3
Other accrued expenses and liabilities	\$ 16.3	\$ 13.2
Other assets, net	\$ —	\$ 3.3
Other liabilities	\$ 19.4	\$ 27.6
Diesel fuel swap contracts:		
Prepaid expenses and other	\$ 1.4	\$ —
Other assets, net	\$ 0.2	\$ —
Other liabilities	\$ 0.1	\$ —

The effect of the Company's derivative instruments designated in cash flow hedging relationships on its Consolidated Statements of Comprehensive Income, as well as its Other Comprehensive Income ("OCI"), net of income tax effect, is as follows:

Derivative Instruments in Designated Cash Flow Hedging Relationships	Net (Loss) Gain Recognized in OCI (Effective portion)	Location of Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)	Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)
<i>(in millions)</i>			
<u>For the Six Months Ended August 31, 2013</u>			
Foreign currency contracts	\$ (0.2)	Sales	\$ 1.6
Foreign currency contracts	(1.8)	Cost of product sold	0.2
Interest rate swap contracts	2.6	Interest expense, net	(4.1)
Total	<u>\$ 0.6</u>	Total	<u>\$ (2.3)</u>
<u>For the Six Months Ended August 31, 2012</u>			
Foreign currency contracts	\$ (1.0)	Sales	\$ 1.7
Foreign currency contracts	(1.8)	Cost of product sold	1.4
Diesel fuel swap contracts	0.9	Cost of product sold	—
Interest rate swap contracts	(6.2)	Interest expense, net	(4.1)
Total	<u>\$ (8.1)</u>	Total	<u>\$ (1.0)</u>
<u>For the Three Months Ended August 31, 2013</u>			
Foreign currency contracts	\$ 0.3	Sales	\$ 0.7
Foreign currency contracts	(0.6)	Cost of product sold	—
Interest rate swap contracts	1.4	Interest expense, net	(2.0)
Total	<u>\$ 1.1</u>	Total	<u>\$ (1.3)</u>
<u>For the Three Months Ended August 31, 2012</u>			
Foreign currency contracts	\$ (1.4)	Sales	\$ 0.5
Foreign currency contracts	2.1	Cost of product sold	0.8
Diesel fuel swap contracts	0.9	Cost of product sold	—
Interest rate swap contracts	(3.5)	Interest expense, net	(2.0)
Total	<u>\$ (1.9)</u>	Total	<u>\$ (0.7)</u>

Derivative Instruments in Designated Cash Flow Hedging Relationships	Location of Net Gain Recognized in Income (Ineffective portion)	Net Gain Recognized in Income (Ineffective portion)
<i>(in millions)</i>		
<u>For the Six Months Ended August 31, 2013</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ 0.2
Diesel fuel swap contracts	Selling, general and administrative expenses	0.1
		<u>\$ 0.3</u>
<u>For the Six Months Ended August 31, 2012</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ 0.2
<u>For the Three Months Ended August 31, 2013</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ 0.1
<u>For the Three Months Ended August 31, 2012</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ 0.3

The effect of the Company's undesignated derivative instruments on its Consolidated Statements of Comprehensive Income is as follows:

Derivative Instruments Not Designated as Hedging Instruments	Location of Net Loss (Gain) Recognized in Income	Net Loss (Gain) Recognized in Income
<i>(in millions)</i>		
<u>For the Six Months Ended August 31, 2013</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ (2.6)
Diesel fuel swap contracts	Selling, general and administrative expenses	1.6
		<u>\$ (1.0)</u>
<u>For the Six Months Ended August 31, 2012</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ (2.2)
Interest rate swap contracts	Interest expense, net	(0.4)
		<u>\$ (2.6)</u>
<u>For the Three Months Ended August 31, 2013</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ (0.6)
Diesel fuel swap contracts	Selling, general and administrative expenses	2.6
		<u>\$ 2.0</u>
<u>For the Three Months Ended August 31, 2012</u>		
Foreign currency contracts	Selling, general and administrative expenses	\$ 2.1
Interest rate swap contracts	Interest expense, net	(0.3)
		<u>\$ 1.8</u>

Credit risk:

The Company enters into master agreements with its bank derivative trading counterparties that allow netting of certain derivative positions in order to manage credit risk. The Company's derivative instruments are not subject to credit rating contingencies or collateral requirements. As of August 31, 2013, the fair value of derivative instruments in a net liability position due to counterparties was \$38.6 million. If the Company were required to settle the net liability position under these derivative instruments on August 31, 2013, the Company would have had sufficient availability under its revolving credit facility to satisfy this obligation.

Counterparty credit risk:

Counterparty credit risk relates to losses the Company could incur if a counterparty defaults on a derivative contract. The Company manages exposure to counterparty credit risk by requiring specified minimum credit standards and diversification of counterparties. The Company enters into master agreements with its bank derivative trading counterparties that allow netting of certain derivative positions in order to manage counterparty credit risk. As of August 31, 2013, all of the Company's counterparty exposures are with financial institutions which have investment grade ratings. The Company has procedures to monitor counterparty credit risk for both current and future potential credit exposures. As of August 31, 2013, the fair value of derivative instruments in a net receivable position due from counterparties was \$8.8 million.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models for various types of financial instruments (such as forwards, options, swaps, etc.) which take into account the present value of estimated future cash flows.

The carrying amount and estimated fair value of the Company's financial instruments are summarized as follows:

	August 31, 2013		February 28, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(in millions)</i>				
Assets:				
Cash and cash investments	\$ 116.8	\$ 116.8	\$ 331.5	\$ 331.5
Accounts receivable, net	\$ 655.9	\$ 655.9	\$ 471.9	\$ 471.9
Available-for-sale debt securities	\$ 33.9	\$ 33.9	\$ 34.2	\$ 34.2
Foreign currency contracts	\$ 10.9	\$ 10.9	\$ 9.7	\$ 9.7
Interest rate swap contracts	\$ 6.9	\$ 6.9	\$ 6.6	\$ 6.6
Diesel fuel swap contracts	\$ 1.6	\$ 1.6	\$ 0.6	\$ 0.6
Liabilities:				
Notes payable to banks	\$ 272.1	\$ 266.3	\$ —	\$ —
Accounts payable	\$ 341.2	\$ 341.2	\$ 209.0	\$ 209.0
Long-term debt, including current portion	\$ 7,028.4	\$ 6,962.9	\$ 3,305.4	\$ 3,603.6
Foreign currency contracts	\$ 9.9	\$ 9.9	\$ 5.3	\$ 5.3
Interest rate swap contracts	\$ 39.2	\$ 39.2	\$ 47.1	\$ 47.1
Diesel fuel swap contracts	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1

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

Cash and cash investments, accounts receivable and accounts payable: The carrying amounts approximate fair value due to the short maturity of these instruments (Level 1 fair value measurement).

Available-for-sale ("AFS") debt securities: The fair value is estimated by discounting cash flows using market-based inputs (see "Fair value measurements" below) (Level 3 fair value measurement).

Foreign currency contracts: The fair value is estimated using market-based inputs, obtained from independent pricing services, into valuation models (see "Fair value measurements" below) (Level 2 fair value measurement).

Interest rate swap contracts: The fair value is estimated based on quoted market prices from respective counterparties (see "Fair value measurements" below) (Level 2 fair value measurement).

Diesel fuel swap contracts: The fair value is estimated based on quoted market prices from respective counterparties (see “Fair value measurements” below) (Level 2 fair value measurement).

Notes payable to banks: The revolving credit facility under the Company’s senior credit facility is a variable interest rate bearing note which includes a fixed margin which is adjustable based upon the Company’s debt ratio (as defined in the Company’s senior credit facility). The fair value of the revolving credit facility is estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions. The remaining instruments are variable interest rate bearing notes for which the carrying value approximates the fair value (Level 2 fair value measurement).

Long-term debt: The term loans under the Company’s senior credit facility are variable interest rate bearing notes which include a fixed margin which is adjustable based upon the Company’s debt ratio. The fair value of the term loans is estimated by discounting cash flows using LIBOR plus a margin reflecting current market conditions obtained from participating member financial institutions. The fair value of the remaining long-term debt, which is all 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).

Fair value measurements –

The FASB guidance on fair value measurements and disclosures defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and requires disclosures about fair value measurements. This guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset or liability. The fair value measurement guidance establishes 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 is broken down into 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 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.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis.

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>(in millions)</i>				
August 31, 2013				
Assets:				
AFS debt securities	\$ —	\$ —	\$ 33.9	\$ 33.9
Foreign currency contracts	\$ —	\$ 10.9	\$ —	\$ 10.9
Interest rate swap contracts	\$ —	\$ 6.9	\$ —	\$ 6.9
Diesel fuel swap contracts	\$ —	\$ 1.6	\$ —	\$ 1.6
Liabilities:				
Foreign currency contracts	\$ —	\$ 9.9	\$ —	\$ 9.9
Interest rate swap contracts	\$ —	\$ 39.2	\$ —	\$ 39.2
Diesel fuel swap contracts	\$ —	\$ 0.1	\$ —	\$ 0.1
February 28, 2013				
Assets:				
AFS debt securities	\$ —	\$ —	\$ 34.2	\$ 34.2
Foreign currency contracts	\$ —	\$ 9.7	\$ —	\$ 9.7
Interest rate swap contracts	\$ —	\$ 6.6	\$ —	\$ 6.6
Diesel fuel swap contracts	\$ —	\$ 0.6	\$ —	\$ 0.6
Liabilities:				
Foreign currency contracts	\$ —	\$ 5.3	\$ —	\$ 5.3
Interest rate swap contracts	\$ —	\$ 47.1	\$ —	\$ 47.1
Diesel fuel swap contracts	\$ —	\$ 0.1	\$ —	\$ 0.1

The Company's foreign currency contracts consist of foreign currency forward and option contracts which are valued using market-based inputs, obtained from independent pricing services, into valuation models. These valuation models require various inputs, including contractual terms, market foreign exchange prices, interest-rate yield curves and currency volatilities. Interest rate swap fair values are based on quotes from respective counterparties. Quotes are corroborated by the Company using discounted cash flow calculations based upon forward interest-rate yield curves, which are obtained from independent pricing services. Diesel fuel swap fair values are based on quotes from respective counterparties. Quotes are corroborated by the Company using market data. AFS debt securities are valued using market-based inputs into discounted cash flow models.

The following table presents the Company's assets and liabilities measured at fair value on a nonrecurring basis for which an impairment assessment was performed for the periods 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)	
<i>(in millions)</i>				
For the Six Months Ended August 31, 2013				
Goodwill	\$ —	\$ —	\$ 154.8	\$ 283.6
Trademarks	—	—	73.1	17.3
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 227.9</u>	<u>\$ 300.9</u>
For the Three Months Ended August 31, 2013				
Goodwill	\$ —	\$ —	\$ 154.8	\$ 283.6
Trademarks	—	—	73.1	17.3
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 227.9</u>	<u>\$ 300.9</u>

Goodwill:

For the three months ended August 31, 2013, the Company identified certain negative trends within its Wine and Spirits' Canadian reporting unit which, when combined with recent changes in strategy within the Canadian business, indicated that the fair value of the reporting unit might be below its carrying value. These negative trends included a reduction in market growth rates for certain segments of the domestic Canadian wine industry as well as the identification that certain improvement initiatives had not materialized in segments of the Canadian business such as refreshments and wine kits. In addition, imported brands have been experiencing market growth within the Canadian market, and certain of the Company's non-Canadian branded wine products imported into Canada provide higher margin to the Company on a consolidated basis. Accordingly, the Company has modified its strategy to capitalize on this trend and shift focus from certain segments of the domestic business to imported brands. The Canadian reporting unit realizes only a portion of the overall profit attributable to imported brands whereas it realizes all of the profit attributable to the domestic business. Therefore, the Company performed the two-step process to evaluate goodwill for impairment for the Wine and Spirits' Canadian reporting unit. In the first step, the fair value of the Canadian reporting unit was compared to the carrying value of the reporting unit, including goodwill. The estimate of fair value of the reporting unit was determined on the basis of discounted future cash flows. As the estimated fair value of the reporting unit was less than the carrying value of the reporting unit, a second step was performed to determine the amount of the goodwill impairment the Company should record. In the second step, an implied fair value of the reporting unit's goodwill was determined by comparing the fair value of the reporting unit with the fair value of the reporting unit's assets and liabilities other than goodwill (including any unrecognized intangible assets). In determining the estimated fair value of the reporting unit, the Company considered estimates of future operating results and cash flows of the reporting unit discounted using market based discount rates. The estimates of future operating results and cash flows were principally derived from the Company's updated long-term financial forecast, which was developed as part of the Company's new strategy for the Canadian business. The decline in the implied fair value of the goodwill and the resulting impairment loss was primarily driven by the updated long-term financial forecasts, which showed lower estimated future operating results primarily due to the change in the Company's strategy for the Canadian business. The implied fair value of the Canadian reporting unit's goodwill of \$154.8 million compared to the carrying value of the Canadian reporting unit's goodwill of \$433.9 million resulted in the recognition of an impairment of \$283.6 million. This impairment is included in impairment of goodwill and intangible assets on the Company's Consolidated Statements of Comprehensive Income.

Trademarks:

For the three months ended August 31, 2013, prior to the goodwill impairment analysis, the Company performed a review of indefinite lived intangible assets for impairment. The Company determined that certain trademarks associated with the Wine and Spirits' Canadian reporting unit were impaired largely due to lower

revenue and profits associated with the related products included in the updated long-term financial forecasts developed as part of the Company's new strategy for the Canadian business. The Company measured the amount of impairment by calculating the amount by which the carrying value of these assets exceeded their estimated fair values. The fair value was determined based on an income approach using the relief from royalty method, which assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of trademark assets. The cash flow projections the Company uses to estimate the fair values of its trademarks involve several assumptions, including (i) projected revenue growth rates; (ii) estimated royalty rates; (iii) calculated after-tax royalty savings expected from ownership of the subject trademarks; and (iv) discount rates used to derive the present value factors used in determining the fair value of the trademarks. As a result of this review, trademarks for the Wine and Spirits' Canadian reporting unit with a carrying value of \$90.2 million were written down to their fair value of \$73.1 million, resulting in an impairment of \$17.3 million. This impairment is included in impairment of goodwill and intangible assets on the Company's Consolidated Statements of Comprehensive Income.

9. GOODWILL:

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

<i>(in millions)</i>	Wine and Spirits	Beer	Consolidations and Eliminations	Consolidated
Balance, February 29, 2012				
Goodwill	\$ 2,632.9	\$ 13.0	\$ (13.0)	\$ 2,632.9
Accumulated impairment losses	—	—	—	—
	2,632.9	13.0	(13.0)	2,632.9
Purchase accounting allocations	110.0	—	—	110.0
Foreign currency translation adjustments	(20.6)	—	—	(20.6)
Balance, February 28, 2013				
Goodwill	2,722.3	13.0	(13.0)	2,722.3
Accumulated impairment losses	—	—	—	—
	2,722.3	13.0	(13.0)	2,722.3
Purchase accounting allocations	—	3,702.8	13.0	3,715.8
Impairment of goodwill	(283.6)	—	—	(283.6)
Foreign currency translation adjustments	(13.7)	(1.6)	—	(15.3)
Balance, August 31, 2013				
Goodwill	2,704.1	3,714.2	—	6,418.3
Accumulated impairment losses	(279.1)	—	—	(279.1)
	<u>\$ 2,425.0</u>	<u>\$ 3,714.2</u>	<u>\$ —</u>	<u>\$ 6,139.2</u>

For the year ended February 28, 2013, purchase accounting allocations of \$110.0 million in the Wine and Spirits segment (formerly known as the Constellation Wine and Spirits segment) consist primarily of purchase accounting allocations associated with the acquisition of Mark West (as defined below). For the six months ended August 31, 2013, purchase accounting allocations of \$3,702.8 million and \$13.0 million in the Beer segment and Consolidations and Eliminations, respectively, consist of purchase accounting allocations associated with the Beer Business Acquisition. For the six months ended August 31, 2013, impairment of goodwill in the Wine and Spirits segment consists of an impairment loss of \$283.6 million associated with goodwill assigned to the segment's Canadian reporting unit.

Mark West –

In July 2012, the Company acquired Mark West for \$159.3 million. The transaction primarily includes the acquisition of the Mark West trademark, related inventories and certain grape supply contracts ("Mark West"). The purchase price was financed with revolver borrowings under the Company's then existing senior credit facility. In

accordance with the acquisition method of accounting, the identifiable assets acquired and the liabilities assumed have been measured at their acquisition-date fair values. The acquisition of Mark West was not material for purposes of supplemental disclosure pursuant to the FASB guidance on business combinations. The results of operations of Mark West are reported in the Wine and Spirits segment and are included in the consolidated results of operations of the Company from the date of acquisition.

10. INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

	August 31, 2013		February 28, 2013	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<i>(in millions)</i>				
Amortizable intangible assets:				
Customer relationships	\$ 104.8	\$ 74.2	\$ 82.9	\$ 54.7
Favorable interim supply agreement	68.3	65.5	—	—
Other	14.7	7.5	7.9	2.2
Total	<u>\$ 187.8</u>	<u>147.2</u>	<u>\$ 90.8</u>	<u>56.9</u>
Nonamortizable intangible assets:				
Trademarks		3,091.5		809.1
Other		5.2		5.4
Total		<u>3,096.7</u>		<u>814.5</u>
Total intangible assets, net		<u>\$ 3,243.9</u>		<u>\$ 871.4</u>

The Company did not incur costs to renew or extend the term of acquired intangible assets during the six months and three months ended August 31, 2013, and August 31, 2012. The difference between the gross carrying amount and net carrying amount for each item presented is attributable to accumulated amortization. Amortization expense for intangible assets was \$7.1 million and \$3.6 million for the six months ended August 31, 2013, and August 31, 2012, respectively, and \$5.6 million and \$1.8 million for the three months ended August 31, 2013, and August 31, 2012, respectively. Estimated amortization expense for the remaining six months of fiscal 2014 and for each of the five succeeding fiscal years and thereafter is as follows:

<i>(in millions)</i>	
2014	\$ 8.9
2015	\$ 42.9
2016	\$ 35.1
2017	\$ 5.7
2018	\$ 5.5
2019	\$ 5.5
Thereafter	\$ 43.6

11. OTHER ASSETS:

The major components of other assets are as follows:

<i>(in millions)</i>	August 31, 2013	February 28, 2013
Deferred financing costs	\$ 84.8	\$ 54.4
Investments in equity method investees	73.2	243.6
Investment in Accolade	42.5	42.8
Other	17.5	17.3
	<u>218.0</u>	<u>358.1</u>
Less – Accumulated amortization	(18.8)	(13.9)
	<u>\$ 199.2</u>	<u>\$ 344.2</u>

Investments in equity method investees –

Crown Imports:

Prior to June 7, 2013, Constellation Beers Ltd. (“Constellation Beers”), an indirect wholly-owned subsidiary of the Company, and Diblo, S.A. de C.V. (“Diblo”), an entity owned 76.75% by Grupo Modelo, S.A.B. de C.V. (“Modelo”) and 23.25% by Anheuser-Busch Companies, Inc., each had, directly or indirectly, equal interests in a joint venture, Crown Imports LLC (“Crown Imports”). Crown Imports had the exclusive right to import, market and sell primarily Modelo’s Mexican beer portfolio sold in the U.S. and Guam (the “Mexican Beer Brands”).

In addition, prior to June 7, 2013, the Company accounted for its investment in Crown Imports under the equity method. Accordingly, the results of operations of Crown Imports were included in equity in earnings of equity method investees on the Company’s Consolidated Statements of Comprehensive Income through June 6, 2013. The Company received \$30.3 million and \$130.2 million of cash distributions from Crown Imports for the six months ended August 31, 2013, and August 31, 2012, respectively, all of which represent distributions of earnings. As of February 28, 2013, the Company’s investment in Crown Imports was \$169.3 million. As of February 28, 2013, the carrying amount of the investment was greater than the Company’s equity in the underlying assets of Crown Imports by \$13.6 million due to the difference in the carrying amounts of the indefinite lived intangible assets contributed to Crown Imports by each party.

The following table presents summarized financial information for the Company’s Crown Imports equity method investment. As the results of operations of Crown Imports have been included in the Company’s consolidated results of operations from the date of acquisition, amounts shown represent 100% of this equity method investment’s results of operations prior to the date of acquisition.

<i>(in millions)</i>	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2013	2012	2013	2012
Net sales	\$ 813.4	\$ 1,512.5	\$ 51.8	\$ 788.4
Gross profit	\$ 241.5	\$ 436.8	\$ 15.9	\$ 225.6
Income from continuing operations	\$ 142.1	\$ 266.0	\$ 8.6	\$ 143.2
Net income	\$ 142.1	\$ 266.0	\$ 8.6	\$ 143.2

12. OTHER ACCRUED EXPENSES AND LIABILITIES:

The major components of other accrued expenses and liabilities are as follows:

<i>(in millions)</i>	August 31, 2013	February 28, 2013
Beer Business Acquisition payable	\$ 556.5	\$ —
Advertising and promotions	108.6	80.3
Accrued interest	86.7	61.4
Salaries, commissions, and payroll benefits and withholdings	67.5	80.5
Deferred revenue	52.7	49.3
Income taxes payable	44.9	11.2
Other	137.1	139.7
	\$ 1,054.0	\$ 422.4

13. BORROWINGS:

Borrowings consist of the following:

<i>(in millions)</i>	August 31, 2013			February 28, 2013
	Current	Long-term	Total	Total
<u>Notes Payable to Banks</u>				
Senior Credit Facility – Revolving Credit Loans	\$ 78.0	\$ —	\$ 78.0	\$ —
Other	194.1	—	194.1	—
	\$ 272.1	\$ —	\$ 272.1	\$ —
<u>Long-term Debt:</u>				
Senior Credit Facility – Term Loans	\$ 97.0	\$ 2,840.5	\$ 2,937.5	\$ 762.5
Senior Notes	—	4,046.7	4,046.7	2,496.0
Other Long-term Debt	18.7	25.5	44.2	46.9
	\$ 115.7	\$ 6,912.7	\$ 7,028.4	\$ 3,305.4

Senior credit facility –

In connection with the Beer Business Acquisition, on May 2, 2013 (the “Restatement Date”), the Company, CIH International S.à r.l., an indirect wholly owned subsidiary of the Company (“CIH” and together with the Company, the “Borrowers”), and Bank of America, N.A., as administrative agent (the “Administrative Agent”), and certain other lenders (all such parties other than either of the Borrowers are collectively referred to as the “Lenders”) entered into a Restatement Agreement (the “Restatement Agreement”) that amended and restated the Company’s prior senior credit facility (as amended and restated by the Restatement Agreement, the “2013 Credit Agreement”). The Restatement Agreement was entered into by the Company to arrange a portion of the debt to finance the Beer Business Acquisition. The effective date of the Restatement Agreement, June 7, 2013, was the date on which all of the conditions to the 2013 Credit Agreement were satisfied, which occurred on the date of the closing of the Beer Business Acquisition (the “Restatement Effective Date”).

The 2013 Credit Agreement provides for aggregate credit facilities of \$3,787.5 million, consisting of a \$515.6 million U.S. term loan facility maturing on June 7, 2018 (the “U.S. Term A Facility”), a \$246.9 million U.S. term loan facility maturing on June 7, 2019 (the “U.S. Term A-1 Facility”), a \$675.0 million delayed draw U.S. term loan facility maturing on June 7, 2018 (the “U.S. Term A-2 Facility”), a \$500.0 million delayed draw European term loan facility maturing on June 7, 2018 (the “European Term A Facility”), a \$1,000.0 million European term loan facility maturing on June 7, 2020 (the “European Term B Facility”), and an \$850.0 million revolving credit facility

(including a sub-facility for letters of credit of up to \$200.0 million) which terminates on June 7, 2018 (the “Revolving Credit Facility”). The 2013 Credit Agreement also permits the Company from time to time after the Restatement Effective Date to elect to increase the Lenders’ revolving credit commitments or add one or more tranches of additional term loans, subject to the willingness of existing or new lenders to fund such increase or term loans and other customary conditions. The minimum aggregate principal amount of such incremental revolving credit commitment increases or additional term loans may be no less than \$25.0 million and the maximum aggregate principal amount of all such incremental revolving credit commitment increases and additional term loans, other than term loans the proceeds of which are applied to repay existing term loans, may be no more than \$750.0 million. A portion of the borrowings under the 2013 Credit Agreement were used to refinance the outstanding obligations under the Company’s prior senior credit facility with the remainder used to finance a portion of the purchase price for the Beer Business Acquisition and related expenses. The Company intends to use the remaining availability under the 2013 Credit Agreement for general corporate purposes.

The rate of interest for borrowings, excluding the European Term B Facility, under the 2013 Credit Agreement is a function of LIBOR plus a margin or the base rate plus a margin. The rate of interest for the European Term B Facility borrowings under the 2013 Credit Agreement is a function of LIBOR, subject to a minimum rate of 0.75%, plus a margin; or the base rate, subject to a minimum rate of 1.75%, plus a margin. The margin is adjustable based upon the Company’s debt ratio (as defined in the 2013 Credit Agreement). As of August 31, 2013, the LIBOR margin for the U.S. Term A Facility, the U.S. Term A-2 Facility, the European Term A Facility and the Revolving Credit Facility was 2.0%; the LIBOR margin for the U.S. Term A-1 Facility was 2.25%; and the LIBOR margin for the European Term B Facility was 2.0%.

The principal changes to the Company’s prior senior credit facility effected by the 2013 Credit Agreement are (i) changes to the rate and term of the revolving credit facility and outstanding term loan facilities that took effect on the Restatement Effective Date, and a new \$675.0 million delayed draw U.S. Term A-2 Facility that replaced the former delayed draw term A-2 facility, and (ii) the creation of a \$1,500.0 million delayed draw European term loan facility consisting of the \$500.0 million European Term A Facility and the \$1,000.0 million European Term B Facility. The Company is the borrower under the U.S. term loan facilities. CIH is the borrower under the European term loan facilities. The 2013 Credit Agreement also modified the maximum net debt coverage ratio financial covenant.

The U.S. obligations under the 2013 Credit Agreement are guaranteed by certain of the Company’s U.S. subsidiaries. These obligations are also secured by a pledge of (i) 100% of the ownership interests in certain of the Company’s U.S. subsidiaries and (ii) 55-65% of certain interests of certain of the Company’s foreign subsidiaries. The European obligations under the 2013 Credit Agreement are guaranteed by the Company. These obligations are also secured by a pledge of (i) 100% of certain interests in certain of CIH’s subsidiaries and (ii) 100% of the ownership interests in certain of the Company’s U.S. subsidiaries and 55-65% of certain interests of certain of the Company’s foreign subsidiaries.

The Company and its subsidiaries are also subject to covenants that are contained in the 2013 Credit Agreement, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness), additional liens, mergers and consolidations, the payment of dividends, the making of certain investments, prepayments of certain debt, transactions with affiliates, agreements that restrict the Company’s non-guarantor subsidiaries from paying dividends, and dispositions of property, 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 debt coverage ratio.

As of August 31, 2013, under the 2013 Credit Agreement, the Company had outstanding borrowings under the U.S. Term A Facility of \$515.6 million bearing an interest rate of 2.2%, U.S. Term A-1 Facility of \$246.9 million bearing an interest rate of 2.4%, U.S. Term A-2 Facility of \$675.0 million bearing an interest rate of 2.2%, European Term A Facility of \$500.0 million bearing an interest rate of 2.2%, European Term B Facility of \$1,000.0 million bearing an interest rate of 2.8%, Revolving Credit Facility of \$78.0 million bearing an interest rate of 2.2%, outstanding letters of credit of \$14.1 million, and \$757.9 million in revolving loans available to be drawn.

As of August 31, 2013, the required principal repayments under the term loans of the 2013 Credit Agreement for the remaining six months of fiscal 2014 and for each of the five succeeding fiscal years and thereafter are as follows:

<i>(in millions)</i>	U.S. Term A Facility	U.S. Term A-1 Facility	U.S. Term A-2 Facility	European Term A Facility	European Term B Facility	Total
2014	\$ 12.9	\$ 1.2	\$ 16.9	\$ 12.5	\$ 5.0	\$ 48.5
2015	25.8	2.5	33.7	25.0	10.0	97.0
2016	38.7	2.5	50.6	37.5	10.0	139.3
2017	51.5	2.5	67.5	50.0	10.0	181.5
2018	51.5	2.5	67.5	50.0	10.0	181.5
2019	335.2	2.4	438.8	325.0	10.0	1,111.4
Thereafter	—	233.3	—	—	945.0	1,178.3
	<u>\$ 515.6</u>	<u>\$ 246.9</u>	<u>\$ 675.0</u>	<u>\$ 500.0</u>	<u>\$ 1,000.0</u>	<u>\$ 2,937.5</u>

In April 2012, the Company transitioned its interest rate swap agreement to a one-month LIBOR base rate versus the then existing three-month LIBOR base rate. Accordingly, the Company entered into a new interest rate swap agreement which was designated as a cash flow hedge for \$500.0 million of the Company's floating LIBOR rate debt. In addition, the then existing interest rate swap agreement was redesignated by the Company and the Company entered into an additional undesignated interest rate swap agreement for \$500.0 million to offset the prospective impact of the newly undesignated interest rate swap agreement. The unrealized losses in AOCI related to the redesignated interest rate swap agreements are being reclassified from AOCI ratably into earnings in the same period in which the original hedged item is recorded in the Consolidated Statements of Comprehensive Income. Accordingly, the Company has fixed its interest rates on \$500.0 million of the Company's floating LIBOR rate debt at an average rate of 2.8% (exclusive of borrowing margins) through September 1, 2016. For both the six months ended August 31, 2013, and August 31, 2012, the Company reclassified net losses of \$4.1 million, net of income tax effect, from AOCI to interest expense, net, on the Company's Consolidated Statements of Comprehensive Income. For both the three months ended August 31, 2013, and August 31, 2012, the Company reclassified net losses of \$2.0 million, net of income tax effect, from AOCI to interest expenses, net, on the Company's Consolidated Statements of Comprehensive Income.

Senior notes –

On April 17, 2012, the Company issued \$600.0 million aggregate principal amount of 6% Senior Notes due May 2022 (the "April 2012 Senior Notes"). The net proceeds of the offering (\$591.4 million) were used for general corporate purposes, including, among others, reducing the outstanding indebtedness under the Company's prior senior credit facility and common stock share repurchases under the 2013 Authorization (as defined in Note 16). Interest on the April 2012 Senior Notes is payable semiannually on May 1 and November 1 of each year, beginning November 1, 2012. The April 2012 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount plus a make whole payment based on the present value of the future payments at the adjusted Treasury Rate plus 50 basis points. The April 2012 Senior Notes are senior unsecured obligations and rank equally in right of payment to all existing and future senior unsecured indebtedness of the Company. Certain of the Company's U.S. subsidiaries guarantee the April 2012 Senior Notes on a senior unsecured basis. As of August 31, 2013, the Company had outstanding \$600.0 million aggregate principal amount of April 2012 Senior Notes.

On August 14, 2012, the Company issued \$650.0 million aggregate principal amount of 4.625% Senior Notes due March 2023 (the "August 2012 Senior Notes"). The Company intended to use the net proceeds from the offering (\$640.6 million) to fund a portion of the original agreement signed by the Company in June 2012 to acquire the remaining 50% equity interest in Crown Imports for approximately \$1.85 billion (the "Initial Purchase Agreement"). In connection with the issuance of the August 2012 Senior Notes, the Company and Manufacturers and Traders Trust Company, as Trustee, escrow agent, and securities intermediary, entered into an agreement (the "August 2012 Escrow Agreement"), pursuant to which an amount equal to 100% of the principal amount of the August 2012 Senior Notes (collectively, with any other property from time to time held by the escrow agent, the

“August 2012 Escrowed Property”) was placed into an escrow account to be released to the Company upon the closing of the Initial Purchase Agreement. If the Initial Purchase Agreement was terminated or had not been consummated on or prior to December 30, 2013, all of the August 2012 Senior Notes would be redeemed (the “Special Mandatory Redemption”) at a price equal to 100% of the outstanding principal amount, together with accrued and unpaid interest to the date of the Special Mandatory Redemption. In accordance with the terms of the August 2012 Escrow Agreement, if the Initial Purchase Agreement was terminated or had not been consummated on or prior to December 30, 2013, the August 2012 Escrowed Property would be released for purposes of effecting the Special Mandatory Redemption. Because of the differences between the terms relating to a February 2013 amendment of the Initial Purchase Agreement and the Initial Purchase Agreement, the Company determined that the conditions for the release of the August 2012 Escrowed Property to the Company pursuant to the August 2012 Escrow Agreement could not be satisfied. Accordingly, the Company gave notice to the escrow agent on February 19, 2013, to release the August 2012 Escrowed Property for purposes of effecting the Special Mandatory Redemption. As a result, the August 2012 Senior Notes were redeemed on February 20, 2013, and the August 2012 Escrow Agreement was terminated in accordance with its terms.

On May 14, 2013, the Company issued \$500.0 million aggregate principal amount of 3.75% Senior Notes due May 2021 (the “May 2013 Eight Year Senior Notes”) and \$1,050.0 million aggregate principal amount of 4.25% Senior Notes due May 2023 (the “May 2013 Ten Year Senior Notes”) and, together with the May 2013 Eight Year Senior Notes, the “May 2013 Senior Notes”). The Company used the net proceeds from the offering (\$1,535.5 million) to fund a portion of the purchase price for the Beer Business Acquisition. Interest on the May 2013 Senior Notes is payable semiannually on May 1 and November 1 of each year, beginning November 1, 2013. The May 2013 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount plus a make whole payment based on the present value of the future payments at the adjusted Treasury Rate plus 50 basis points. The May 2013 Senior Notes are senior unsecured obligations that rank equally with the Company’s other senior unsecured indebtedness. Certain of the Company’s U.S. subsidiaries guarantee the May 2013 Senior Notes on a senior unsecured basis. In connection with the issuance of the May 2013 Senior Notes, the Company and Manufacturers and Traders Trust Company, as Trustee, escrow agent, and securities intermediary, entered into an agreement (the “May 2013 Escrow Agreement”), pursuant to which an amount equal to 100% of the principal amount of the May 2013 Senior Notes (collectively, with any other property from time to time held by the escrow agent, the “May 2013 Escrowed Property”) was placed into an escrow account to be released to the Company upon the closing of the Beer Business Acquisition. In accordance with the terms of the May 2013 Escrow Agreement, in connection with the closing of the Beer Business Acquisition, the May 2013 Escrowed Property was released to the Company and used to fund a portion of the purchase price for the Beer Business Acquisition. As of August 31, 2013, the Company had outstanding \$1,550.0 million aggregate principal amount of May 2013 Senior Notes.

Debt payments –

As of August 31, 2013, the required principal repayments under long-term debt obligations (excluding unamortized discount of \$3.3 million) for the remaining six months of fiscal 2014 and for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)

2014	\$ 67.1
2015	608.8
2016	146.7
2017	884.9
2018	883.4
2019	1,112.5
Thereafter	3,328.3
	<u>\$ 7,031.7</u>

Accounts receivable securitization facilities –

On December 4, 2012, the Company entered into a 364-day revolving trade accounts receivable securitization facility (the “CBI Facility”). Under the CBI Facility, trade accounts receivable generated by the

Company and certain of its subsidiaries are sold by the Company to a wholly-owned bankruptcy remote single purpose subsidiary (the “CBI SPV”), which is consolidated with the Company for financial reporting purposes. Such trade accounts receivable have been pledged by the CBI SPV to secure borrowings under the CBI Facility. The Company will continue to service the trade accounts receivable as servicer for the CBI Facility. The trade accounts receivable balances related to the CBI Facility will continue to be reported as accounts receivable on the Company’s Consolidated Balance Sheets, but the trade accounts receivable will at all times be owned by the CBI SPV and be included on the financial statements of the Company to comply with generally accepted accounting principles. Any borrowings under the CBI Facility will be recorded as secured borrowings and will bear interest at a rate based on a margin of 100 basis points plus the conduit lender’s cost of funds or, if such borrowings were not funded by commercial paper issuances by the conduit lender, one-month LIBOR. The CBI Facility provides borrowing capacity of \$65.0 million up to \$250.0 million structured to account for the seasonality of the Company’s business, subject to further limitations based upon various pre-agreed formulas. As of August 31, 2013, the CBI SPV had outstanding borrowings under the CBI Facility of \$194.1 million bearing an interest rate of 1.2%.

On October 1, 2013, the Company and the CBI SPV amended and restated the CBI Facility (the “Amended CBI Facility”). The Amended CBI Facility remains a 364-day revolving trade accounts receivable securitization facility. Under the Amended CBI Facility, there are two lenders, one holding 60% of the aggregate facility and the other holding 40% of the aggregate facility. Any borrowings under the Amended CBI Facility will be recorded as secured borrowings and will bear interest as follows: (i) 60% of the borrowings are charged at that lender’s cost of funds plus a margin of 90 basis points and (ii) 40% of the borrowings are charged at one-month LIBOR plus a margin of 90 basis points. The Amended CBI Facility provides borrowing capacity of \$190.0 million up to \$290.0 million structured to account for the seasonality of the Company’s business, subject to further limitations based upon various pre-agreed formulas. As of October 10, 2013, the CBI SPV had aggregate outstanding borrowings under the Amended CBI Facility of \$217.9 million bearing a weighted average interest rate of 1.1%.

Also, on October 1, 2013, Crown Imports entered into a 364-day revolving trade accounts receivable securitization facility (the “Crown Facility”). Under the Crown Facility, trade accounts receivable generated by Crown Imports are sold by Crown Imports to its wholly-owned bankruptcy remote single purpose subsidiary (the “Crown SPV”), which is consolidated with the Company for financial reporting purposes. Such trade accounts receivable have been pledged by the Crown SPV to secure borrowings under the Crown Facility. Crown Imports will continue to service the trade accounts receivable as servicer for the Crown Facility. The trade accounts receivable balances related to the Crown Facility will continue to be reported as accounts receivable on the Company’s Consolidated Balance Sheets, but the trade accounts receivable will at all times be owned by the Crown SPV and be included on the financial statements of the Company to comply with generally accepted accounting principles. Under the Crown Facility, there are two lenders, one holding 60% of the aggregate facility and the other holding 40% of the aggregate facility. Any borrowings under the Crown Facility will be recorded as secured borrowings and will bear interest as follows: (i) 60% of the borrowings are charged at that lender’s cost of funds plus a margin of 90 basis points and (ii) 40% of the borrowings are charged at one-month LIBOR plus a margin of 90 basis points. The Crown Facility provides borrowing capacity of \$100.0 million up to \$160.0 million structured to account for the seasonality of Crown Imports’ business. As of October 10, 2013, the Crown SPV had aggregate outstanding borrowings under the Crown Facility of \$40.0 million bearing a weighted average interest rate of 1.1%.

14. INCOME TAXES:

The Company’s effective tax rate for the six months ended August 31, 2013, and August 31, 2012, was 5.7% and 24.3%, respectively. The Company’s effective tax rate for the six months ended August 31, 2013, was favorably impacted by the Beer Business Acquisition, primarily attributable to the recognition of the nontaxable gain on the remeasurement to fair value of the Company’s preexisting 50% equity interest in Crown Imports of \$1,642.0 million, and the recognition of tax benefits of \$6.6 million related to the resolution of certain tax positions, partially offset by the write-off of nondeductible goodwill of \$283.6 million. The Company’s effective tax rate for the six months ended August 31, 2012, was substantially impacted by the additional generation of foreign tax credits.

The Company’s effective tax rate for the three months ended August 31, 2013, and August 31, 2012, was 4.1% and 14.9%, respectively. The Company’s effective tax rate for the three months ended August 31, 2013, was

favorably impacted by the Beer Business Acquisition, primarily attributable to the recognition of the nontaxable gain on the remeasurement to fair value of the Company's preexisting 50% equity interest in Crown Imports of \$1,642.0 million, and the recognition of tax benefits of \$6.6 million related to the resolution of certain tax positions, partially offset by the write-off of nondeductible goodwill of \$283.6 million. The Company's effective tax rate for the three months ended August 31, 2012, was substantially impacted by the additional generation of foreign tax credits.

15. COMMITMENTS AND CONTINGENCIES:

Indemnification liabilities –

In connection with a prior divestiture, the Company indemnified respective parties against certain liabilities that may arise related to certain contracts with certain investees of the divested business, a certain facility in the U.K. and certain income tax matters. As of August 31, 2013, and February 28, 2013, the carrying amount of these indemnification liabilities was \$15.1 million. If the indemnified party were to incur a liability, pursuant to the terms of the indemnification, the Company would be required to reimburse the indemnified party. As of August 31, 2013, the Company estimates that these indemnifications could require the Company to make potential future payments of up to \$296.2 million under these indemnifications with \$281.9 million of this amount able to be recovered by the Company from third parties under recourse provisions. The Company does not expect to be required to make material payments under the indemnifications and the Company believes that the likelihood is remote that the indemnifications could have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

In addition, prior to June 7, 2013, the Company was jointly and severally liable with Modelo to indemnify a third party for lease payments over the term of a lease contract between Crown Imports and the third party for the lease of certain office facilities. The carrying amount of this indemnification liability was not material. In connection with the Beer Business Acquisition, this indemnification liability was released to selling, general and administrative expenses on the Company's Consolidated Statements of Comprehensive Income.

16. STOCKHOLDERS' EQUITY:

In April 2011, the Company's Board of Directors authorized the repurchase of up to \$500.0 million of the Company's Class A Common Stock and Class B Convertible Common Stock (the "2012 Authorization"). During the year ended February 29, 2012, the Company repurchased 21,234,266 shares of Class A Common Stock pursuant to the 2012 Authorization at an aggregate cost of \$413.7 million, or an average cost of \$19.48 per share, through open market transactions. During the six months ended August 31, 2012, the Company utilized the remaining \$86.3 million outstanding under the 2012 Authorization to repurchase 3,970,481 shares of Class A Common Stock at an average cost of \$21.74 per share, through open market transactions. In total, the Company has repurchased 25,204,747 shares of Class A Common Stock pursuant to the 2012 Authorization at an aggregate cost of \$500.0 million, or an average cost of \$19.84 per share. The Company used proceeds from revolver borrowings under its then existing senior credit facility and cash generated from operations to pay the purchase price for the repurchased shares. The repurchased shares have become treasury shares.

In April 2012, the Company's Board of Directors authorized the repurchase of up to \$1.0 billion of the Company's Class A Common Stock and Class B Convertible Common Stock (the "2013 Authorization"). The Board of Directors did not specify a date upon which the 2013 Authorization would expire. Share repurchases under the 2013 Authorization may be accomplished at management's discretion from time to time based on market conditions, the Company's cash and debt position, and other factors as determined by management. Shares may be repurchased through open market or privately negotiated transactions. The Company may fund future share repurchases with cash generated from operations, proceeds from borrowings under the accounts receivable securitization facilities or proceeds from revolver borrowings under its senior credit facility. Any repurchased shares will become treasury shares.

During the six months ended August 31, 2012, the Company repurchased 14,023,985 shares of Class A Common Stock pursuant to the 2013 Authorization at an aggregate cost of \$296.7 million, or an average cost of \$21.15 per share, through open market transactions. The Company used proceeds from the April 2012 Senior

Notes, revolver borrowings under its prior senior credit facilities, and cash generated from operations to pay the purchase price for the repurchased shares. The repurchased shares have become treasury shares.

17. EARNINGS PER COMMON SHARE:

Earnings per common share – basic excludes the effect of common stock equivalents and is computed using the two-class computation method. Earnings per common share – diluted for Class A Common Stock reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per common share – diluted for Class A Common Stock has been computed using the more dilutive of the if-converted or two-class computation method. Using the if-converted method, earnings per common share – diluted for Class A Common Stock assumes the exercise of stock options using the treasury stock method and the conversion of Class B Convertible Common Stock. Using the two-class computation method, earnings per common share – diluted for Class A Common Stock assumes the exercise of stock options using the treasury stock method and no conversion of Class B Convertible Common Stock. For the six months and three months ended August 31, 2013, and August 31, 2012, earnings per common share – diluted for Class A Common Stock has been calculated using the if-converted method. For the six months and three months ended August 31, 2013, and August 31, 2012, earnings per common share – diluted for Class B Convertible Common Stock is presented without assuming conversion into Class A Common Stock and is computed using the two-class computation method.

The computation of basic and diluted earnings per common share is as follows:

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2013	2012	2013	2012
<i>(in millions, except per share data)</i>				
Income available to common stockholders	\$ 1,574.9	\$ 196.6	\$ 1,522.0	\$ 124.6
Weighted average common shares outstanding – basic:				
Class A Common Stock	163,277	158,527	164,825	154,794
Class B Convertible Common Stock	23,485	23,545	23,472	23,536
Weighted average common shares outstanding – diluted:				
Class A Common Stock	163,277	158,527	164,825	154,794
Class B Convertible Common Stock	23,485	23,545	23,472	23,536
Stock-based awards, primarily stock options	9,294	5,386	8,470	6,310
Weighted average common shares outstanding – diluted	196,056	187,458	196,767	184,640
Earnings per common share – basic:				
Class A Common Stock	\$ 8.53	\$ 1.09	\$ 8.18	\$ 0.71
Class B Convertible Common Stock	\$ 7.75	\$ 0.99	\$ 7.43	\$ 0.64
Earnings per common share – diluted:				
Class A Common Stock	\$ 8.03	\$ 1.05	\$ 7.74	\$ 0.67
Class B Convertible Common Stock	\$ 7.38	\$ 0.96	\$ 7.11	\$ 0.62

For the six months ended August 31, 2013, and August 31, 2012, stock-based awards, primarily stock options, which could result in the issuance of 1.4 million and 3.6 million shares, respectively, of Class A Common Stock were outstanding, but were not included in the computation of earnings per common share – diluted for Class A Common Stock because the effect of including such awards would have been antidilutive. For the three months ended August 31, 2013, and August 31, 2012, stock-based awards, primarily stock options, which could result in the issuance of 1.4 million and 3.2 million shares, respectively, of Class A Common Stock were outstanding, but were not included in the computation of earnings per common share – diluted for Class A Common Stock because the effect of including such awards would have been antidilutive.

18. COMPREHENSIVE INCOME:

Comprehensive income consists of net income, foreign currency translation adjustments, net unrealized gains (losses) on derivative instruments, net unrealized losses on AFS debt securities and pension/postretirement adjustments. The reconciliation of net income to comprehensive income is as follows:

<i>(in millions)</i>	Before Tax Amount	Tax (Expense)Benefit	Net of Tax Amount
<u>For the Six Months Ended August 31, 2013</u>			
Net income			\$ 1,574.9
Other comprehensive (loss) income:			
Foreign currency translation adjustments:			
Net losses	\$ (66.4)	\$ (1.6)	(68.0)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(66.4)	(1.6)	(68.0)
Unrealized gain on cash flow hedges:			
Net derivative gains	2.4	(1.8)	0.6
Reclassification adjustments	3.6	(1.6)	2.0
Net gain recognized in other comprehensive loss	6.0	(3.4)	2.6
Unrealized loss on AFS debt securities:			
Net AFS debt securities losses	(2.9)	(0.1)	(3.0)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(2.9)	(0.1)	(3.0)
Pension/postretirement adjustments:			
Net actuarial gains	0.6	(0.2)	0.4
Reclassification adjustments	0.6	(0.1)	0.5
Net gain recognized in other comprehensive loss	1.2	(0.3)	0.9
Other comprehensive loss	\$ (62.1)	\$ (5.4)	(67.5)
Total comprehensive income			\$ 1,507.4
<u>For the Six Months Ended August 31, 2012</u>			
Net income			\$ 196.6
Other comprehensive (loss) income:			
Foreign currency translation adjustments:			
Net losses	\$ (12.4)	\$ 3.5	(8.9)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(12.4)	3.5	(8.9)
Unrealized loss on cash flow hedges:			
Net derivative losses	(12.8)	4.7	(8.1)
Reclassification adjustments	2.3	(1.5)	0.8
Net loss recognized in other comprehensive loss	(10.5)	3.2	(7.3)
Unrealized loss on AFS debt securities:			
Net AFS debt securities losses	—	(0.1)	(0.1)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	—	(0.1)	(0.1)
Pension/postretirement adjustments:			
Net actuarial losses	(0.1)	0.1	—
Reclassification adjustments	0.4	(0.1)	0.3
Net gain recognized in other comprehensive loss	0.3	—	0.3
Other comprehensive loss	\$ (22.6)	\$ 6.6	(16.0)
Total comprehensive income			\$ 180.6

<i>(in millions)</i>	Before Tax Amount	Tax (Expense)Benefit	Net of Tax Amount
For the Three Months Ended August 31, 2013			
Net income			\$ 1,522.0
Other comprehensive (loss) income:			
Foreign currency translation adjustments:			
Net losses	\$ (44.1)	\$ (1.1)	(45.2)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(44.1)	(1.1)	(45.2)
Unrealized gain on cash flow hedges:			
Net derivative gains	2.4	(1.3)	1.1
Reclassification adjustments	2.1	(0.9)	1.2
Net gain recognized in other comprehensive loss	4.5	(2.2)	2.3
Unrealized loss on AFS debt securities:			
Net AFS debt securities losses	(1.7)	—	(1.7)
Reclassification adjustments	—	—	—
Net loss recognized in other comprehensive loss	(1.7)	—	(1.7)
Pension/postretirement adjustments:			
Net actuarial gains	0.4	(0.1)	0.3
Reclassification adjustments	0.3	—	0.3
Net gain recognized in other comprehensive loss	0.7	(0.1)	0.6
Other comprehensive loss	\$ (40.6)	\$ (3.4)	(44.0)
Total comprehensive income			\$ 1,478.0
For the Three Months Ended August 31, 2012			
Net income			\$ 124.6
Other comprehensive income (loss):			
Foreign currency translation adjustments:			
Net gains	\$ 70.7	\$ 3.7	74.4
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	70.7	3.7	74.4
Unrealized loss on cash flow hedges:			
Net derivative losses	(4.2)	2.3	(1.9)
Reclassification adjustments	1.2	(0.8)	0.4
Net loss recognized in other comprehensive income	(3.0)	1.5	(1.5)
Unrealized gain on AFS debt securities:			
Net AFS debt securities gains	2.3	(0.1)	2.2
Reclassification adjustments	—	—	—
Net gain recognized in other comprehensive income	2.3	(0.1)	2.2
Pension/postretirement adjustments:			
Net actuarial losses	(0.9)	0.3	(0.6)
Reclassification adjustments	0.2	(0.1)	0.1
Net loss recognized in other comprehensive income	(0.7)	0.2	(0.5)
Other comprehensive income	\$ 69.3	\$ 5.3	74.6
Total comprehensive income			\$ 199.2

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

<i>(in millions)</i>	Foreign Currency Translation Adjustments	Net Unrealized (Losses) Gains on Derivative Instruments	Net Unrealized Gains (Losses) on AFS Debt Securities	Pension/ Postretirement Adjustments	Accumulated Other Comprehensive Income
Balance, February 28, 2013	\$ 170.4	\$ (20.2)	\$ 1.4	\$ (19.5)	\$ 132.1
Other comprehensive (loss) income:					
Other comprehensive (loss) income before reclassification adjustments	(68.0)	0.6	(3.0)	0.4	(70.0)
Amounts reclassified from accumulated other comprehensive income	—	2.0	—	0.5	2.5
Other comprehensive (loss) income	(68.0)	2.6	(3.0)	0.9	(67.5)
Balance, August 31, 2013	\$ 102.4	\$ (17.6)	\$ (1.6)	\$ (18.6)	\$ 64.6

19. CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of August 31, 2013, and February 28, 2013, the condensed consolidating statements of comprehensive income for the six months and three months ended August 31, 2013, and August 31, 2012, and the condensed consolidating statements of cash flows for the six months ended August 31, 2013, and August 31, 2012, for the Company, the parent company, the combined subsidiaries of the Company which guarantee the Company’s senior notes (“Subsidiary Guarantors”) and the combined subsidiaries of the Company which are not Subsidiary Guarantors (primarily foreign subsidiaries) (“Subsidiary Nonguarantors”). The Subsidiary Guarantors are 100% owned, directly or indirectly, by the parent company and the guarantees are joint and several obligations of each of the Subsidiary Guarantors. The guarantees are full and unconditional, as those terms are used in Rule 3-10 of Regulation S-X, except that a Subsidiary Guarantor can be automatically released and relieved of its obligations under certain customary circumstances contained in the indentures governing the Company’s senior notes. These customary circumstances include, so long as other applicable provisions of the indentures are adhered to, the termination or release of a Subsidiary Guarantor’s guarantee of other indebtedness or upon the legal defeasance or covenant defeasance or satisfaction and discharge of the Company’s senior notes. Separate financial statements for the Subsidiary Guarantors of the Company are not presented because the Company has determined that such financial statements would not be material to investors. The accounting policies of the parent company, the Subsidiary Guarantors and the Subsidiary Nonguarantors are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 to the Company’s consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2013, and include the recently adopted accounting guidance described in Note 2 herein. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to the Company in the form of cash dividends, loans or advances.

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
<u>Condensed Consolidating Balance Sheet at August 31, 2013</u>					
Current assets:					
Cash and cash investments	\$ 7.4	\$ 1.3	\$ 108.1	\$ —	\$ 116.8
Accounts receivable, net	0.2	191.1	464.6	—	655.9
Inventories	156.2	1,129.1	396.3	(38.6)	1,643.0
Prepaid expenses and other	35.7	86.3	492.8	(360.4)	254.4
Intercompany receivable	8,983.0	10,702.0	2,668.2	(22,353.2)	—
Total current assets	9,182.5	12,109.8	4,130.0	(22,752.2)	2,670.1

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Property, plant and equipment, net	40.7	839.4	990.3	—	1,870.4
Investments in subsidiaries	10,207.1	2.8	—	(10,209.9)	—
Goodwill	—	5,504.8	634.4	—	6,139.2
Intangible assets, net	—	711.7	2,532.2	—	3,243.9
Intercompany notes receivable	3,616.3	36.7	32.6	(3,685.6)	—
Other assets, net	60.6	76.1	70.9	(8.4)	199.2
Total assets	\$ 23,107.2	\$ 19,281.3	\$ 8,390.4	\$ (36,656.1)	\$ 14,122.8
Current liabilities:					
Notes payable to banks	\$ 78.0	\$ —	\$ 194.1	\$ —	\$ 272.1
Current maturities of long-term debt	62.7	18.0	35.0	—	115.7
Accounts payable	26.7	172.8	141.7	—	341.2
Accrued excise taxes	10.3	12.9	4.4	—	27.6
Intercompany payable	12,474.3	7,276.1	2,602.8	(22,353.2)	—
Other accrued expenses and liabilities	495.7	246.3	683.3	(371.3)	1,054.0
Total current liabilities	13,147.7	7,726.1	3,661.3	(22,724.5)	1,810.6
Long-term debt, less current maturities	5,422.1	25.4	1,465.2	—	6,912.7
Deferred income taxes	6.5	551.0	147.7	(8.4)	696.8
Intercompany notes payable	—	3,668.1	17.5	(3,685.6)	—
Other liabilities	20.5	54.2	117.6	—	192.3
Stockholders' equity	4,510.4	7,256.5	2,981.1	(10,237.6)	4,510.4
Total liabilities and stockholders' equity	\$ 23,107.2	\$ 19,281.3	\$ 8,390.4	\$ (36,656.1)	\$ 14,122.8

Condensed Consolidating Balance Sheet at February 28, 2013

Current assets:					
Cash and cash investments	\$ 185.8	\$ 0.7	\$ 145.0	\$ —	\$ 331.5
Accounts receivable, net	0.7	10.1	461.1	—	471.9
Inventories	151.5	1,019.4	317.2	(7.2)	1,480.9
Prepaid expenses and other	25.8	54.5	447.8	(341.2)	186.9
Intercompany receivable	6,956.2	9,291.4	1,075.1	(17,322.7)	—
Total current assets	7,320.0	10,376.1	2,446.2	(17,671.1)	2,471.2
Property, plant and equipment, net	43.3	832.7	353.0	—	1,229.0
Investments in subsidiaries	7,281.5	2.8	—	(7,284.3)	—
Goodwill	—	2,097.9	624.4	—	2,722.3
Intangible assets, net	—	686.5	184.9	—	871.4
Intercompany notes receivable	1,611.2	—	32.6	(1,643.8)	—
Other assets, net	49.8	256.7	58.6	(20.9)	344.2
Total assets	\$ 16,305.8	\$ 14,252.7	\$ 3,699.7	\$ (26,620.1)	\$ 7,638.1

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Current liabilities:					
Notes payable to banks	\$ —	\$ —	\$ —	\$ —	\$ —
Current maturities of long-term debt	9.8	17.7	0.1	—	27.6
Accounts payable	39.2	106.4	63.4	—	209.0
Accrued excise taxes	11.4	3.7	3.8	—	18.9
Intercompany payable	9,615.5	6,318.7	1,388.5	(17,322.7)	—
Other accrued expenses and liabilities	501.8	187.5	76.1	(343.0)	422.4
Total current liabilities	10,177.7	6,634.0	1,531.9	(17,665.7)	677.9
Long-term debt, less current maturities	3,251.0	26.8	—	—	3,277.8
Deferred income taxes	—	543.0	77.5	(20.9)	599.6
Intercompany notes payable	—	1,634.9	8.9	(1,643.8)	—
Other liabilities	16.8	72.5	133.2	—	222.5
Stockholders' equity	2,860.3	5,341.5	1,948.2	(7,289.7)	2,860.3
Total liabilities and stockholders' equity	\$ 16,305.8	\$ 14,252.7	\$ 3,699.7	\$ (26,620.1)	\$ 7,638.1

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended August 31, 2013					
Sales	\$ 1,121.8	\$ 1,633.4	\$ 420.4	\$ (796.1)	\$ 2,379.5
Less – excise taxes	(153.3)	(59.1)	(33.9)	—	(246.3)
Net sales	968.5	1,574.3	386.5	(796.1)	2,133.2
Cost of product sold	(825.0)	(1,092.7)	(138.7)	756.3	(1,300.1)
Gross profit	143.5	481.6	247.8	(39.8)	833.1
Selling, general and administrative expenses	(216.3)	(144.5)	(77.2)	8.3	(429.7)
Impairment of goodwill and intangible assets	—	—	(300.9)	—	(300.9)
Gain on remeasurement to fair value of equity method investment	—	1,642.0	—	—	1,642.0
Operating (loss) income	(72.8)	1,979.1	(130.3)	(31.5)	1,744.5
Equity in earnings of equity method investees and subsidiaries	1,720.9	74.1	0.2	(1,724.9)	70.3
Interest income	0.1	—	3.8	—	3.9
Intercompany interest income	70.7	77.9	0.8	(149.4)	—
Interest expense	(130.8)	(3.0)	(15.2)	—	(149.0)
Intercompany interest expense	(82.7)	(66.4)	(0.3)	149.4	—
Loss on write-off of financing costs	—	—	—	—	—
Income (loss) before income taxes	1,505.4	2,061.7	(141.0)	(1,756.4)	1,669.7
Benefit from (provision for) income taxes	69.5	(153.0)	(20.5)	9.2	(94.8)
Net income (loss)	\$ 1,574.9	\$ 1,908.7	\$ (161.5)	\$ (1,747.2)	\$ 1,574.9
Comprehensive income (loss)	\$ 1,507.4	\$ 1,915.8	\$ (236.3)	\$ (1,679.5)	\$ 1,507.4

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Comprehensive Income for the Six Months Ended August 31, 2012					
Sales	\$ 966.6	\$ 800.4	\$ 400.2	\$ (644.2)	\$ 1,523.0
Less – excise taxes	(103.4)	(54.6)	(31.7)	—	(189.7)
Net sales	863.2	745.8	368.5	(644.2)	1,333.3
Cost of product sold	(680.7)	(537.5)	(219.3)	639.9	(797.6)
Gross profit	182.5	208.3	149.2	(4.3)	535.7
Selling, general and administrative expenses	(166.6)	(52.3)	(85.9)	5.8	(299.0)
Impairment of goodwill and intangible assets	—	—	—	—	—
Gain on remeasurement to fair value of equity method investment	—	—	—	—	—
Operating income	15.9	156.0	63.3	1.5	236.7
Equity in earnings of equity method investees and subsidiaries	285.6	129.6	0.2	(284.3)	131.1
Interest income	0.1	—	2.8	—	2.9
Intercompany interest income	39.5	95.4	0.8	(135.7)	—
Interest expense	(106.1)	(0.6)	(1.5)	—	(108.2)
Intercompany interest expense	(95.4)	(40.2)	(0.1)	135.7	—
Loss on write-off of financing costs	(2.8)	—	—	—	(2.8)
Income before income taxes	136.8	340.2	65.5	(282.8)	259.7
Benefit from (provision for) income taxes	59.8	(131.0)	8.4	(0.3)	(63.1)
Net income	\$ 196.6	\$ 209.2	\$ 73.9	\$ (283.1)	\$ 196.6
Comprehensive income	\$ 180.6	\$ 207.7	\$ 61.3	\$ (269.0)	\$ 180.6
Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended August 31, 2013					
Sales	\$ 569.3	\$ 1,243.1	\$ 206.5	\$ (405.6)	\$ 1,613.3
Less – excise taxes	(75.2)	(61.1)	(17.2)	—	(153.5)
Net sales	494.1	1,182.0	189.3	(405.6)	1,459.8
Cost of product sold	(425.0)	(817.6)	(12.2)	372.0	(882.8)
Gross profit	69.1	364.4	177.1	(33.6)	577.0
Selling, general and administrative expenses	(97.3)	(115.6)	(35.3)	4.1	(244.1)
Impairment of goodwill and intangible assets	—	—	(300.9)	—	(300.9)
Gain on remeasurement to fair value of equity method investment	—	1,642.0	—	—	1,642.0
Operating (loss) income	(28.2)	1,890.8	(159.1)	(29.5)	1,674.0
Equity in earnings of equity method investees and subsidiaries	1,587.1	7.7	0.1	(1,591.2)	3.7
Interest income	0.1	—	1.9	—	2.0
Intercompany interest income	44.9	41.2	0.4	(86.5)	—
Interest expense	(77.4)	(0.3)	(14.6)	—	(92.3)
Intercompany interest expense	(43.7)	(42.6)	(0.2)	86.5	—
Loss on write-off of financing costs	—	—	—	—	—
Income (loss) before income taxes	1,482.8	1,896.8	(171.5)	(1,620.7)	1,587.4
Benefit from (provision for) income taxes	39.2	(91.0)	(22.2)	8.6	(65.4)
Net income (loss)	\$ 1,522.0	\$ 1,805.8	\$ (193.7)	\$ (1,612.1)	\$ 1,522.0
Comprehensive income (loss)	\$ 1,478.0	\$ 1,809.5	\$ (241.7)	\$ (1,567.8)	\$ 1,478.0

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
<i>(in millions)</i>					
<u>Condensed Consolidating Statement of Comprehensive Income for the Three Months Ended August 31, 2012</u>					
Sales	\$ 511.3	\$ 399.3	\$ 206.8	\$ (319.7)	\$ 797.7
Less – excise taxes	(54.8)	(28.1)	(16.3)	—	(99.2)
Net sales	456.5	371.2	190.5	(319.7)	698.5
Cost of product sold	(342.5)	(276.6)	(113.0)	318.7	(413.4)
Gross profit	114.0	94.6	77.5	(1.0)	285.1
Selling, general and administrative expenses	(84.2)	(33.2)	(40.2)	3.1	(154.5)
Impairment of goodwill and intangible assets	—	—	—	—	—
Gain on remeasurement to fair value of equity method investment	—	—	—	—	—
Operating income	29.8	61.4	37.3	2.1	130.6
Equity in earnings of equity method investees and subsidiaries	146.9	72.2	0.1	(148.7)	70.5
Interest income	0.1	—	1.4	—	1.5
Intercompany interest income	19.8	49.0	0.4	(69.2)	—
Interest expense	(55.4)	—	(0.7)	—	(56.1)
Intercompany interest expense	(49.1)	(20.1)	—	69.2	—
Loss on write-off of financing costs	—	—	—	—	—
Income before income taxes	92.1	162.5	38.5	(146.6)	146.5
Benefit from (provision for) income taxes	32.5	(62.0)	7.8	(0.2)	(21.9)
Net income	\$ 124.6	\$ 100.5	\$ 46.3	\$ (146.8)	\$ 124.6
Comprehensive income	\$ 199.2	\$ 106.8	\$ 123.3	\$ (230.1)	\$ 199.2

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
<i>(in millions)</i>					
<u>Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2013</u>					
Net cash provided by (used in) operating activities	\$ 1,551.1	\$ (1,200.3)	\$ 138.2	\$ —	\$ 489.0
Cash flows from investing activities:					
Purchase of business, net of cash acquired	—	(1,770.1)	(2,902.8)	—	(4,672.9)
Purchases of property, plant and equipment	(5.0)	(33.1)	(11.1)	—	(49.2)
Proceeds from sales of assets	—	0.2	1.4	—	1.6
Proceeds from notes receivable	—	—	—	—	—
Other investing activities	—	2.3	(1.2)	—	1.1
Net cash used in investing activities	(5.0)	(1,800.7)	(2,913.7)	—	(4,719.4)

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Cash flows from financing activities:					
Intercompany financings, net	(4,089.4)	3,025.6	1,063.8	—	—
Proceeds from issuance of long-term debt	2,225.0	—	1,500.0	—	3,725.0
Net proceeds from notes payable	78.0	—	194.1	—	272.1
Proceeds from exercises of employee stock options	77.5	—	—	—	77.5
Excess tax benefits from stock-based payment awards	53.8	—	—	—	53.8
Proceeds from employee stock purchases	2.5	—	—	—	2.5
Payment of financing costs of long-term debt	(69.6)	—	(12.6)	—	(82.2)
Payment of minimum tax withholdings on stock-based payment awards	—	(16.4)	(1.6)	—	(18.0)
Principal payments of long-term debt	(2.3)	(7.6)	—	—	(9.9)
Payment of restricted cash upon issuance of long-term debt	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	—
Net cash (used in) provided by financing activities	(1,724.5)	3,001.6	2,743.7	—	4,020.8
Effect of exchange rate changes on cash and cash investments					
	—	—	(5.1)	—	(5.1)
Net (decrease) increase in cash and cash investments	(178.4)	0.6	(36.9)	—	(214.7)
Cash and cash investments, beginning of period	185.8	0.7	145.0	—	331.5
Cash and cash investments, end of period	\$ 7.4	\$ 1.3	\$ 108.1	\$ —	\$ 116.8

Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2012

Net cash provided by operating activities	\$ 209.8	\$ 142.6	\$ 16.1	\$ —	\$ 368.5
Cash flows from investing activities:					
Purchase of business, net of cash acquired	—	(159.7)	—	—	(159.7)
Purchases of property, plant and equipment	(7.9)	(21.1)	(6.6)	—	(35.6)
Proceeds from sales of assets	—	4.9	3.0	—	7.9
Proceeds from notes receivable	1.2	3.4	—	—	4.6
Other investing activities	(0.3)	(0.8)	(0.1)	—	(1.2)
Net cash used in investing activities	(7.0)	(173.3)	(3.7)	—	(184.0)

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Cash flows from financing activities:					
Intercompany financings, net	(77.4)	33.7	43.7	—	—
Proceeds from issuance of long-term debt	2,050.0	—	—	—	2,050.0
Net repayment of notes payable	(298.0)	—	(60.3)	—	(358.3)
Proceeds from exercises of employee stock options	110.5	—	—	—	110.5
Excess tax benefits from stock-based payment awards	11.4	—	—	—	11.4
Proceeds from employee stock purchases	2.1	—	—	—	2.1
Payment of financing costs of long-term debt	(34.1)	—	—	—	(34.1)
Payment of minimum tax withholdings on stock-based payment awards	—	—	(0.5)	—	(0.5)
Principal payments of long-term debt	(835.2)	(2.8)	—	—	(838.0)
Payment of restricted cash upon issuance of long-term debt	(650.0)	—	—	—	(650.0)
Purchases of treasury stock	(383.0)	—	—	—	(383.0)
Net cash (used in) provided by financing activities	(103.7)	30.9	(17.1)	—	(89.9)
Effect of exchange rate changes on cash and cash investments	—	—	(1.9)	—	(1.9)
Net increase (decrease) in cash and cash investments	99.1	0.2	(6.6)	—	92.7
Cash and cash investments, beginning of period	0.5	0.6	84.7	—	85.8
Cash and cash investments, end of period	<u>\$ 99.6</u>	<u>\$ 0.8</u>	<u>\$ 78.1</u>	<u>\$ —</u>	<u>\$ 178.5</u>

20. BUSINESS SEGMENT INFORMATION:

Prior to the Beer Business Acquisition, Crown Imports was a reportable segment of the Company. In connection with the Beer Business Acquisition and the resulting consolidation of the acquired businesses from the date of acquisition, the Crown Imports segment, together with the Brewery Purchase, is now known as the Beer segment. Accordingly, the Company's internal management financial reporting consists of two business divisions: (i) Beer and (ii) Wine and Spirits, and the Company reports its operating results in three segments: (i) Beer (imported beer), (ii) Wine and Spirits (wine and spirits), and (iii) Corporate Operations and Other. The business segments reflect how the Company's operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations and global information technology. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts 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 the chief operating decision maker's evaluation of the operating income performance of the other reportable segments.

In addition, the Company excludes restructuring charges and unusual items that affect comparability from its definition of operating income for segment purposes as these items are not reflective of normal continuing operations of the segments. The Company excludes these items as segment operating performance and segment management compensation is evaluated based upon a normalized segment operating income. As such, the

performance measures for incentive compensation purposes for segment management do not include the impact of these items.

For the six months and three months ended August 31, 2013, and August 31, 2012, restructuring charges and unusual items included in operating income consist of:

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2013	2012	2013	2012
<i>(in millions)</i>				
Cost of Product Sold:				
Flow through of inventory step-up	\$ 11.0	\$ 2.3	\$ 9.5	\$ 1.5
Amortization of favorable interim supply agreement	2.1	—	2.1	—
Cost of Product Sold	13.1	2.3	11.6	1.5
Selling, General and Administrative Expenses:				
Transaction and related costs associated with pending and completed acquisitions	34.9	9.1	7.4	9.1
Deferred compensation	7.0	—	—	—
Restructuring charges	(0.9)	0.7	—	0.2
Other costs	(2.0)	1.4	—	(0.8)
Selling, General and Administrative Expenses	39.0	11.2	7.4	8.5
Impairment of Goodwill and Intangible Assets	300.9	—	300.9	—
Gain on Remeasurement to Fair Value of Equity Method Investment	(1,642.0)	—	(1,642.0)	—
Restructuring Charges and Unusual Items	\$ (1,289.0)	\$ 13.5	\$ (1,322.1)	\$ 10.0

The Company evaluates performance based on operating income of the respective business units. The accounting policies of the segments are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2013, and include the recently adopted accounting guidance described in Note 2 herein.

Segment information is as follows:

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2013	2012	2013	2012
<i>(in millions)</i>				
Beer				
Net sales	\$ 1,576.2	\$ 1,512.5	\$ 814.6	\$ 788.4
Segment operating income	\$ 363.9	\$ 266.4	\$ 229.9	\$ 143.4
Long-lived tangible assets	\$ 668.7	\$ 9.0	\$ 668.7	\$ 9.0
Total assets	\$ 7,294.5	\$ 463.7	\$ 7,294.5	\$ 463.7
Capital expenditures	\$ 3.6	\$ 0.4	\$ 3.3	\$ 0.1
Depreciation and amortization	\$ 13.1	\$ 1.5	\$ 12.6	\$ 0.8

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2013	2012	2013	2012
<i>(in millions)</i>				
<u>Wine and Spirits</u>				
Net sales:				
Wine	\$ 1,226.4	\$ 1,177.2	\$ 629.1	\$ 615.9
Spirits	144.0	156.1	\$ 67.9	\$ 82.6
Net sales	\$ 1,370.4	\$ 1,333.3	\$ 697.0	\$ 698.5
Segment operating income	\$ 282.4	\$ 294.3	\$ 154.8	\$ 161.3
Equity in earnings (losses) of equity method investees	\$ 0.1	\$ (1.1)	\$ (0.6)	\$ (0.8)
Long-lived tangible assets	\$ 1,081.3	\$ 1,101.7	\$ 1,081.3	\$ 1,101.7
Investments in equity method investees	\$ 73.2	\$ 70.3	\$ 73.2	\$ 70.3
Total assets	\$ 6,403.1	\$ 6,822.4	\$ 6,403.1	\$ 6,822.4
Capital expenditures	\$ 35.6	\$ 30.7	\$ 19.1	\$ 14.9
Depreciation and amortization	\$ 47.5	\$ 44.4	\$ 23.4	\$ 21.9
<u>Corporate Operations and Other</u>				
Net sales	\$ —	\$ —	\$ —	\$ —
Segment operating loss	\$ (48.2)	\$ (44.1)	\$ (24.2)	\$ (20.7)
Long-lived tangible assets	\$ 120.4	\$ 131.8	\$ 120.4	\$ 131.8
Total assets	\$ 425.2	\$ 1,039.0	\$ 425.2	\$ 1,039.0
Capital expenditures	\$ 10.3	\$ 4.9	\$ 4.8	\$ 1.1
Depreciation and amortization	\$ 11.1	\$ 11.6	\$ 6.2	\$ 6.0
<u>Restructuring Charges and Unusual Items</u>				
Operating income (loss)	\$ 1,289.0	\$ (13.5)	\$ 1,322.1	\$ (10.0)
Equity in losses of equity method investees	\$ (0.1)	\$ —	\$ —	\$ —
<u>Consolidation and Eliminations</u>				
Net sales	\$ (813.4)	\$ (1,512.5)	\$ (51.8)	\$ (788.4)
Operating income	\$ (142.6)	\$ (266.4)	\$ (8.6)	\$ (143.4)
Equity in earnings of Crown Imports	\$ 70.3	\$ 132.2	\$ 4.3	\$ 71.3
Long-lived tangible assets	\$ —	\$ (9.0)	\$ —	\$ (9.0)
Investments in equity method investees	\$ —	\$ 179.1	\$ —	\$ 179.1
Total assets	\$ —	\$ (284.6)	\$ —	\$ (284.6)
Capital expenditures	\$ (0.3)	\$ (0.4)	\$ —	\$ (0.1)
Depreciation and amortization	\$ (0.5)	\$ (1.5)	\$ —	\$ (0.8)
<u>Consolidated</u>				
Net sales	\$ 2,133.2	\$ 1,333.3	\$ 1,459.8	\$ 698.5
Operating income	\$ 1,744.5	\$ 236.7	\$ 1,674.0	\$ 130.6
Equity in earnings of equity method investees	\$ 70.3	\$ 131.1	\$ 3.7	\$ 70.5
Long-lived tangible assets	\$ 1,870.4	\$ 1,233.5	\$ 1,870.4	\$ 1,233.5
Investments in equity method investees	\$ 73.2	\$ 249.4	\$ 73.2	\$ 249.4
Total assets	\$ 14,122.8	\$ 8,040.5	\$ 14,122.8	\$ 8,040.5
Capital expenditures	\$ 49.2	\$ 35.6	\$ 27.2	\$ 16.0
Depreciation and amortization	\$ 71.2	\$ 56.0	\$ 42.2	\$ 27.9

21. ACCOUNTING GUIDANCE NOT YET ADOPTED:

Liabilities –

In February 2013, the FASB issued guidance for the recognition, measurement and disclosure of certain obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The Company is required to adopt this guidance for its annual and interim periods beginning March 1, 2014. In addition, this guidance requires retrospective application. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Foreign currency –

In March 2013, the FASB issued amended guidance to clarify the applicable guidance for the release of foreign currency cumulative translation adjustments under generally accepted accounting principles in the U.S. The amended guidance clarifies when cumulative translation adjustments should be released into net income in connection with (i) the loss of a controlling financial interest in a subsidiary or group of assets within a foreign entity or (ii) the partial sale of an equity method investment that is a foreign entity. The amended guidance also clarifies the types of events that result in the sale of an investment in a foreign entity. The Company is required to adopt this amended guidance for its annual and interim periods beginning March 1, 2014. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Income taxes –

In July 2013, the FASB issued amended guidance to clarify the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists as of the reporting date. The Company is required to adopt this amended guidance for its annual and interim periods beginning March 1, 2014. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

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

Overview

The Company is the world’s leading premium wine company with a broad portfolio of consumer-preferred premium wine, imported beer and spirits brands complemented by other select beverage alcohol products. The Company is the third largest producer and marketer of beer for the United States (“U.S.”) market, the largest multi-category supplier (wine, spirits and beer) of beverage alcohol in the U.S., the leading producer and marketer of wine in Canada, and a leading producer and exporter of wine from New Zealand and Italy.

Prior to the Beer Business Acquisition (as defined below), Crown Imports, the Company’s prior investment in a joint venture with Grupo Modelo, S.A.B. de C.V. (“Modelo”) which operated as Crown Imports LLC, was a reportable segment of the Company. In connection with the Beer Business Acquisition and the resulting consolidation of the acquired businesses from the date of acquisition, the Crown Imports segment, together with the Brewery Purchase (as defined below), is now known as the Beer segment. Accordingly, the Company’s internal management financial reporting consists of two business divisions: (i) Beer and (ii) Wine and Spirits (formerly known as Constellation Wine and Spirits) and the Company reports its operating results in three segments: (i) Beer (imported beer), (ii) Wine and Spirits (wine and spirits), and (iii) Corporate Operations and Other. The business segments reflect how the Company’s operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. Amounts included in the Corporate Operations and Other segment consist of costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations and global information technology. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts 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 the chief operating decision maker’s evaluation of the operating income performance of the other reportable segments.

In addition, the Company excludes restructuring charges and unusual items that affect comparability from its definition of operating income for segment purposes as these items are not reflective of normal continuing operations of the segments. The Company excludes these items as segment operating performance and segment management compensation is evaluated based upon a normalized segment operating income. As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these items.

The Company's business strategy in the Wine and Spirits segment is to remain focused on consumer-preferred premium wine brands, complemented by premium spirits. In this segment, the Company continues to focus on growing premium product categories. The Company has consolidated its U.S. distributor network in markets where it was feasible, which currently represents about 70% of the Company's branded wine and spirits volume in the U.S., in order to obtain dedicated selling resources which focus on the Company's U.S. wine and spirits portfolio to drive organic growth. Throughout the remainder of the terms of these contracts, the majority of which continue through the end of fiscal 2015, the Company expects shipments on an annual basis to these distributors to essentially equal the distributors' shipments to retailers.

The Company believes the current overall supply of wine is generally in balance with demand within the U.S. Although the calendar 2013 U.S. grape harvest is not complete, the Company currently expects the overall yield of this harvest to be similar to the calendar 2012 U.S. grape harvest. Accordingly, the Company currently expects that the calendar 2013 U.S. grape harvest may continue to provide some relief from the recent tightening of supply within certain U.S. varieties due to relatively smaller U.S. grape harvests in the recent years.

The Company's business strategy in the Beer segment is twofold, including (i) continued focus on growing the premium Mexican beer portfolio in the U.S. through innovation and new product development within the existing portfolio of brands, as well as expanding distribution for key brands, and (ii) completion of the required brewery expansion in Mexico by December 31, 2016, with a goal to complete the expansion within three years from the date of acquisition (see additional discussion below under "Acquisition in Fiscal 2014 and Fiscal 2013 – Beer Business Acquisition.")

The Company remains committed to its long-term financial model of growing sales, expanding margins and increasing cash flow in order to achieve earnings per share growth and reduce borrowings.

Marketing, sales and distribution of the Company's 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 the Company's markets. Within its primary market in the U.S., the Company offers a range of beverage alcohol products across the branded wine, imported beer and spirits categories, with separate distribution networks utilized for its imported beer and wine and spirits portfolios. Within its next largest market in Canada, the Company offers a range of beverage alcohol products primarily across the branded wine category. The environment for the Company's products is competitive in each of the Company's markets.

In the fourth quarter of fiscal 2013, pursuant to the Company's accounting policy, the Company performed its annual goodwill impairment analysis. No indication of impairment was noted for any of the Company's reporting units, as the fair value of each of the Company's reporting units with goodwill exceeded their carrying value. However, based on this analysis, the fair value of the Company's Wine and Spirits' Canadian reporting unit exceeded its carrying value by only 9%. For Second Quarter 2014 (as defined below), the Company identified certain negative trends within its Wine and Spirits' Canadian reporting unit which, when combined with recent changes in strategy within the Canadian business, indicated that the fair value of the reporting unit might be below its carrying value. These negative trends included a reduction in market growth rates for certain segments of the domestic Canadian wine industry as well as the identification that certain improvement initiatives had not materialized in segments of the Canadian business such as refreshments and wine kits. In addition, imported brands have been experiencing market growth within the Canadian market, and certain of the Company's non-Canadian branded wine products imported into Canada provide higher margin to the Company on a consolidated basis. Accordingly, the Company has modified its strategy to capitalize on this trend and shift focus from certain segments of the domestic business to imported brands. The Canadian reporting unit realizes only a portion of the overall profit attributable to imported brands whereas it realizes all of the profit attributable to the domestic business.

Therefore, the Company performed the two-step process to evaluate goodwill for impairment for the Wine and Spirits' Canadian reporting unit. In the first step, the fair value of the Canadian reporting unit was compared to the carrying value of the reporting unit, including goodwill. The estimate of fair value of the reporting unit was determined on the basis of discounted future cash flows. As the estimated fair value of the reporting unit was less than the carrying value of the reporting unit, a second step was performed to determine the amount of the goodwill impairment the Company should record. In the second step, an implied fair value of the reporting unit's goodwill was determined by comparing the fair value of the reporting unit with the fair value of the reporting unit's assets and liabilities other than goodwill (including any unrecognized intangible assets). In determining the estimated fair value of the reporting unit, the Company considered estimates of future operating results and cash flows of the reporting unit discounted using market based discount rates. The estimates of future operating results and cash flows were principally derived from the Company's updated long-term financial forecast, which was developed as part of the Company's new strategy for the Canadian business. The decline in the implied fair value of the goodwill and the resulting impairment loss was primarily driven by the updated long-term financial forecasts, which showed lower estimated future operating results primarily due to the change in the Company's strategy for the Canadian business. The implied fair value of the Canadian reporting unit's goodwill of \$154.8 million compared to the carrying value of the Canadian reporting unit's goodwill of \$433.9 million resulted in the recognition of an impairment of \$283.6 million. This impairment is included in impairment of goodwill and intangible assets on the Company's Consolidated Statements of Comprehensive Income. In estimating the fair value of the reporting unit, management made assumptions and projections regarding such items as future cash flows, future revenues, future earnings and other factors. The assumptions used in the estimate of fair value were consistent with historical trends and the projections and assumptions that were used in current strategic operating plans. These assumptions reflect management's estimates of future economic and competitive conditions and are, therefore, subject to change as a result of changing market conditions. If these estimates or their related assumptions change in the future, the Company may be required to record additional impairment losses for these assets.

For Second Quarter 2014, prior to the goodwill impairment analysis, the Company performed a review of indefinite lived intangible assets for impairment. The Company determined that certain trademarks associated with the Wine and Spirits' Canadian reporting unit were impaired largely due to lower revenue and profits associated with the related products included in the updated long-term financial forecasts developed as part of the Company's new strategy for the Canadian business. The Company measured the amount of impairment by calculating the amount by which the carrying value of these assets exceeded their estimated fair values. The fair value was determined based on an income approach using the relief from royalty method, which assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of trademark assets. The cash flow projections the Company uses to estimate the fair values of its trademarks involve several assumptions, including (i) projected revenue growth rates; (ii) estimated royalty rates; (iii) calculated after-tax royalty savings expected from ownership of the subject trademarks; and (iv) discount rates used to derive the present value factors used in determining the fair value of the trademarks. As a result of this review, trademarks for the Wine and Spirits' Canadian reporting unit with a carrying value of \$90.2 million were written down to their fair value of \$73.1 million, resulting in an impairment of \$17.3 million. This impairment is included in impairment of goodwill and intangible assets on the Company's Consolidated Statements of Comprehensive Income. The most significant assumptions used in the discounted cash flow projections to determine the fair value of intangible assets with indefinite lives in connection with impairment testing are: (i) the estimated royalty rate, (ii) the discount rate, (iii) the expected long-term growth rate and (iv) the annual cash flow projections. If the Company used a royalty rate that was 50 basis points lower or used a discount rate that was 50 basis points higher or used an expected long-term growth rate that was 50 basis points lower or used annual cash flow projections that were 100 basis points lower in its impairment testing of intangible assets with indefinite lives, these changes would have resulted in an additional impairment charge in the range of \$1.0 million to \$12.0 million for the Canadian reporting unit's indefinite lived intangible assets.

For the three months ended August 31, 2013 ("Second Quarter 2014"), the Company's net sales increased 109% over the three months ended August 31, 2012 ("Second Quarter 2013"), primarily due to the Beer Business Acquisition. Operating income increased significantly over the comparable prior year period primarily due to a nontaxable gain on the remeasurement to fair value of the Company's preexisting 50% equity interest in Crown Imports combined with the benefit from the Beer Business Acquisition, partially offset by the impairment of nondeductible goodwill and intangible assets. The significant increase in net income over the comparable prior year

period is primarily due to the items discussed above, partially offset by lower equity in earnings of Crown Imports and an increase in interest expense, net.

For the six months ended August 31, 2013 (“Six Months 2014”), the Company’s net sales increased 60% over the six months ended August 31, 2012 (“Six Months 2013”), primarily due to the Beer Business Acquisition and base branded (as defined below) wine volume growth. Operating income increased significantly over the comparable prior year period primarily due to the nontaxable gain on the remeasurement to fair value of the Company’s preexisting 50% equity interest in Crown Imports combined with the benefit from the Beer Business Acquisition, partially offset by the impairment of nondeductible goodwill and intangible assets. The significant increase in net income over the comparable prior year period is primarily due to the items discussed above, partially offset by lower equity in earnings of Crown Imports and an increase in interest expense, net.

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for Second Quarter 2014 compared to Second Quarter 2013 and Six Months 2014 compared to Six Months 2013, and (ii) financial liquidity and capital resources for Six Months 2014. This discussion and analysis also identifies certain restructuring charges and unusual items expected to affect consolidated results of operations of the Company for the year ending February 28, 2014 (“Fiscal 2014”). References to base branded exclude the impact of branded wine acquired in the acquisition of Mark West. This discussion and analysis should be read in conjunction with the Company’s consolidated financial statements and notes thereto included herein and in the Company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2013 (“Fiscal 2013”).

Acquisition in Fiscal 2014 and Fiscal 2013

Beer Business Acquisition

On June 7, 2013, the Company acquired (i) the remaining 50% equity interest in Crown Imports (the “Crown Acquisition”) and (ii)(a) all of the issued and outstanding equity interests of Compañía Cervecería de Coahuila, S. de R.L. de C.V., which owns and operates a brewery located in Nava, Coahuila, Mexico (the “Brewery”), (ii)(b) all of the issued and outstanding equity interests of Servicios Modelo de Coahuila, S. de R.L. de C.V., which provides personnel and services for the operation and maintenance of the Brewery, and (ii)(c) an irrevocable, fully-paid license to produce in Mexico (or worldwide under certain circumstances) and exclusively import, market and sell Modelo’s Mexican beer portfolio sold in the U.S. and Guam as of the date of the acquisition, and certain extensions (all collectively referred to as the “Brewery Purchase”). The Crown Acquisition and the Brewery Purchase are collectively referred to as the “Beer Business Acquisition.” In connection with the Beer Business Acquisition, the Company is required to build out and expand the Brewery to a nominal capacity of at least 20 million hectoliters of packaged beer annually by December 31, 2016. In addition, an interim supply agreement and a transition services agreement were entered into in association with the Beer Business Acquisition. The interim supply agreement obligates Modelo to provide Crown Imports with a supply of product not produced by the Brewery and the transition services agreement provides for certain specified services and production materials, both for a specified period of time. The associated agreements provide, among other things, that the United States will have approval rights, in its sole discretion, for amendments or modifications to the associated agreements and the United States will have a right of approval, in its sole discretion, of any extension of the term of the interim supply agreement beyond three years. The Beer Business Acquisition has positioned the Company as the third largest producer and marketer of beer for the U.S. market and the largest multi-category supplier (wine, spirits and beer) of beverage alcohol in the U.S. The estimated aggregate purchase price of \$5,226.4 million consists of cash paid at closing of \$4,745.0 million, net of cash acquired of \$106.8 million, plus additional estimated cash payments of \$588.2 million (expected to be paid within 12 months of closing) which represent an adjustment to the purchase price for the finalization of the 2012 EBITDA (as defined below) as well as certain working capital adjustments. The aggregate cash paid at closing was financed with:

- The proceeds from the issuance of \$1,550.0 million aggregate principal amount of May 2013 Senior Notes (as defined below);

- \$1,500.0 million in term loans consisting of a \$500.0 million European Term A Facility (as defined below) and a \$1,000.0 million European Term B Facility (as defined below) under the 2013 Credit Agreement (as defined below);
- \$675.0 million in term loans under the U.S. Term A-2 facility (as defined below) under the 2013 Credit Agreement;
- \$208.0 million in proceeds of borrowings under the Company's then existing accounts receivable securitization facility (as discussed below);
- \$580.0 million in borrowings under the revolving credit facility under the 2013 Credit Agreement;
- and
- Approximately \$232.0 million of cash on hand (inclusive of \$13.0 million of borrowings under a subsidiary working capital facility).

As a result of the closing of the Beer Business Acquisition without utilizing any of the commitments under an amended and restated bridge financing, this agreement terminated pursuant to its terms on June 7, 2013.

The primary additional estimated payment consists of an adjustment to the purchase price if the Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") of Modelo's operations relating to the profit on all sales of beer to Crown Imports during calendar 2012, as defined in the purchase agreement and referred to below as the "2012 EBITDA," is greater or less than \$310.0 million. If the 2012 EBITDA is less than \$310.0 million, the Company will be entitled to a purchase price refund equal to 9.3 times the amount by which the 2012 EBITDA is less than \$310.0 million. If the 2012 EBITDA is greater than \$310.0 million, the Company will be required to pay an additional purchase price equal to 9.3 times the amount by which the 2012 EBITDA is greater than \$310.0 million; provided, the increased purchase price may not exceed a cap based on a 2012 EBITDA of \$370.0 million. The potential undiscounted amount of all future payments that the Company could be required to make in connection with this adjustment is between \$0.0 million and \$558.0 million.

Prior to the Beer Business Acquisition, the Company accounted for its investment in Crown Imports under the equity method of accounting. In connection with the acquisition method of accounting, the Company's preexisting 50% equity interest was remeasured to its estimated fair value of \$1,845.0 million, and the Company recognized a gain of \$1,642.0 million on its Consolidated Statements of Comprehensive Income for the second quarter of fiscal 2014.

The Company has recognized acquisition-related costs of \$8.1 million and \$6.1 million for Second Quarter 2014 and Second Quarter 2013, respectively, and \$35.7 million and \$6.1 million for Six Months 2014 and Six Months 2013, respectively. Through August 31, 2013, the Company has incurred total acquisition-related costs of \$61.7 million, with \$35.7 million recognized for Six Months 2014 and \$26.0 million recognized for Fiscal 2013. These costs are included in selling, general and administrative expenses on the Company's Consolidated Statements of Comprehensive Income.

The results of operations of the Beer Business Acquisition are reported in the Company's Beer segment and are included in the consolidated results of operations of the Company from the date of acquisition. The Beer Business Acquisition is significant and the Company expects it to have a material impact on the Company's future results of operations, financial position and cash flows.

Mark West

In July 2012, the Company acquired Mark West for \$159.3 million. The transaction primarily includes the acquisition of the Mark West trademark, related inventories and certain grape supply contracts ("Mark West"). The purchase price was financed with revolver borrowings under the Company's then existing senior credit facility. The results of operations of Mark West are reported in the Wine and Spirits segment and are included in the consolidated results of operations of the Company from the date of acquisition.

Results of Operations**Second Quarter 2014 Compared to Second Quarter 2013***Net Sales*

The following table sets forth the net sales by reportable segment of the Company for Second Quarter 2014 and Second Quarter 2013.

<i>(in millions)</i>	Second Quarter 2014	Second Quarter 2013	% Increase (Decrease)
Beer	\$ 814.6	\$ 788.4	3 %
Wine and Spirits:			
Wine	629.1	615.9	2 %
Spirits	67.9	82.6	(18 %)
Wine and Spirits	697.0	698.5	— %
Consolidations and eliminations	(51.8)	(788.4)	93 %
Consolidated Net Sales	<u>\$ 1,459.8</u>	<u>\$ 698.5</u>	109 %

Net sales increased to \$1,459.8 million for Second Quarter 2014 from \$698.5 million for Second Quarter 2013 an increase of \$761.3 million, or 109%. This increase resulted primarily from \$762.8 million of net sales of products acquired in the Beer Business Acquisition. Prior to the Beer Business Acquisition, the results of operations of the Beer segment were eliminated in consolidation as the Company accounted for its preexisting 50% equity interest in Crown Imports under the equity method of accounting.

Beer

Net Sales for Beer increased to \$814.6 million for Second Quarter 2014 from \$788.4 million for Second Quarter 2013, an increase of \$26.2 million, or 3%. This increase resulted primarily from a favorable impact from Crown Imports' October 2012 price increase in select markets, combined with volume growth within the Mexican beer portfolio which benefited from continued consumer demand and increased advertising spend.

Wine and Spirits

Net sales for Wine and Spirits decreased to \$697.0 million for Second Quarter 2014 from \$698.5 million for Second Quarter 2013, a decrease of \$1.5 million. Wine net sales increased to \$629.1 million for Second Quarter 2014 from \$615.9 million for Second Quarter 2013, an increase of \$13.2 million, or 2%. This increase resulted primarily from base branded wine volume growth (predominantly in the U.S.), partially offset by higher U.S. promotional expense. Spirits net sales decreased to \$67.9 million for Second Quarter 2014 from \$82.6 million for Second Quarter 2013, a decrease of \$14.7 million, or (18%). This decrease resulted primarily from lower spirits volume due largely to timing of shipments.

Gross Profit

The Company's gross profit increased to \$577.0 million for Second Quarter 2014 from \$285.1 million for Second Quarter 2013, an increase of \$291.9 million, or 102%. This increase is due to gross profit from the Beer Business Acquisition of \$310.5 million, partially offset by an increase in unusual items, which consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment, of \$10.1 million, and a decrease in Wine and Spirits gross profit of \$8.5 million. The increase in unusual items is primarily due to flow through of inventory step up associated with the Beer Business Acquisition. The decrease in Wine and Spirits' gross profit is primarily due to the higher U.S. promotional expense, higher grape costs and the lower spirits volume, partially offset by the base branded wine volume growth.

The Beer segment's gross profit increased \$100.8 million, or 45%, primarily due to incremental gross profit from the Brewery Purchase and the favorable impact from the October 2012 price increase.

Gross profit as a percent of net sales decreased to 39.5% for Second Quarter 2014 compared to 40.8% for Second Quarter 2013 primarily due to the higher unusual items and higher U.S. promotional expense.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$244.1 million for Second Quarter 2014 from \$154.5 million for Second Quarter 2013, an increase of \$89.6 million, or 58%. This increase is primarily due to \$89.2 million of selling, general and administrative expenses from the Beer Business Acquisition. In addition, Wine and Spirits' selling, general and administrative expenses were down slightly primarily due to a decrease (on a constant currency basis) in general and administrative expenses of \$6.7 million, partially offset by an increase in selling expenses of \$3.4 million. The decrease in general and administrative expenses is primarily attributable to a favorable year-over-year overlap of losses on foreign currency transactions and a decrease in compensation and benefits driven by lower annual management incentive compensation expense. The increase in selling expenses is primarily due to a planned increase in selling spend behind the segment's branded wine and spirits portfolio.

The Beer segment's selling, general and administrative expenses increased \$14.3 million, or 17%, primarily due to a planned increase in advertising spend and an increase in general and administrative expenses resulting primarily from the unfavorable overlap of a recognition of a gain in the prior year in connection with the receipt of a payment terminating the right to distribute the St. Pauli Girl beer brand.

Selling, general and administrative expenses as a percent of net sales decreased to 16.7% for Second Quarter 2014 as compared to 22.1% for Second Quarter 2013 primarily due to the Beer Business Acquisition and the associated lower fixed overhead.

Impairment of Goodwill and Intangible Assets

For Second Quarter 2014, the Company recorded impairment losses of \$300.9 million consisting of impairments of goodwill and certain trademarks of \$283.6 million and \$17.3 million, respectively, related to its Wine and Spirits segment's Canadian reporting unit as more fully discussed in the Overview above. No such impairments were recorded for Second Quarter 2013.

Gain on Remeasurement to Fair Value of Equity Method Investment

As previously discussed, prior to the Beer Business Acquisition, the Company accounted for its investment in Crown Imports under the equity method of accounting. In connection with the acquisition method of accounting, the Company's preexisting 50% equity interest was remeasured to its estimated fair value of \$1,845.0 million, and the Company recognized a gain of \$1,642.0 million for Second Quarter 2014.

Operating Income

The following table sets forth the operating income (loss) by reportable segment of the Company for Second Quarter 2014 and Second Quarter 2013.

<i>(in millions)</i>	Second Quarter 2014	Second Quarter 2013	% Increase(Decrease)
Beer	\$ 229.9	\$ 143.4	60%
Wine and Spirits	154.8	161.3	(4%)
Corporate Operations and Other	(24.2)	(20.7)	(17%)
Consolidations and eliminations	(8.6)	(143.4)	94%
Total Reportable Segments	351.9	140.6	150%
Restructuring Charges and Unusual Items	1,322.1	(10.0)	NM
Consolidated Operating Income	\$ 1,674.0	\$ 130.6	NM

NM = Not Meaningful

As a result of the factors discussed above, consolidated operating income increased to \$1,674.0 million for Second Quarter 2014 from \$130.6 million for Second Quarter 2013, an increase of \$1,543.4 million. Restructuring charges and unusual items consist of a net gain of \$1,322.1 million for Second Quarter 2014 and a net loss of \$10.0 million for Second Quarter 2013. Restructuring charges and unusual items consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment. These amounts include:

<i>(in millions)</i>	Second Quarter 2014	Second Quarter 2013
Cost of Product Sold		
Flow through of inventory step-up	\$ 9.5	\$ 1.5
Amortization of favorable interim supply agreement	2.1	—
Cost of Product Sold	11.6	1.5
Selling, General and Administrative Expenses		
Transaction and related costs associated with pending and completed acquisitions	7.4	9.1
Restructuring charges	—	0.2
Other costs	—	(0.8)
Selling, General and Administrative Expenses	7.4	8.5
Impairment of Goodwill and Intangible Assets	300.9	—
Gain on Remeasurement to Fair Value of Equity Method Investment	(1,642.0)	—
Restructuring Charges and Unusual Items	\$ (1,322.1)	\$ 10.0

Equity in Earnings of Equity Method Investees

The Company's equity in earnings of equity method investees decreased to \$3.7 million in Second Quarter 2014 from \$70.5 million in Second Quarter 2013, a decrease of \$66.8 million, or (95%). This decrease is primarily due to lower equity in earnings of Crown Imports as a result of the Beer Business Acquisition and the consolidation of Crown Imports' results of operations from the date of acquisition.

Interest Expense, Net

Interest expense, net of interest income of \$2.0 million and \$1.5 million, for Second Quarter 2014 and Second Quarter 2013, respectively, increased to \$90.3 million for Second Quarter 2014 from \$54.6 million for Second Quarter 2013, an increase of \$35.7 million, or 65%. The increase was driven largely by higher average borrowings, partially offset by a lower weighted average interest rate on outstanding borrowings, both due primarily to the issuance of the May 2013 Senior Notes and borrowings under the 2013 Credit Agreement (both as defined below).

Provision for Income Taxes

The Company's effective tax rate for Second Quarter 2014 and Second Quarter 2013 was 4.1% and 14.9%, respectively. The Company's effective tax rate for Second Quarter 2014 was favorably impacted by the Beer Business Acquisition, primarily attributable to the recognition of the nontaxable gain on the remeasurement to fair value of the Company's preexisting 50% equity interest in Crown Imports of \$1,642.0 million, and the recognition of tax benefits of \$6.6 million related to the resolution of certain tax positions, partially offset by the write-off of nondeductible goodwill of \$283.6 million. The Company currently expects its Fiscal 2014 effective tax rate to approximate 11% primarily as a result of these Second Quarter 2014 items. The Company currently expects its effective tax rate for each of the next three fiscal years to approximate 32% primarily attributable to the Beer Business Acquisition. The Company's effective tax rate for Second Quarter 2013 was substantially impacted by the additional generation of foreign tax credits.

Net Income

As a result of the above factors, net income increased to \$1,522.0 million for Second Quarter 2014 from \$124.6 million for Second Quarter 2013.

Six Months 2014 Compared to Six Months 2013***Net Sales***

The following table sets forth the net sales by reportable segment of the Company for Six Months 2014 and Six Months 2013.

<i>(in millions)</i>	Six Months 2014	Six Months 2013	% Increase (Decrease)
Beer	\$ 1,576.2	\$ 1,512.5	4 %
Wine and Spirits:			
Wine	1,226.4	1,177.2	4 %
Spirits	144.0	156.1	(8 %)
Wine and Spirits	1,370.4	1,333.3	3 %
Consolidations and eliminations	(813.4)	(1,512.5)	46 %
Consolidated Net Sales	\$ 2,133.2	\$ 1,333.3	60 %

Net sales increased to \$2,133.2 million for Six Months 2014 from \$1,333.3 million for Six Months 2013 an increase of \$799.9 million, or 60%. This increase resulted primarily from \$762.8 million of net sales of products acquired in the Beer Business Acquisition. Prior to the Beer Business Acquisition, the results of operations of the Beer segment were eliminated in consolidation as the Company accounted for its preexisting 50% equity interest in Crown Imports under the equity method of accounting.

Beer

Net Sales for Beer increased to \$1,576.2 million for Six Months 2014 from \$1,512.5 million for Six Months 2013, an increase of \$63.7 million, or 4%. This increase resulted primarily from volume growth within the Mexican beer portfolio which benefited from continued consumer demand and increased advertising spend, combined with the favorable impact from Crown Imports' October 2012 price increase in select markets.

Wine and Spirits

Net sales for Wine and Spirits increased to \$1,370.4 million for Six Months 2014 from \$1,333.3 million for Six Months 2013, an increase of \$37.1 million, or 3%. Wine net sales increased to \$1,226.4 million for Six Months 2014 from \$1,177.2 million for Six Months 2013, an increase of \$49.2 million, or 4%. This increase resulted primarily from base branded wine volume growth (predominantly in the U.S.) and \$18.6 million of net sales of branded wine acquired in the acquisition of Mark West, partially offset by higher promotional expense predominantly within the U.S. base branded wine portfolio. Spirits net sales decreased to \$144.0 million for Six Months 2014 from \$156.1 million for Six Months 2013, a decrease of \$12.1 million, or (8%). This decrease resulted primarily from lower spirits volume due largely to timing of shipments.

Gross Profit

The Company's gross profit increased to \$833.1 million for Six Months 2014 from \$535.7 million for Six Months 2013, an increase of \$297.4 million, or 56%. This increase is due to gross profit from the Beer Business Acquisition of \$310.5 million, partially offset by an increase in unusual items, which consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment, of \$10.8 million, and a decrease in Wine and Spirits gross profit of \$2.3 million. The increase in unusual items is primarily due to flow through of inventory step up associated with the Beer Business Acquisition. The decrease in Wine and Spirits' gross profit is primarily due to the higher promotional expense combined with higher grape costs, partially offset by the base branded wine volume growth.

The Beer segment's gross profit increased \$115.2 million, or 26%, primarily due to incremental gross profit from the Brewery Purchase and the favorable impact from the October 2012 price increase.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$429.7 million for Six Months 2014 from \$299.0 million for Six Months 2013, an increase of \$130.7 million, or 44%. This increase is primarily due to \$89.2 million of selling, general and administrative expenses from the Beer Business Acquisition, combined with increases in (i) unusual items, which consist of certain amounts that are excluded by management in their evaluation of each operating segment, of \$27.8 million and (ii) the Wine and Spirits segment of \$9.6 million.

The Beer segment's selling, general and administrative expenses increased \$17.7 million, or 10%, primarily due to a planned increase in advertising spend and an increase in general and administrative expenses resulting primarily from the unfavorable overlap of a recognition of a gain in the prior year in connection with the receipt of a payment terminating the right to distribute the St. Pauli Girl beer brand.

The increase in unusual items consists of the following:

<i>(in millions)</i>	Six Months 2014	Six Months 2013	Increase (Decrease)
Transaction and related costs associated with pending and completed acquisitions	\$ 34.9	\$ 9.1	\$ 25.8
Deferred compensation	7.0	—	7.0
Restructuring charges	(0.9)	0.7	(1.6)
Other costs	(2.0)	1.4	(3.4)
	<u>\$ 39.0</u>	<u>\$ 11.2</u>	<u>\$ 27.8</u>

The increase in Wine and Spirits' selling, general and administrative expenses is primarily due to an increase (on a constant currency basis) in selling expenses of \$6.5 million. The increase in selling expenses is primarily due to a planned increase in selling spend behind the segment's branded wine and spirits portfolio.

Selling, general and administrative expenses as a percent of net sales decreased to 20.1% for Six Months 2014 as compared to 22.4% for Six Months 2013 primarily due to the Beer Business Acquisition and the associated lower fixed overhead, partially offset by the higher unusual items.

Impairment of Goodwill and Intangible Assets

For Six Months 2014, the Company recorded impairment losses of \$300.9 million consisting of impairments of goodwill and certain trademarks of \$283.6 million and \$17.3 million, respectively, related to its Wine and Spirits segment's Canadian reporting unit as more fully discussed in the Overview above. No such impairments were recorded for Six Months 2013.

Gain on Remeasurement to Fair Value of Equity Method Investment

As previously discussed, prior to the Beer Business Acquisition, the Company accounted for its investment in Crown Imports under the equity method of accounting. In connection with the acquisition method of accounting, the Company's preexisting 50% equity interest was remeasured to its estimated fair value of \$1,845.0 million, and the Company recognized a gain of \$1,642.0 million for Six Months 2014.

Operating Income

The following table sets forth the operating income (loss) by reportable segment of the Company for Six Months 2014 and Six Months 2013.

<i>(in millions)</i>	Six Months 2014	Six Months 2013	% Increase(Decrease)
Beer	\$ 363.9	\$ 266.4	37%
Wine and Spirits	282.4	294.3	(4%)
Corporate Operations and Other	(48.2)	(44.1)	(9%)
Consolidations and eliminations	(142.6)	(266.4)	46%
Total Reportable Segments	455.5	250.2	82%
Restructuring Charges and Unusual Items	1,289.0	(13.5)	NM
Consolidated Operating Income	<u>\$ 1,744.5</u>	<u>\$ 236.7</u>	NM

As a result of the factors discussed above, consolidated operating income increased to \$1,744.5 million for Six Months 2014 from \$236.7 million for Six Months 2013, an increase of \$1,507.8 million. Restructuring charges and unusual items consist of a net gain of \$1,289.0 million for Six Months 2014 and a net loss of \$13.5 million for Six Months 2013. Restructuring charges and unusual items consist of certain amounts that are excluded by management in their evaluation of the results of each operating segment. These amounts include:

<i>(in millions)</i>	Six Months 2014	Six Months 2013
Cost of Product Sold		
Flow through of inventory step-up	\$ 11.0	\$ 2.3
Amortization of favorable interim supply agreement	2.1	—
Cost of Product Sold	13.1	2.3
Selling, General and Administrative Expenses		
Transaction and related costs associated with pending and completed acquisitions	34.9	9.1
Deferred compensation	7.0	—
Restructuring charges	(0.9)	0.7
Other costs	(2.0)	1.4
Selling, General and Administrative Expenses	39.0	11.2
Impairment of Goodwill and Intangible Assets	300.9	—
Gain on Remeasurement to Fair Value of Equity Method Investment	(1,642.0)	—
Restructuring Charges and Unusual Items	\$ (1,289.0)	\$ 13.5

Equity in Earnings of Equity Method Investees

The Company's equity in earnings of equity method investees decreased to \$70.3 million in Six Months 2014 from \$131.1 million in Six Months 2013, a decrease of \$60.8 million, or (46%). This decrease is primarily due to lower equity in earnings of Crown Imports as a result of the Beer Business Acquisition and the consolidation of Crown Imports' results of operations from the date of acquisition.

Interest Expense, Net

Interest expense, net of interest income of \$3.9 million and \$2.9 million, for Six Months 2014 and Six Months 2013, respectively, increased to \$145.1 million for Six Months 2014 from \$105.3 million for Six Months 2013, an increase of \$39.8 million, or 38%. The increase was driven largely by higher average borrowings, partially offset by a lower weighted average interest rate on outstanding borrowings, both due primarily to the issuance of the May 2013 Senior Notes and borrowings under the 2013 Credit Agreement.

Provision for Income Taxes

The Company's effective tax rate for Six Months 2014 and Six Months 2013 was 5.7% and 24.3%, respectively. The Company's effective tax rate for Six Months 2014 was favorably impacted by the Beer Business Acquisition, primarily attributable to the recognition of the nontaxable gain on the remeasurement to fair value of the Company's preexisting 50% equity interest in Crown Imports of \$1,642.0 million, and the recognition of tax benefits of \$6.6 million related to the resolution of certain tax positions, partially offset by the write-off of nondeductible goodwill of \$283.6 million. The Company currently expects its Fiscal 2014 effective tax rate to approximate 11% primarily as a result of these Second Quarter 2014 items. The Company currently expects its effective tax rate for each of the next three fiscal years to approximate 32% primarily attributable to the Beer Business Acquisition. The Company's effective tax rate for Six Months 2013 was substantially impacted by the additional generation of foreign tax credits.

Net Income

As a result of the above factors, net income increased to \$1,574.9 million for Six Months 2014 from \$196.6 million for Six Months 2013.

Financial Liquidity and Capital Resources

General

The Company's principal use of cash in its operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. The Company's primary source of liquidity has historically been cash flow from operations, except during annual grape harvests when the Company has relied on short-term borrowings. In the U.S., Canada and Italy, the annual grape crush normally begins in August and runs through October. In New Zealand, the annual grape crush normally begins in February and runs through May. The Company generally begins taking delivery of grapes at the beginning of the crush season with the majority of payments for such grapes coming due within 90 days. The Company's short-term borrowings to support such purchases generally reach their highest levels one to two months after the crush season has ended. Historically, the Company has used cash flow from operating activities to repay its short-term borrowings and fund capital expenditures. The Company will continue to use its short-term borrowings, including its accounts receivable securitization facilities, to support its working capital requirements.

The Company has maintained adequate liquidity to meet current working capital requirements, fund capital expenditures and repay scheduled principal and interest payments on debt. Absent deterioration of market conditions, the Company believes that cash flows from operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, scheduled principal and interest payments on debt, and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

As previously discussed in the Overview section above, the Company has entered into certain agreements with respect to the Beer Business Acquisition. The aggregate cash paid was financed with:

- The proceeds from the issuance of \$1,550.0 million aggregate principal amount of May 2013 Senior Notes;
- \$1,500.0 million in term loans consisting of a \$500.0 million European Term A Facility and a \$1,000.0 million European Term B Facility under the 2013 Credit Agreement;
- \$675.0 million in term loans under the U.S. Term A-2 facility under the 2013 Credit Agreement;
- \$208.0 million in proceeds of borrowings under the Company's then existing accounts receivable securitization facility;
- \$580.0 million in borrowings under the revolving credit facility under the 2013 Credit Agreement;
- and
- Approximately \$232.0 million of cash on hand (inclusive of \$13.0 million of borrowings under a subsidiary working capital facility).

As of September 30, 2013, the Company had a borrowing capacity of \$802.3 million available under its 2013 Credit Agreement. The member financial institutions participating in the Company's 2013 Credit Agreement have complied with prior funding requests and the Company believes the member financial institutions will comply with ongoing funding requests. However, there can be no assurances that any particular financial institution will continue to do so in the future. In addition, the CBI SPV and the Crown SPV (both as defined below) have borrowing capacity available under their respective accounts receivable securitization facilities (see additional discussion below under "Accounts Receivable Securitization Facilities").

Six Months 2014 Cash Flows

Operating Activities

Net cash provided by operating activities for Six Months 2014 of \$489.0 million resulted primarily from net income of \$1,574.9 million, less net noncash items recognized in the Consolidated Statements of Comprehensive Income of \$1,268.7 million plus net cash provided by the net change in the Company's operating assets and liabilities of \$158.0 million.

The net noncash items consisted primarily of the gain on remeasurement to fair value of the Company's preexisting 50% equity interest in Crown Imports, partially offset by the impairment of goodwill and intangible assets and depreciation expense. The net cash provided by the net change in the Company's operating assets and liabilities resulted primarily from a decrease in inventories of \$67.4 million and an increase in other accrued expenses and liabilities of \$59.8 million. The decrease in inventories is primarily due to timing as early June inventory levels from the Beer Business Acquisition were at higher levels (as compared to the end of August) to support the strong summer selling season for beer, combined with the seasonality of the U.S. wine business which generally experiences lower levels of inventory before the fall grape harvest. The increase in other accrued expenses and liabilities is primarily due to increases in income taxes payable and accrued interest which are both largely due to the timing of payments.

Investing Activities

Net cash used in investing activities for Six Months 2014 was \$4,719.4 million, which resulted primarily from the Beer Business Acquisition of \$4,672.9 million and capital expenditures of \$49.2 million.

Financing Activities

Net cash provided by financing activities for Six Months 2014 was \$4,020.8 million resulting primarily from proceeds from issuance of long-term debt of \$3,725.0 million, net proceeds from notes payable of \$272.1 million, proceeds from exercises of employee stock options of \$77.5 million and excess tax benefits from stock-based payment awards of \$53.8 million; partially offset by payment of financing costs of long-term debt of \$82.2 million.

Share Repurchases

In April 2012, the Company's Board of Directors authorized the repurchase of up to \$1.0 billion of the Company's Class A Common Stock and Class B Convertible Common Stock (the "2013 Authorization"). The Board of Directors did not specify a date upon which the 2013 Authorization would expire. Share repurchases under the 2013 Authorization may be accomplished at management's discretion from time to time based on market conditions, the Company's cash and debt position, and other factors as determined by management. Shares may be repurchased through open market or privately negotiated transactions. The Company may fund future share repurchases with cash generated from operations, proceeds from borrowings under its accounts receivable securitization facilities or proceeds from revolver borrowings under its senior credit facility. Any repurchased shares will become treasury shares.

During Six Months 2013, the Company repurchased 14,023,985 shares of Class A Common Stock pursuant to the 2013 Authorization at an aggregate cost of \$296.7 million, or an average cost of \$21.15 per share, through open market transactions. The Company used proceeds from the April 2012 Senior Notes (as defined below), revolver borrowings under its prior two senior credit facilities, and cash generated from operations to pay the purchase price for the repurchased shares. The repurchased shares have become treasury shares. No shares were repurchased during Six Months 2014.

Debt

Total debt outstanding as of August 31, 2013, amounted to \$7,300.5 million, an increase of \$3,995.1 million from February 28, 2013. This increase was due largely to the issuance of the \$1,550.0 million May 2013 Senior Notes and \$2,175.0 million in term loan borrowings under the 2013 Credit Agreement to fund a portion of the purchase price for the Beer Business Acquisition.

Senior Credit Facility

In connection with the Beer Business Acquisition, on May 2, 2013 (the “Restatement Date”), the Company, CIH International S.à r.l., an indirect wholly owned subsidiary of the Company (“CIH” and together with the Company, the “Borrowers”), and Bank of America, N.A., as administrative agent (the “Administrative Agent”), and certain other lenders (all such parties other than either of the Borrowers are collectively referred to as the “Lenders”) entered into a Restatement Agreement (the “Restatement Agreement”) that amended and restated the Company’s prior senior credit facility (as amended and restated by the Restatement Agreement, the “2013 Credit Agreement”). The Restatement Agreement was entered into by the Company to arrange a portion of the debt to finance the Beer Business Acquisition. The effective date of the Restatement Agreement, June 7, 2013, was the date on which all of the conditions to the 2013 Credit Agreement were satisfied, which occurred on the date of the closing of the Beer Business Acquisition (the “Restatement Effective Date”).

The 2013 Credit Agreement provides for aggregate credit facilities of \$3,787.5 million, consisting of a \$515.6 million U.S. term loan facility maturing on June 7, 2018 (the “U.S. Term A Facility”), a \$246.9 million U.S. term loan facility maturing on June 7, 2019 (the “U.S. Term A-1 Facility”), a \$675.0 million delayed draw U.S. term loan facility maturing on June 7, 2018 (the “U.S. Term A-2 Facility”), a \$500.0 million delayed draw European term loan facility maturing on June 7, 2018 (the “European Term A Facility”), a \$1,000.0 million European term loan facility maturing on June 7, 2020 (the “European Term B Facility”), and an \$850.0 million revolving credit facility (including a sub-facility for letters of credit of up to \$200.0 million) which terminates on June 7, 2018 (the “Revolving Credit Facility”). The 2013 Credit Agreement also permits the Company from time to time after the Restatement Effective Date to elect to increase the Lenders’ revolving credit commitments or add one or more tranches of additional term loans, subject to the willingness of existing or new lenders to fund such increase or term loans and other customary conditions. The minimum aggregate principal amount of such incremental revolving credit commitment increases or additional term loans may be no less than \$25.0 million and the maximum aggregate principal amount of all such incremental revolving credit commitment increases and additional term loans, other than term loans the proceeds of which are applied to repay existing term loans, may be no more than \$750.0 million. A portion of the borrowings under the 2013 Credit Agreement were used to refinance the outstanding obligations under the Company’s prior senior credit facility with the remainder used to finance a portion of the purchase price for the Beer Business Acquisition and related expenses. The Company intends to use the remaining availability under the 2013 Credit Agreement for general corporate purposes.

The rate of interest for borrowings, excluding the European Term B Facility, under the 2013 Credit Agreement is a function of LIBOR plus a margin or the base rate plus a margin. The rate of interest for the European Term B Facility borrowings under the 2013 Credit Agreement is a function of LIBOR, subject to a minimum rate of 0.75%, plus a margin; or the base rate, subject to a minimum rate of 1.75%, plus a margin. The margin is adjustable based upon the Company’s debt ratio (as defined in the 2013 Credit Agreement). As of August 31, 2013, the LIBOR margin for the U.S. Term A Facility, the U.S. Term A-2 Facility, the European Term A Facility and the Revolving Credit Facility was 2.0%; the LIBOR margin for the U.S. Term A-1 Facility was 2.25%; and the LIBOR margin for the European Term B Facility was 2.0%.

The principal changes to the Company’s prior senior credit facility effected by the 2013 Credit Agreement are (i) changes to the rate and term of the revolving credit facility and outstanding term loan facilities that took effect on the Restatement Effective Date, and a new \$675.0 million delayed draw U.S. Term A-2 Facility that replaced the former delayed draw term A-2 facility, and (ii) the creation of a \$1,500.0 million delayed draw European term loan facility consisting of the \$500.0 million European Term A Facility and the \$1,000.0 million European Term B Facility. The Company is the borrower under the U.S. term loan facilities. CIH is the borrower

under the European term loan facilities. The 2013 Credit Agreement also modified the maximum net debt coverage ratio financial covenant.

The U.S. obligations under the 2013 Credit Agreement are guaranteed by certain of the Company's U.S. subsidiaries. These obligations are also secured by a pledge of (i) 100% of the ownership interests in certain of the Company's U.S. subsidiaries and (ii) 55-65% of certain interests of certain of the Company's foreign subsidiaries. The European obligations under the 2013 Credit Agreement are guaranteed by the Company. These obligations are also secured by a pledge of (i) 100% of certain interests in certain of CIH's subsidiaries and (ii) 100% of the ownership interests in certain of the Company's U.S. subsidiaries and 55-65% of certain interests of certain of the Company's foreign subsidiaries.

The Company and its subsidiaries are also subject to covenants that are contained in the 2013 Credit Agreement, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness), additional liens, mergers and consolidations, the payment of dividends, the making of certain investments, prepayments of certain debt, transactions with affiliates, agreements that restrict the Company's non-guarantor subsidiaries from paying dividends, and dispositions of property, 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 debt coverage ratio.

As of August 31, 2013, under the 2013 Credit Agreement, the Company had outstanding borrowings under the U.S. Term A Facility of \$515.6 million bearing an interest rate of 2.2%, U.S. Term A-1 Facility of \$246.9 million bearing an interest rate of 2.4%, U.S. Term A-2 Facility of \$675.0 million bearing an interest rate of 2.2%, European Term A Facility of \$500.0 million bearing an interest rate of 2.2%, European Term B Facility of \$1,000.0 million bearing an interest rate of 2.8%, Revolving Credit Facility of \$78.0 million bearing an interest rate of 2.2%, outstanding letters of credit of \$14.1 million, and \$757.9 million in revolving loans available to be drawn.

As of August 31, 2013, the required principal repayments under the term loans of the 2013 Credit Agreement for the remaining six months of fiscal 2014 and for each of the five succeeding fiscal years and thereafter are as follows:

<i>(in millions)</i>	U.S. Term A Facility	U.S. Term A-1 Facility	U.S. Term A-2 Facility	European Term A Facility	European Term B Facility	Total
2014	\$ 12.9	\$ 1.2	\$ 16.9	\$ 12.5	\$ 5.0	\$ 48.5
2015	25.8	2.5	33.7	25.0	10.0	97.0
2016	38.7	2.5	50.6	37.5	10.0	139.3
2017	51.5	2.5	67.5	50.0	10.0	181.5
2018	51.5	2.5	67.5	50.0	10.0	181.5
2019	335.2	2.4	438.8	325.0	10.0	1,111.4
Thereafter	—	233.3	—	—	945.0	1,178.3
	<u>\$ 515.6</u>	<u>\$ 246.9</u>	<u>\$ 675.0</u>	<u>\$ 500.0</u>	<u>\$ 1,000.0</u>	<u>\$ 2,937.5</u>

As of September 30, 2013, under the 2013 Credit Agreement, the Company had outstanding borrowings under the U.S. Term A Facility of \$509.2 million bearing an interest rate of 2.2%, U.S. Term A-1 Facility of \$246.9 million bearing an interest rate of 2.4%, U.S. Term A-2 Facility of \$666.6 million bearing an interest rate of 2.2%, European Term A Facility of \$493.8 million bearing an interest rate of 2.2%, European Term B Facility of \$997.5 million bearing an interest rate of 2.8%, Revolving Credit Facility of \$33.6 million bearing an interest rate of 2.4%; outstanding letters of credit of \$14.1 million; and \$802.3 million in revolving loans available to be drawn.

In April 2012, the Company transitioned its interest rate swap agreement to a one-month LIBOR base rate versus the then existing three-month LIBOR base rate. Accordingly, the Company entered into a new interest rate swap agreement which was designated as a cash flow hedge for \$500.0 million of the Company's floating LIBOR rate debt. In addition, the then existing interest rate swap agreement was dedesignated by the Company and the Company entered into an additional undesignated interest rate swap agreement for \$500.0 million to offset the

prospective impact of the newly undesignated interest rate swap agreement. The unrealized losses in AOCI related to the dedesignated interest rate swap agreements are being reclassified from AOCI ratably into earnings in the same period in which the original hedged item is recorded in the Consolidated Statements of Comprehensive Income. Accordingly, the Company has fixed its interest rates on \$500.0 million of the Company's floating LIBOR rate debt at an average rate of 2.8% (exclusive of borrowing margins) through September 1, 2016. For both Six Months 2014 and Six Months 2013, the Company reclassified net losses of \$4.1 million, net of income tax effect, from AOCI to interest expense, net, on the Company's Consolidated Statements of Comprehensive Income. For both Second Quarter 2014 and Second Quarter 2013, the Company reclassified net losses of \$2.0 million, net of income tax effect, from AOCI to interest expenses, net, on the Company's Consolidated Statements of Comprehensive Income.

Senior Notes

On April 17, 2012, the Company issued \$600.0 million aggregate principal amount of 6% Senior Notes due May 2022 (the "April 2012 Senior Notes"). The net proceeds of the offering (\$591.4 million) were used for general corporate purposes, including, among others, reducing the outstanding indebtedness under the Company's prior senior credit facility and common stock share repurchases under the 2013 Authorization. Interest on the April 2012 Senior Notes is payable semiannually on May 1 and November 1 of each year, beginning November 1, 2012. The April 2012 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount plus a make whole payment based on the present value of the future payments at the adjusted Treasury Rate plus 50 basis points. The April 2012 Senior Notes are senior unsecured obligations and rank equally in right of payment to all existing and future senior unsecured indebtedness of the Company. Certain of the Company's U.S. subsidiaries guarantee the April 2012 Senior Notes on a senior unsecured basis. As of August 31, 2013, the Company had outstanding \$600.0 million aggregate principal amount of April 2012 Senior Notes.

On May 14, 2013, the Company issued \$500.0 million aggregate principal amount of 3.75% Senior Notes due May 2021 (the "May 2013 Eight Year Senior Notes") and \$1,050.0 million aggregate principal amount of 4.25% Senior Notes due May 2023 (the "May 2013 Ten Year Senior Notes") and, together with the May 2013 Eight Year Senior Notes, the "May 2013 Senior Notes"). The Company used the net proceeds from the offering (\$1,535.5 million) to fund a portion of the purchase price for the Beer Business Acquisition. Interest on the May 2013 Senior Notes is payable semiannually on May 1 and November 1 of each year, beginning November 1, 2013. The May 2013 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount plus a make whole payment based on the present value of the future payments at the adjusted Treasury Rate plus 50 basis points. The May 2013 Senior Notes are senior unsecured obligations that rank equally with the Company's other senior unsecured indebtedness. Certain of the Company's U.S. subsidiaries guarantee the May 2013 Senior Notes on a senior unsecured basis. In connection with the issuance of the May 2013 Senior Notes, the Company and Manufacturers and Traders Trust Company, as Trustee, escrow agent, and securities intermediary, entered into an agreement (the "May 2013 Escrow Agreement"), pursuant to which an amount equal to 100% of the principal amount of the May 2013 Senior Notes (collectively, with any other property from time to time held by the escrow agent, the "May 2013 Escrowed Property") was placed into an escrow account to be released to the Company upon the closing of the Beer Business Acquisition. In accordance with the terms of the May 2013 Escrow Agreement, in connection with the closing of the Beer Business Acquisition, the May 2013 Escrowed Property was released to the Company and used to fund a portion of the purchase price for the Beer Business Acquisition. As of August 31, 2013, the Company had outstanding \$1,550.0 million aggregate principal amount of May 2013 Senior Notes.

Accounts Receivable Securitization Facilities

On December 4, 2012, the Company entered into a 364-day revolving trade accounts receivable securitization facility (the "CBI Facility"). Under the CBI Facility, trade accounts receivable generated by the Company and certain of its subsidiaries are sold by the Company to a wholly-owned bankruptcy remote single purpose subsidiary (the "CBI SPV"), which is consolidated with the Company for financial reporting purposes. Such trade accounts receivable have been pledged by the CBI SPV to secure borrowings under the CBI Facility. The Company will continue to service the trade accounts receivable as servicer for the CBI Facility. The trade accounts receivable balances related to the CBI Facility will continue to be reported as accounts receivable on the

Company's Consolidated Balance Sheets, but the trade accounts receivable will at all times be owned by the CBI SPV and be included on the financial statements of the Company to comply with generally accepted accounting principles. Any borrowings under the CBI Facility will be recorded as secured borrowings and will bear interest at a rate based on a margin of 100 basis points plus the conduit lender's cost of funds or, if such borrowings were not funded by commercial paper issuances by the conduit lender, one-month LIBOR. The CBI Facility provides borrowing capacity of \$65.0 million up to \$250.0 million structured to account for the seasonality of the Company's business, subject to further limitations based upon various pre-agreed formulas. As of August 31, 2013, the CBI SPV had outstanding borrowings under the CBI Facility of \$194.1 million bearing an interest rate of 1.2%.

On October 1, 2013, the Company and the CBI SPV amended and restated the CBI Facility (the "Amended CBI Facility"). The Amended CBI Facility remains a 364-day revolving trade accounts receivable securitization facility. Under the Amended CBI Facility, there are two lenders, one holding 60% of the aggregate facility and the other holding 40% of the aggregate facility. Any borrowings under the Amended CBI Facility will be recorded as secured borrowings and will bear interest as follows: (i) 60% of the borrowings are charged at that lender's cost of funds plus a margin of 90 basis points and (ii) 40% of the borrowings are charged at one-month LIBOR plus a margin of 90 basis points. The Amended CBI Facility provides borrowing capacity of \$190.0 million up to \$290.0 million structured to account for the seasonality of the Company's business, subject to further limitations based upon various pre-agreed formulas. As of October 10, 2013, the CBI SPV had aggregate outstanding borrowings under the Amended CBI Facility of \$217.9 million bearing a weighted average interest rate of 1.1%.

Also, on October 1, 2013, Crown Imports entered into a 364-day revolving trade accounts receivable securitization facility (the "Crown Facility"). Under the Crown Facility, trade accounts receivable generated by Crown Imports are sold by Crown Imports to its wholly-owned bankruptcy remote single purpose subsidiary (the "Crown SPV"), which is consolidated with the Company for financial reporting purposes. Such trade accounts receivable have been pledged by the Crown SPV to secure borrowings under the Crown Facility. Crown Imports will continue to service the trade accounts receivable as servicer for the Crown Facility. The trade accounts receivable balances related to the Crown Facility will continue to be reported as accounts receivable on the Company's Consolidated Balance Sheets, but the trade accounts receivable will at all times be owned by the Crown SPV and be included on the financial statements of the Company to comply with generally accepted accounting principles. Under the Crown Facility, there are two lenders, one holding 60% of the aggregate facility and the other holding 40% of the aggregate facility. Any borrowings under the Crown Facility will be recorded as secured borrowings and will bear interest as follows: (i) 60% of the borrowings are charged at that lender's cost of funds plus a margin of 90 basis points and (ii) 40% of the borrowings are charged at one-month LIBOR plus a margin of 90 basis points. The Crown Facility provides borrowing capacity of \$100.0 million up to \$160.0 million structured to account for the seasonality of Crown Imports' business. As of October 10, 2013, the Crown SPV had aggregate outstanding borrowings under the Crown Facility of \$40.0 million bearing a weighted average interest rate of 1.1%.

Contractual Obligations and Commitments

In May 2013, the Company issued \$1,550.0 million aggregate principal amount of May 2013 Senior Notes and borrowed \$208.0 million under the Company's then existing accounts receivable securitization facility. In June 2013, the Company drew down \$2,175.0 million in term loan debt and \$580.0 million in revolver borrowings under the 2013 Credit Agreement. The following table provides payments due by period for the Company's notes payable to banks and long-term debt outstanding as of August 31, 2013:

	PAYMENTS DUE BY PERIOD				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
(in millions)					
Contractual obligations					
Notes payable to banks	\$ 272.1	\$ 272.1	\$ —	\$ —	\$ —
Long-term debt (excluding unamortized discount)	\$ 7,031.7	\$ 67.1	\$ 755.5	\$ 1,768.3	\$ 4,440.8

The above table excludes the potential maximum undiscounted amount of the future payment of \$558.0 million for the 2012 EBITDA in connection with the Beer Business Acquisition as it has not yet been finalized. The amount, once finalized, is expected to be paid within 12 months of the closing of the Beer Business Acquisition.

Accounting Guidance Not Yet Adopted

Liabilities –

In February 2013, the FASB issued guidance for the recognition, measurement and disclosure of certain obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. The Company is required to adopt this guidance for its annual and interim periods beginning March 1, 2014. In addition, this guidance requires retrospective application. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Foreign currency –

In March 2013, the FASB issued amended guidance to clarify the applicable guidance for the release of foreign currency cumulative translation adjustments under generally accepted accounting principles in the U.S. The amended guidance clarifies when cumulative translation adjustments should be released into net income in connection with (i) the loss of a controlling financial interest in a subsidiary or group of assets within a foreign entity or (ii) the partial sale of an equity method investment that is a foreign entity. The amended guidance also clarifies the types of events that result in the sale of an investment in a foreign entity. The Company is required to adopt this amended guidance for its annual and interim periods beginning March 1, 2014. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

Income taxes –

In July 2013, the FASB issued amended guidance to clarify the presentation of unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists as of the reporting date. The Company is required to adopt this amended guidance for its annual and interim periods beginning March 1, 2014. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

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 the Company’s 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, including without limitation (I) the statements under Part I – Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding (i) the Company’s business strategy, future financial position, prospects, plans and objectives of management, (ii) the Company’s expected restructuring charges and other costs, (iii) information concerning expected or potential actions of third parties, (iv) information concerning the future expected balance of supply and demand for wine, (v) the expected impact upon results of operations resulting from the Company’s decision to consolidate its U.S. distributor network, (vi) the duration of the share repurchase implementation, (vii) information concerning the purchase price allocation, including asset valuations, (viii) the Company’s effective tax rate, and (ix) the amount of cash payment for the purchase price adjustment and certain working capital adjustments and (II) the statements regarding the expansion of the Mexican brewery and its timeframe for completion are forward-looking statements. 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. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it 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 the Company competes, the forward-looking statements of the Company contained in this Quarterly Report on Form 10-Q are also subject to the risk and uncertainty that (i) the actual balance of supply and demand for wine products will vary from current expectations due to, among other reasons, actual shipments to distributors and actual consumer demand, (ii) the Company’s restructuring charges and other costs may vary materially from current expectations due to, among other reasons, variations in anticipated headcount reductions, contract terminations or modifications and/or other costs of implementation, (iii) the amount and timing of any additional share repurchases may vary due to market conditions, the Company’s cash and debt position, the impact of the Beer Business Acquisition and other factors as determined by management from time to time, (iv) final management determinations and independent appraisals relating to purchase price allocation will vary from current management estimates, (v) the actual amount of cash payment for the purchase price adjustment and certain working capital adjustments may differ from the Company’s current expectations due to the actual 2012 EBITDA from Modelo’s operations, and (vi) the timeframe for the brewery expansion may vary from the Company’s current expectations due to market conditions, the Company’s cash and debt position, and other factors as determined by management. For additional information about risks and uncertainties that could adversely affect the Company’s forward-looking statements, please refer to Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company, as a result of its global operating, acquisition and financing activities, is exposed to market risk associated with changes in foreign currency exchange rates, diesel fuel prices and interest rates. To manage the volatility relating to these risks, the Company periodically purchases and/or sells derivative instruments including foreign currency forward and option contracts, diesel fuel swap agreements and interest rate swap agreements. The Company uses derivative instruments solely to reduce the financial impact of these risks and does not use derivative instruments for trading purposes.

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 acquisitions or

joint venture investments outside the U.S. As of August 31, 2013, the Company had exposures to foreign currency risk primarily related to the Mexican peso, euro, New Zealand dollar and Canadian dollar.

As of August 31, 2013, and August 31, 2012, the Company had outstanding foreign currency derivative instruments with an absolute notional value of \$935.5 million and \$472.5 million, respectively. As of August 31, 2013, approximately 51.8% of the Company's balance sheet exposures and forecasted transactional exposures for the remainder of fiscal 2014 were hedged. The estimated fair value of the Company's foreign currency derivative instruments was a net asset of \$1.0 million and \$0.1 million as of August 31, 2013, and August 31, 2012, respectively. Using a sensitivity analysis based on estimated fair value of open contracts using forward rates, if the contract base currency had been 10% weaker as of August 31, 2013, and August 31, 2012, the fair value of open foreign currency contracts would have been increased by \$16.9 million and decreased by \$9.1 million, respectively. Losses or gains from the revaluation or settlement of the related underlying positions would substantially offset such gains or losses on the derivative instruments.

As of August 31, 2013, and August 31, 2012, the Company had outstanding diesel fuel swap agreements with an absolute notional value of \$36.6 million and \$13.9 million, respectively. The estimated fair value of the Company's diesel fuel swap agreements was a net asset of \$1.5 million as of August 31, 2013 and August 31, 2012. Using a sensitivity analysis based on estimated fair value of open contracts using forward rates, if the contract base price had been 10% weaker as of August 31, 2013, and August 31, 2012, the fair value of open diesel fuel contracts would have been decreased by \$3.4 million and \$1.5 million, respectively.

The fair value of fixed interest rate debt is subject to interest rate risk, credit risk and foreign currency risk. The estimated fair value of the Company's total fixed interest rate debt, including current maturities, was \$4,263.7 million and \$3,565.1 million as of August 31, 2013, and August 31, 2012, respectively. A hypothetical 1% increase from prevailing interest rates as of August 31, 2013, and August 31, 2012, would have resulted in a decrease in the fair value of the fixed interest rate long-term debt by \$205.7 million and \$179.1 million, respectively.

As of August 31, 2013, and August 31, 2012, the Company had an outstanding cash flow designated interest rate swap agreement to minimize interest rate volatility. As of August 31, 2013, and August 31, 2012, the swap agreement fixed LIBOR interest rates on \$500.0 million of the Company's floating LIBOR rate debt at an average rate of 2.8% (exclusive of borrowing margins) through September 1, 2016. In addition, the Company had offsetting undesignated interest rate swap agreements with an absolute notional value of \$1.0 billion outstanding as of August 31, 2013, and August 31, 2012. The estimated fair value of the Company's interest rate swap agreements was a net liability of \$32.3 million and \$49.4 million as of August 31, 2013, and August 31, 2012, respectively. A hypothetical 1% increase from prevailing interest rates as of August 31, 2013, and August 31, 2012, would have favorably increased the fair value of the interest rate swap agreements by \$14.2 million and \$19.2 million, respectively.

In addition to the \$4,263.7 million and \$3,565.1 million estimated fair value of fixed interest rate debt outstanding as of August 31, 2013, and August 31, 2012, respectively, the Company also had variable interest rate debt outstanding (primarily LIBOR-based), certain of which includes a fixed margin. As of August 31, 2013, and August 31, 2012, the estimated fair value of the Company's total variable interest rate debt, including current maturities, was \$2,965.5 million and \$768.6 million, respectively. A hypothetical 1% increase from prevailing interest rates as of August 31, 2013, and August 31, 2012, would have resulted in a decrease in the fair value of the variable interest rate long-term debt by \$124.7 million and \$32.7 million, respectively.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and its 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 the Company files or submits 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 the Company's management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The Beer Business Acquisition was significant to the Company and was consummated effective June 7, 2013. Upon consummation of the Beer Business Acquisition, Crown Imports LLC became a consolidated subsidiary and ceased being accounted for under the equity method. The Company currently expects to include Crown Imports LLC within management's annual assessment of internal control over financial reporting for the year ending February 28, 2014; however, the Company intends to take a period of time to fully incorporate the Mexican brewery operations it acquired in connection with the Beer Business Acquisition into its evaluation of internal control over financial reporting. In connection with the foregoing evaluation by the Company's Chief Executive Officer and its Chief Financial Officer, other than as noted above, no 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 the Company's fiscal quarter ended August 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

In order to effect the Beer Business Acquisition, the Company had signed definitive agreements with Anheuser-Busch InBev SA/NV ("ABI") to acquire the 50% ownership in Crown Imports LLC which it did not already own, all the capital stock of the entity which owns and operates a brewery located in Nava, Coahuila, Mexico (the "Brewery"), all the capital stock of the entity which provides personnel and services for the operation and maintenance of the Brewery, and an irrevocable, fully-paid and perpetual license to produce in Mexico (or worldwide under certain circumstances) and exclusively import, market and sell Modelo's (as defined below) Mexican beer portfolio sold in the U.S., the District of Columbia and Guam as of the date of the Beer Business Acquisition, and certain extensions, through a sub-license agreement. The closing of these transactions was subject to certain conditions, including the receipt of any required regulatory approvals, and the consummation of certain transactions between ABI and Grupo Modelo, S.A.B de C.V. ("Modelo") and certain of its affiliates. These transactions were consummated on June 7, 2013.

On January 31, 2013, the United States Department of Justice Antitrust Division (the "DOJ") brought an action against ABI and Modelo in United States District Court for the District of Columbia (the "District Court") seeking to enjoin their transaction alleging that ABI's acquisition of Modelo would likely substantially lessen competition and therefore, was illegal and in violation of Section 7 of the Clayton Act. On February 8, 2013, the Company and Crown Imports LLC moved to intervene. The action was initially stayed until March 19, 2013, which was subsequently extended until April 9, 2013, and finally until April 23, 2013. On April 19, 2013, the Company, ABI and Modelo entered into, and filed with the District Court, a Stipulation and Order to Hold Separate and to Join Constellation Brands, Inc. (the "Stipulation and Order") and a Proposed Final Judgment with the DOJ. Pursuant to

the Stipulation and Order, the Company was added as a defendant to the action for the purposes of settlement and for entry of a final judgment.

Under the terms of the Stipulation and Order and the Proposed Final Judgment, ABI and Modelo agreed to the prompt and certain divestiture of certain rights and assets held by them. Pursuant to the Proposed Final Judgment, (i) the Company and ABI agreed to amend certain agreements to be executed in connection with the then proposed acquisition of the equity interest in Crown Imports and the Brewery and (ii) the Company is obligated to build-out and expand the Brewery to a nominal capacity of at least 20 million hectoliters of packaged beer annually by December 31, 2016, and to use its best efforts to achieve certain construction milestones by specified dates. In addition, the Proposed Final Judgment provides the United States with approval rights, in its sole discretion, for amendments or modifications to the agreements between the Company and ABI. The Proposed Final Judgment also provides the United States with a right of approval, in its sole discretion, of any extension beyond three years of the term of the Interim Supply Agreement that was entered into between the Company and ABI.

As previously reported in the Company's Form 10-Q for the fiscal quarter ended May 31, 2013, on April 22, 2013, the District Court signed the Stipulation and Order and Proposed Final Judgment, permitting the Company and ABI to consummate the transactions described above. The Stipulation and Order and Proposed Final Judgment is subject to a 60-day public comment period as required under the Antitrust Procedures and Penalties Act. That comment period expired July 22, 2013. The DOJ responded to public comments on September 13, 2013, and on September 25, 2013, moved the Court for entry of the Proposed Final Judgment. The Company is awaiting the Judge's determination.

An action had been filed by private parties against the Company, ABI, and Modelo alleging certain antitrust claims and seeking to enjoin the proposed transaction between ABI and Modelo. On June 4, 2013, the United States District Court for the Northern District of California denied plaintiffs' Motion for a Temporary Restraining Order and, as noted above, the transaction was consummated on June 7, 2013.

As also previously reported in the Company's Form 10-Q for the fiscal quarter ended May 31, 2013, on June 25, 2013, plaintiffs filed a Second Amended and Supplemental Complaint in which they alleged the proposed transaction was violative of the antitrust laws and sought both injunctive relief and monetary damages. On June 28, 2013, the Company filed a Motion to Dismiss the Second Amended and Supplemental Complaint and plaintiffs filed additional procedural motions. On August 9, 2013, hearings were held before a district judge and a magistrate judge for the U.S. District Court for the Northern District of California for the three pending motions. On August 26, 2013, the magistrate judge denied plaintiffs' discovery motion. The Company and its co-defendants filed a supplemental reply on September 6, 2013, completing briefing on the Motion to Dismiss. On September 13, 2013, the Complaint was dismissed and the district judge denied plaintiffs' other procedural motions.

Item 4. Mine Safety Disclosures.

Not Applicable.

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 located on page 64 of this report. The Index to Exhibits is incorporated herein by reference.

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.

Dated: October 10, 2013

CONSTELLATION BRANDS, INC.

By: /s/ David M. Thomas

David M. Thomas, Senior Vice President,
Finance and Controller

Dated: October 10, 2013

By: /s/ Robert Ryder

Robert Ryder, Executive Vice President and
Chief Financial Officer (principal financial
officer and principal accounting officer)

INDEX TO EXHIBITS

Exhibit No.

- 2.1 Membership Interest Purchase Agreement, dated as of June 28, 2012, among Constellation Beers Ltd., Constellation Brands Beach Holdings, Inc., Constellation Brands, Inc. and Anheuser-Busch InBev SA/NV (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated June 28, 2012, filed July 2, 2012 and incorporated herein by reference.) +
- 2.2 Amended and Restated Membership Interest Purchase Agreement, dated as of February 13, 2013, among Constellation Beers Ltd., Constellation Brands Beach Holdings, Inc., Constellation Brands, Inc. and Anheuser-Busch InBev SA/NV (filed as Exhibit 2.1 to the Company's Amendment No. 1 to Current Report on Form 8-K/A dated February 13, 2013, filed February 25, 2013 and incorporated herein by reference.) +
- 2.3 First Amendment dated as of April 19, 2013, to the Amended and Restated Membership Interest Purchase Agreement, dated as of February 13, 2013, among Constellation Beers Ltd., Constellation Brands Beach Holdings, Inc., Constellation Brands, Inc. and Anheuser-Busch InBev SA/NV (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated April 19, 2013, filed April 19, 2013 and incorporated herein by reference.) +
- 2.4 Stock Purchase Agreement dated as of February 13, 2013, between Anheuser-Busch InBev SA/NV and Constellation Brands, Inc. (filed as Exhibit 2.2 to the Company's Amendment No. 1 to Current Report on Form 8-K/A dated February 13, 2013, filed February 25, 2013 and incorporated herein by reference.) +
- 2.5 First Amendment dated as of April 19, 2013, to the Stock Purchase Agreement dated as of February 13, 2013, between Anheuser-Busch InBev SA/NV and Constellation Brands, Inc. (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K dated April 19, 2013, filed April 19, 2013 and incorporated herein by reference.) +
- 3.1 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.)
- 3.2 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.)
- 3.3 Amended and Restated By-Laws of the Company (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference.) #
- 4.1 Indenture, dated as of August 15, 2006, by and among the Company, as Issuer, certain subsidiaries, as Guarantors and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated August 15, 2006, filed August 18, 2006 and incorporated herein by reference.) #
- 4.2 Supplemental Indenture No. 1, with respect to 7.25% Senior Notes due 2016, dated as of August 15, 2006, among the Company, as Issuer, certain subsidiaries, as Guarantors, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, dated August 15, 2006, filed August 18, 2006 and incorporated herein by reference.) #
- 4.3 Supplemental Indenture No. 2, dated as of November 30, 2006, by and among the Company, Vincer International Partnership, Vincer International II, LLC, Vincer Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincer Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.28 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference.) #
- 4.4 Supplemental Indenture No. 3, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.32 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference.) #
- 4.5 Supplemental Indenture No. 4, with respect to 8 3/8% Senior Notes due 2014, dated as of December 5, 2007, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and The Bank of New York Trust Company, N.A., (as successor to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 5, 2007, filed December 11, 2007 and incorporated herein by reference.) #
- 4.6 Supplemental Indenture No. 5, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.37 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference.) #

- 4.7 Supplemental Indenture No. 6, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.31 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference.)
- 4.8 Supplemental Indenture No. 7, dated as of June 7, 2013, among Constellation Brands Beach Holdings, Inc., Crown Imports LLC, Constellation Brands, Inc., and The Bank of New York Mellon Trust Company, National Association, as trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.)
- 4.9 Indenture, with respect to 7.25% Senior Notes due May 2017, dated May 14, 2007, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and The Bank of New York Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated May 9, 2007, filed May 14, 2007 and incorporated herein by reference.) #
- 4.10 Supplemental Indenture No. 1, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.39 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference.) #
- 4.11 Supplemental Indenture No. 2, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.34 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference.)
- 4.12 Supplemental Indenture No. 3, dated as of June 7, 2013, among Constellation Brands Beach Holdings, Inc., Crown Imports LLC, Constellation Brands, Inc., and The Bank of New York Mellon Trust Company, National Association, as trustee (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.)
- 4.13 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.)
- 4.14 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 (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.)
- 4.15 Supplemental Indenture No. 2, with respect to 4.625% Senior Notes due March 2023, dated as of August 14, 2012, 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 August 14, 2012, filed August 17, 2012 and incorporated herein by reference.)
- 4.16 Supplemental Indenture No. 3, with respect to 3.75% Senior Notes due May 2021, dated as of May 14, 2013, among Constellation Brands, Inc., 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.)
- 4.17 Supplemental Indenture No. 4, with respect to 4.25% Senior Notes due May 2023, dated as of May 14, 2013, among Constellation Brands, Inc., 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.)
- 4.18 Supplemental Indenture No. 5, dated as of June 7, 2013, among Constellation Brands Beach Holdings, Inc., Crown Imports LLC, Constellation Brands, Inc., 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.)
- 4.19 Restatement Agreement, dated as of May 2, 2013, among the Company, CIH, Bank of America, N.A., as administrative agent, and the lenders party thereto, including Second Amended and Restated Credit Agreement dated as of May 2, 2013, among the Company, CIH, 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 May 2, 2013, filed May 7, 2013 and incorporated herein by reference.)
- 4.20 Joinder Agreement, dated as of June 7, 2013, between CIH International S.à r.l., Bank of America, N.A., as administrative agent and lender (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.)

- 4.21 Second Amended and Restated Interim Loan Agreement dated as of February 13, 2013, among Constellation Brands, Inc., Bank of America, N.A., as administrative agent, and the lenders party thereto (filed as Exhibit 4.1 to the Company's Amendment No. 1 to Current Report on Form 8-K/A dated February 13, 2013, filed February 25, 2013 and incorporated herein by reference.)
- 4.22 Amendment and Waiver, dated as of May 29, 2013, between Constellation Brands, Inc., Bank of America, N.A., as administrative agent, and the lenders party thereto (filed as Exhibit 4.5 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.)
- 10.1 Amended and Restated Guarantee Agreement, dated as of June 7, 2013, 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 Second Amended and Restated Credit Agreement dated as of May 2, 2013 (filed as Exhibit 10.4 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.)
- 10.2 Guarantee Agreement, dated as of June 28, 2012, made by the subsidiaries of the Company from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Lenders under the Interim Loan Agreement dated as of June 28, 2012 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated June 28, 2012, filed July 2, 2012 and incorporated herein by reference.)
- 10.3 Guarantor Consent and Reaffirmation dated as of February 13, 2013, made by the subsidiaries of the Company from time to time party thereto in favor of Bank of America, N.A., as Administrative Agent, for the ratable benefit of the Bridge Lenders under the Second Amended and Restated Interim Loan Agreement dated as of February 13, 2013, among Constellation Brands, Inc., Bank of America, N.A., as administrative agent, and the lenders party thereto (filed as Exhibit 10.1 to the Company's Amendment No. 1 to Current Report on Form 8-K/A dated February 13, 2013, filed February 25, 2013 and incorporated herein by reference.)
- 10.4 Interim Supply Agreement, dated as of June 7, 2013, between Grupo Modelo, S.A.B. de C. V. and Crown Imports LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.) +
- 10.5 Amended and Restated Sub-license Agreement, dated as of June 7, 2013, between Marcas Modelo, S. de R.L. de C.V. and Constellation Beers Ltd. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.) +
- 10.6 Transition Services Agreement, dated as of June 7, 2013, between Anheuser-Busch InBev SA/NV and Constellation Brands, Inc. (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, dated June 7, 2013, filed June 11, 2013 and incorporated herein by reference.) +
- 10.7 Form of Restricted Stock Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (relating to cliff vested awards) (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated July 24, 2013, filed July 26, 2013 and incorporated herein by reference.) *
- 10.8 Form of Performance Share Unit Agreement with respect to the Company's Long-Term Stock Incentive Plan (relating to brewery expansion awards) (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, dated July 24, 2013, filed July 26, 2013 and incorporated herein by reference.) *
- 10.9 Executive Employment Agreement made as of June 17, 2013, between Constellation Brands, Inc. and Thomas M. Kane (filed herewith.) *
- 10.10 Executive Employment Agreement made as of June 17, 2013, among Crown Imports LLC, Constellation Brands, Inc., and William F. Hackett (filed herewith.) *
- 10.11 Crown Imports LLC 2007 Supplemental Executive Retirement Plan (as amended and restated effective January 1, 2011) (filed herewith.) *
- 10.12 Crown Imports LLC 2011 Supplemental Executive Retirement Plan (filed herewith.) *
- 31.1 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.)
- 31.2 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.)
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (filed herewith.)
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (filed herewith.)

- 99.1 Constellation Brands, Inc. 1989 Employee Stock Purchase Plan (amended and restated as of July 24, 2013) (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, dated July 24, 2013, filed July 26, 2013 and incorporated herein by reference.) *
- 101.1 The following materials from the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of August 31, 2013 and February 28, 2013, (ii) Consolidated Statements of Comprehensive Income for the six months and three months ended August 31, 2013 and 2012, (iii) Consolidated Statements of Cash Flows for the six months ended August 31, 2013 and 2012, and (iv) Notes to Consolidated Financial Statements.
 - # Company's Commission File No. 001-08495.
 - + Portions of this exhibit were redacted pursuant to a confidential treatment request filed with and approved by the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.
 - * Designates management contract or compensatory plan or arrangement.

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.

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is made as of June 17, 2013 between Constellation Brands, Inc., a Delaware corporation (“Constellation”), and Thomas M. Kane (“Executive”).

Executive has contributed substantially to the growth and success of Constellation. Accordingly, Constellation desires to retain Executive’s services as set forth in the Agreement and to provide the necessary consideration to assure such services.

Constellation and Executive therefore agree as follows:

1. **Employment.** Constellation hereby employs Executive as its Executive Vice President and Chief Human Resources Officer or in such other senior executive position with Constellation or its affiliates as Constellation and Executive shall mutually agree upon. Executive hereby accepts the employment specified herein, agrees to perform, in good faith, the duties, consistent with his position, to abide by the terms and conditions described in this Agreement and to devote his full working time and best efforts to Constellation and its affiliates. These obligations shall not restrict Executive from engaging in customary activities as a director or trustee of other business or not-for-profit organizations so long as such activities, in the reasonable opinion of Constellation or its Board of Directors, do not materially interfere with the performance of Executive’s responsibilities under this Agreement or create a real or apparent conflict of interests.

2. **Term.** The term of this Agreement shall commence on the date set forth above and shall expire on February 28, 2014, provided that on February 28, 2014, and on each subsequent anniversary thereof, the term shall automatically be extended by the parties for an additional one-year period, until Constellation gives Executive notice, not less than 180 days prior to February 28, 2014, or an anniversary thereof, of a decision not to extend the Agreement for an additional one-year period.

3. **Compensation.** During the term of Executive’s employment, Constellation shall pay him a base salary at the rate of \$425,000 per annum or such greater amount as the Human Resources Committee of the Board shall determine (“Base Salary”). Such Base Salary shall be payable in accordance with Constellation’s standard payroll practices for senior executives. Constellation may pay Executive a bonus in such amount and at such time or times as the Human Resources Committee of the Board shall determine.

4. **Reimbursement for Expenses/Benefits.** Executive shall be expected to incur various reasonable business expenses customarily incurred by persons holding like positions, including but not limited to traveling, entertainment and similar expenses incurred for the benefit of Constellation. Constellation shall reimburse Executive for such expenses from time to time, at Executive’s request, and Executive shall account to Constellation for such expenses. Executive shall participate in such benefit plans that are generally made available to all executives of Constellation.

5. **Definitions.**

“Board” or “Board of Directors” means the Board of Directors of Constellation Brands, Inc.

“COBRA” means the continuation of health care rules of Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended.

“Code” means the Internal Revenue Code of 1986, as amended.

“For Cause Termination” means Constellation terminates Executive for (1) any intentional, non-incident misappropriation of funds or property of Constellation by Executive; (2) unreasonable (and persistent) neglect or refusal by Executive to perform his duties as provided in Section 1 hereof and which he does not remedy within thirty days after receipt of written notice from Constellation; (3) the material breach by Executive of any provision of Sections 8 or 10 which he does not remedy within thirty days after receipt of written notice from Constellation; or (4) conviction of Executive of a felony.

“Good Reason Termination” means Executive terminates his employment under this Agreement for “good reason” upon 30 days’ notice to Constellation given within 90 days following the occurrence of any of the following events without his consent, each of which shall constitute a “good reason” for such termination; provided that the

following events shall not constitute "good reason" if the event is remedied by Constellation within 30 days after receipt of notice given by Executive to Constellation specifying the event:

- (a) Constellation acts to materially reduce Executive's employment band or materially reduce Executive's duties and responsibilities;
- (b) Constellation materially reduces the amount of Executive's Base Salary; or
- (c) Constellation materially breaches this Agreement.

"Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Department regulations and other authoritative guidance issued thereunder.

"Termination Date" means the date of the Executive's "separation from service" (within the meaning of Section 409A) from Constellation.

6. Consequence of Termination or Expiration of Agreement. If (i) Executive voluntarily ceases employment with Constellation and its affiliates, quits or terminates this Agreement for any reason other than a Good Reason Termination, or (ii) Constellation terminates the employment of Executive in a For Cause Termination, then Executive's rights and Constellation's obligations hereunder shall forthwith terminate except that Executive shall be paid, as soon as administratively practicable after the Termination Date, all earned but unpaid base salary, accrued paid time off and accrued but unreimbursed expenses required to be reimbursed under this Agreement.

If Executive's employment with Constellation and its affiliates terminates on the date that this Agreement expires or if, during the term of this Agreement, Executive's employment with Constellation and its affiliates is terminated (i) by Executive for a Good Reason Termination or (ii) by Constellation for any reason other than a For Cause Termination, then Executive shall be entitled to the following (which shall be in full and complete satisfaction of all of Constellation's obligations under this Agreement):

- (a) Constellation shall pay to Executive all earned but unpaid Base Salary, accrued paid time off and accrued but unreimbursed expenses required to be reimbursed under this Agreement; and
 - (b) Constellation shall pay to Executive a cash amount equal to two (2) times his Base Salary as in effect on the Termination Date plus two (2) times his Previous Bonus (as defined below). For purposes of this Agreement, "Previous Bonus" shall equal the average annual cash bonus paid to Executive over the three most recently completed fiscal years, whether under Constellation's Annual Management Incentive Plan or as part of another annual cash bonus program; and
 - (c) Commencing on the first business day of the month following the month in which the Termination Date occurs and for the 23 months following such date, Constellation shall pay Executive an amount equal to the monthly cost of Executive's medical and dental coverage as of the Termination Date taking into account both Constellation's and Executive's cost for such coverage; provided that the first payment shall not be made until the first business day occurring on or after the forty-fifth (45th) day following the Termination Date and the payment on that date shall include all payments that would otherwise have been paid absent this forty-five (45) day delay; and
 - (d) For the eighteen (18) month period commencing on the first business day occurring on or after the forty-fifth (45th) day after the Termination Date, Constellation shall provide Executive with reasonable outplacement services; and
 - (e) Constellation shall provide Executive with the opportunity to purchase continued health care coverage under Constellation's plans as required by COBRA; and
 - (f) Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor will any payments hereunder be subject to offset in respect of compensation earned as a result of Executive's employment with another employer subsequent to the Executive's termination with Constellation and its affiliates.
-

7. Timing of Payments

All payments under Section 6(a) shall be due and payable, as soon as administratively practicable after the Termination Date. All payments under Section 6(b) shall be due and payable in a single lump sum amount on the first business day occurring on or after the forty-fifth (45th) day after the Termination Date. Payments or benefits set forth in Sections 6(c)-(d) shall be paid or provided at such times set forth therein. Notwithstanding any provision in this Agreement to the contrary, no amounts or benefits under Sections 6(b)-(d) shall be paid to Executive hereunder unless Executive signs and executes a release substantially in the form attached hereto as Exhibit A and such release becomes effective and nonrevocable within forty-five (45) days after the Termination Date.

Notwithstanding any provision in this Agreement to the contrary, in the event that Executive is a "specified employee" (within the meaning of Section 409A) on the Termination Date and Constellation determines that delaying the payment of amounts under this Agreement is necessary to comply with the requirements of Section 409A, the payments under Sections 6(b) and 6(c) that would have otherwise been paid within the six month period after the Termination Date shall instead be paid on the first business day of the seventh month following the Termination Date. The timing of all payments and benefits under this Agreement shall be made consistent with the requirements of Section 409A to the extent a payment or benefit is subject to such requirements.

8. Restrictive Covenant.

(a) Executive agrees that (i) during the period of his employment hereunder and (ii) provided that Executive is entitled to the payment under Section 6(b) or is terminated due to a For Cause Termination, for a period of two (2) years after he ceases employment, he will not, without the written consent of Constellation, seek or obtain a position with a Competitor (as defined below) in which Executive will use or is likely to use any confidential information or trade secrets of Constellation or any affiliate of Constellation, or in which Executive 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 Executive for Constellation or any affiliate of Constellation. The parties agree that Executive may continue service on any boards of directors on which he is serving while employed by Constellation or its affiliates. If Executive's employment is terminated by Executive for a Good Reason Termination or by Constellation for any reason other than a For Cause Termination, then Constellation will not unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding Executive's new position.

(b) Executive understands and agrees that the relationship between Constellation and its affiliates and each of their respective employees constitutes a valuable asset of Constellation and its affiliates and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that (i) during the period of his employment hereunder and (ii) for a period of twelve months (12) months after he ceases employment, Executive shall not directly or indirectly, on his own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Constellation or any affiliate of 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.

(c) For the purposes of this Section 8, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation or any affiliate of Constellation including, but not limited to manufacturing, importing, exporting, distributing or selling wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy and/or Mexico. The parties acknowledge that Constellation or its affiliates 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 Executive agrees that this Agreement 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 8. "Competitor" means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(d) Executive agrees that, due to his position of trust and confidence, the restrictions contained in this Section 8 are reasonable, and the benefits conferred on him in this Agreement, including his compensation, are adequate consideration, and, since the nature of Constellation's and its affiliates' collective business is international in scope, the geographic restriction herein is reasonable.

(e) Executive acknowledges that a breach of this Section 8 will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, he acknowledges that the

remedies of injunction and specific performance shall be available in the event of such a breach, and Constellation 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 8 shall be extended for a period of time equal to the duration of any breach or violation thereof.

(f) In the event of Executive's breach of this Section 8, in addition to the injunctive relief described above, Constellation's remedy shall include (i) the right to require Executive to account for and pay over to Constellation all compensation, profits, monies, accruals, increments or other benefits derived or received by Executive as the result of any transactions constituting a breach of the restrictive covenants in this Section 8, and (ii) in the case of a breach during the term of Executive's employment hereunder, the termination of all compensation otherwise payable to Executive under Sections 3 and 4 with respect to the period of time after such breach, or (iii) in the case of a breach during the period described in Section 8(a)(ii) or 8(b)(ii) above, the forfeiture to Constellation of any payment made under Sections 6(b) herein.

(g) In the event that any provision of this Section 8 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 8 enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement.

9. Limitation on Payments. Notwithstanding anything contained in this Agreement or any other compensation plan to the contrary, if upon or following a change in the "ownership or effective control" of Constellation or in the "ownership of a substantial portion of the assets" of Constellation (each within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code (the "Excise Tax") applies to any payments, benefits and/or amounts received by the Executive pursuant to this Agreement or otherwise, including, without limitation, any benefits received by the Executive as a result of any automatic vesting, lapse of restrictions and/or accelerated target or performance achievement provisions, or otherwise, applicable to outstanding grants or awards to the Executive under any of Constellation's incentive plans, including without limitation, Constellation's Long-Term Stock Incentive Plan (collectively, the "Total Payments"), then the Total Payments shall be reduced so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, Constellation shall reduce or eliminate the Total Payments by eliminating or reducing the payment under Section 6(b) and then, if necessary eliminating or reducing the payment under Section 6(c). In the case of reductions under Section 6(c) the payments shall be reduced in reverse order beginning with the payments which are to be paid the farthest in time.

10. Trade Secrets and Confidential Information. Executive agrees that unless duly authorized in writing by Constellation, he will neither during his employment by Constellation or its affiliates nor at any time thereafter divulge or use in connection with any business activity other than that of Constellation or its affiliates any trade secrets or confidential information first acquired by him during and by virtue of his employment with Constellation or its affiliates.

11. Indemnification. Constellation and its successors and/or assigns will indemnify, hold harmless, and defend Executive to the fullest extent permitted by the law of the State of Delaware and the Certificate of Incorporation and By-Laws of Constellation as in effect on the date of this Agreement with respect to any claims that may be brought against Executive arising out of any action taken or not taken by Executive in his capacity as an employee, officer or director of Constellation. In addition, Constellation will advance to Executive reasonable legal fees and expenses, as such fees and expenses are incurred by Executive, to the fullest extent permitted by law, subject only to any requirements as are imposed by law. Executive shall not unreasonably withhold his consent to the settlement of any claim for monetary damages for which Executive is entitled to full indemnification hereunder. Executive shall be covered, in respect of his activities as an officer or director of Constellation, by any Directors and Officers liability policy or other similar policies maintained or obtained by Constellation or any of its successors and/or assigns to the fullest extent permitted by such policies. Notwithstanding anything to the contrary contained in this Agreement, Executive's rights under this Section 11 shall survive the Termination Date and the expiration or termination of this Agreement and shall continue without limit for so long as Executive may be subject to any claims covered by this Section 11. No amendment to the Certificate of Incorporation or By-Laws of Constellation after the date of this Agreement will affect or impair Executive's rights under this Section 11 even with respect to any action taken or not taken by Executive after the effective date of any such amendment.

12. Notice. Any and all notices referred to herein shall be sufficient if furnished in writing and sent by registered mail to the parties.

13. Transferability. The rights, benefits and obligations of Constellation under this Agreement shall be transferable, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by or against, its successors and assigns. Whenever the term “Constellation” is used in this Agreement, such term shall mean and include Constellation Brands, Inc. and its successors and assigns. The rights and benefits of Executive under this Agreement shall not be transferable other than rights to property or compensation that may pass on his death to his estate or beneficiaries through his will or the laws of descent and distribution and the terms of any Constellation compensation or benefit plan.

14. Severability. If any provision of this Agreement or the application thereof is held invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any other provisions of this Agreement which can be given effect without the invalid or unenforceable provision, and to this end the provisions of this Agreement are to be severable.

15. Amendment; Waiver. This Agreement contains the entire agreement of the parties with respect to the employment of Executive by Constellation and/or its affiliates and upon execution of this Agreement supersedes any previous agreement with Constellation and/or its affiliates. No amendment or modification of this Agreement shall be valid unless evidenced by a written instrument executed by the parties hereto. No waiver by either party of any breach by the other party of any provision or conditions of this Agreement shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time.

16. Tax Withholding. Constellation may withhold from any payments due to Executive hereunder such amounts as Constellation may determine are required to be withheld under applicable federal, state and local tax laws. To the extent that there are no cash payments to withhold upon, Executive shall promptly remit to Constellation cash payments that are sufficient to cover all applicable withholdings.

17. Section 409A. The parties intend that benefits under this Agreement are to be either exempt from, or comply with, the requirements of Section 409A, and this Agreement shall be interpreted and administered in accordance with the intent that Executive not be subject to tax under Section 409A. If any provision of the Agreement would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended so as to avoid the conflict. Any reference in this Agreement to “terminates employment”, “employment with Constellation and its affiliates terminates”, or similar phrase shall mean an event that constitutes a “separation from service” within the meaning of Section 409A. Constellation shall not be responsible for any tax, penalty, interest or similar assessment imposed on Executive as a consequence of Section 409A. Each payment hereunder shall be treated as a separate payment for purposes of Section 409A.

18. Governing Law. This Agreement shall be governed by and construed under and in accordance with the laws of the State of New York without regard to principles of conflicts of laws.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Executive Employment Agreement as of the date first set forth above.

CONSTELLATION BRANDS, INC.

By: /s/ Robert Sands
Name: Robert Sands
Title: President and Chief Executive Officer

/s/ Thomas M. Kane
Thomas M. Kane

Exhibit A

FULL AND FINAL RELEASE OF CLAIMS

1. In consideration of the payments provided for in Sections 6(b)-(d) of the Executive Employment Agreement (hereinafter referred to as the "Employment Agreement") between **CONSTELLATION BRANDS, INC.** and **THOMAS M. KANE** (hereinafter referred to as "Executive"), which is attached hereto and forms a part of this Full and Final Release of Claims, on behalf of himself, his heirs, administrators and assigns, Executive hereby releases and forever discharges Constellation Brands, Inc., its subsidiaries and affiliates and each of its and their respective officers, directors, employees, servants and agents, and their successors and assigns, (hereinafter collectively referred to as "Constellation Released Parties") jointly and severally from any and all actions, causes of action, contracts and covenants, whether express or implied, claims and demands for damages, indemnity, costs, attorneys' fees, interest, loss or injury of every nature and kind whatsoever arising under any federal, state, or local law, or the common law, which Executive may heretofore have had, may now have or may hereinafter have in any way relating to any matter, including but not limited to, any matter related to Executive's employment by Constellation Released Parties and the termination of that employment; provided, however, nothing in this Full and Final Release of Claims shall release (i) Executive's right to receive the payments or benefits provided for in Sections 6(b)-(d) of the Employment Agreement, (ii) Executive's vested benefits under Constellation Brands, Inc.'s pension plans or rights under any existing stock options held by Executive, or (iii) any right to indemnification or advancement of expenses pursuant to Section 11 of the Employment Agreement or the Certificate of Incorporation or By-laws of Constellation Brands, Inc. (the items in the foregoing clauses (i) through (iii) are hereinafter referred to as the "Preserved Rights").

a. This Full and Final Release of Claims covers, without limitation, any claims of discrimination, unlawful retaliation or harassment, or denial of rights, on the basis of any protected status, characteristic or activity, including, but not limited to, sex, disability, handicap, race, color, religion, creed, national origin, ancestry, citizenship, ethnic characteristics, sexual orientation, marital status, military status, or age (including, without limitation, any right or claim arising under the Age Discrimination in Employment Act), need for a leave of absence, or complaint about discrimination, harassment, or other matter, arising under any state, federal, or local law (whether statutory or common law), regulation or ordinance which may be applicable to his employment by Constellation Released Parties. This Full and Final Release of Claims also covers, without limitation, any claims of wrongful termination, breach of express or implied contract, breach of implied covenant of good faith and fair dealing, violation of public policy, intentional or negligent infliction of emotional distress, defamation, invasion of privacy, fraud or negligent misrepresentation, intentional or negligent interference with contractual relations, and any other common law tort. Except to the extent that they constitute Preserved Rights, this Full and Final Release of Claims also covers any claims for severance pay, bonus, life insurance, health and medical insurance, disability benefits, or any other fringe benefit, and claims related to any other transaction, occurrence, act, or omission or any loss, damage or injury whatsoever, known or unknown, resulting from any act or omission by or on the part of Constellation Released Parties, or any of them, committed or omitted prior to the date of this Full and Final Release of Claims.

b. Executive understands and agrees that the giving of the aforementioned consideration is deemed to be no admission of liability on the part of the Constellation Released Parties.

c. In the event that Executive should hereafter make any claim or demand or commence or threaten to commence any action, claim or proceeding against the Constellation Released Parties for or by reason of any cause, matter or thing other than a Preserved Right, this document may be raised as a complete bar to any such claim, demand or action.

2. By signing this Full and Final Release of Claims, Executive acknowledges that:

a. He has been afforded a reasonable and sufficient period of time to review, and deliberate thereon, and has been specifically urged by Constellation Released Parties to consult with legal counsel or a representative of his choice before signing this Full and Final Release of Claims and that he has had a fair opportunity to do so; and

b. He has carefully read and understands the terms of this Full and Final Release of Claims; and

- c. He has signed this Full and Final Release of Claims freely and voluntarily and without duress or coercion and with full knowledge of its significance and consequences, and of the rights and claims relinquished, surrendered, released and discharged hereunder; and
- d. He acknowledges he is not entitled to the consideration described above in the absence of signing this Full and Final Release of Claims; and
- e. The consideration which he is receiving in exchange for his release of claims is of value to him; and
- f. The only consideration for signing this Full and Final Release of Claims are the terms stated herein, and no other promise, agreement or representation of any kind has been made to him by any person or entity whatsoever to cause him to sign this Full and Final Release of Claims; and
- g. He was offered a minimum period of at least twenty-one (21) days after his receipt of this Full and Final Release of Claims to review and consider it and for deliberation thereon, and, to the extent he has elected to sign it prior to the expiration of the twenty-one (21) day period, he does so voluntarily on his own initiative without any inducement or encouragement on the part of the Constellation Released Parties to do so.
- h. He understands that this Full and Final Release of Claims may be revoked in writing by him at any time during the period of seven (7) calendar days following the date of his execution of this Full and Final Release of Claims by delivering such written revocation to _____, at his office located at _____, New York _____. If such seven-day revocation period expires without his exercising his revocation right, the obligations of this Full and Final Release of Claims will then become fully effective as more fully set forth herein.

IN WITNESS WHEREOF, Executive has hereunto executed this Full and Final Release of Claims by affixing his hand this ____ day of _____, 20__ in the presence of the witness whose signature is subscribed below.

Thomas M. Kane

Sworn to before me this
____ day of _____, 20__.

Notary Public

IN WITNESS WHEREOF, _____ has hereunto executed this Full and Final Release of Claims on behalf of Constellation Brands, Inc., its subsidiaries, affiliates, by affixing [his/her] hand this ____ day of _____, 20__ in the presence of the witness whose signature is subscribed below.

[Name]
[Title]

Sworn to before me this
____ day of _____, 20__.

Notary Public

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement is made as of June 17, 2013 between Crown Imports LLC, a Delaware limited liability company ("Crown"), Constellation Brands, Inc., a Delaware corporation ("Constellation"), and William F. Hackett ("Executive").

Executive has contributed substantially to the growth and success of Crown, which is an indirect, wholly-owned subsidiary of Constellation. Accordingly, Crown and Constellation desire to retain Executive's services as set forth in the Agreement and to provide the necessary consideration to assure such services.

Crown and Executive therefore agree as follows:

1. **Employment.** Crown hereby employs Executive as its President or in such other senior executive position with Constellation or its affiliates as Crown or Constellation and Executive shall mutually agree upon. Executive hereby accepts the employment specified herein, agrees to perform, in good faith, the duties, consistent with his position, to abide by the terms and conditions described in this Agreement and to devote his full working time and best efforts to Crown and its affiliates. (As used in this Agreement, the phrases "Crown and its affiliates" and "Crown or any affiliate of Crown" shall include Constellation and its affiliates.") These obligations shall not restrict Executive from engaging in customary activities as a director or trustee of other business or not-for-profit organizations so long as such activities, in the reasonable opinion of Constellation or its Board of Directors, do not materially interfere with the performance of Executive's responsibilities under this Agreement or create a real or apparent conflict of interests.

2. **Term.** The term of this Agreement shall commence on the date set forth above and shall expire on February 28, 2014, provided that on February 28, 2014, and on each subsequent anniversary thereof, the term shall automatically be extended by the parties for an additional one-year period, until Crown gives Executive notice, not less than 180 days prior to February 28, 2014, or an anniversary thereof, of a decision not to extend the Agreement for an additional one-year period.

3. **Compensation.** During the term of Executive's employment, Crown shall pay him a base salary at the rate of \$567,368 per annum or such greater amount as the Human Resources Committee of the Board of Constellation shall determine ("Base Salary"). Such Base Salary shall be payable in accordance with Crown's standard payroll practices for senior executives. Crown may pay Executive a bonus in such amount and at such time or times as the Human Resources Committee of the Board shall determine. (Executive and Crown acknowledge that, for so long as Executive serves as an "executive officer" of Constellation, the Human Resources Committee of the Board of Constellation is responsible for annually reviewing and, as appropriate, approving or recommending that the Board of Constellation approve each element of Executive's compensation, including salary, bonus, benefits and perquisites.)

4. **Reimbursement for Expenses/Benefits.** Executive shall be expected to incur various reasonable business expenses customarily incurred by persons holding like positions, including but not limited to traveling, entertainment and similar expenses incurred for the benefit of Crown or Constellation. Crown shall reimburse Executive for such expenses from time to time, at Executive's request, and Executive shall account to Crown for such expenses. Executive shall participate in such benefit plans that are generally made available to all executives of Constellation.

5. **Definitions.**

"Board" or "Board of Directors" means the Board of Directors of Crown Imports LLC or Constellation Brands, Inc. as the context dictates.

"COBRA" means the continuation of health care rules of Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended.

"Code" means the Internal Revenue Code of 1986, as amended.

"For Cause Termination" means Crown terminates Executive for (1) any intentional, non-incident misappropriation of funds or property of Constellation by Executive; (2) unreasonable (and persistent) neglect or refusal by Executive to perform his duties as provided in Section 1 hereof and which he does not remedy within thirty days after receipt of written notice from Crown or Constellation; (3) the material breach by Executive of any provision

of Sections 8 or 10 which he does not remedy within thirty days after receipt of written notice from Crown or Constellation; or (4) conviction of Executive of a felony.

“Good Reason Termination” means Executive terminates his employment under this Agreement for “good reason” upon 30 days’ notice to Crown and Constellation given within 90 days following the occurrence of any of the following events without his consent, each of which shall constitute a “good reason” for such termination; provided that the following events shall not constitute “good reason” if the event is remedied by Crown or Constellation within 30 days after receipt of notice given by Executive to Crown and Constellation specifying the event:

- (a) Crown or Constellation acts to materially reduce Executive’s employment band or materially reduce Executive’s duties and responsibilities;
- (b) Constellation materially reduces the amount of Executive’s Base Salary; or
- (c) Crown or Constellation materially breaches this Agreement.

“Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Department regulations and other authoritative guidance issued thereunder.

“Termination Date” means the date of the Executive’s “separation from service” (within the meaning of Section 409A) from Crown or its affiliates.

6. Consequence of Termination or Expiration of Agreement. If (i) Executive voluntarily ceases employment with Crown and its affiliates, quits or terminates this Agreement for any reason other than a Good Reason Termination, or (ii) Crown terminates the employment of Executive in a For Cause Termination, then Executive’s rights and Crown’s and Constellation’s obligations hereunder shall forthwith terminate except that Executive shall be paid, as soon as administratively practicable after the Termination Date, all earned but unpaid base salary, accrued paid time off and accrued but unreimbursed expenses required to be reimbursed under this Agreement.

If Executive’s employment with Crown and its affiliates terminates on the date that this Agreement expires or if, during the term of this Agreement, Executive’s employment with Crown and its affiliates is terminated (i) by Executive for a Good Reason Termination or (ii) by Crown or Constellation for any reason other than a For Cause Termination, then Executive shall be entitled to the following (which shall be in full and complete satisfaction of all of Crown’s and Constellation’s obligations under this Agreement):

- (a) Crown shall pay to Executive all earned but unpaid Base Salary, accrued paid time off and accrued but unreimbursed expenses required to be reimbursed under this Agreement; and
 - (b) Crown shall pay to Executive a cash amount equal to two (2) times his Base Salary as in effect on the Termination Date plus two (2) times his Previous Bonus (as defined below). For purposes of this Agreement, “Previous Bonus” shall equal the average annual cash bonus paid to Executive over the three most recently completed fiscal years, whether under Constellation’s Annual Management Incentive Plan or as part of another annual cash bonus program; and
 - (c) Commencing on the first business day of the month following the month in which the Termination Date occurs and for the 23 months following such date, Crown shall pay Executive an amount equal to the monthly cost of Executive’s medical and dental coverage as of the Termination Date taking into account both Crown’s and Executive’s cost for such coverage; provided that the first payment shall not be made until the first business day occurring on or after the forty-fifth (45th) day following the Termination Date and the payment on that date shall include all payments that would otherwise have been paid absent this forty-five (45) day delay; and
 - (d) For the eighteen (18) month period commencing on the first business day occurring on or after the forty-fifth (45th) day after the Termination Date, Crown shall provide Executive with reasonable outplacement services; and
 - (e) Crown shall provide Executive with the opportunity to purchase continued health care coverage under Crown’s plans as required by COBRA; and
-

(f) Executive shall not be required to mitigate damages or the amount of any payment provided for under this Agreement by seeking other employment or otherwise, nor will any payments hereunder be subject to offset in respect of compensation earned as a result of Executive's employment with another employer subsequent to the Executive's termination with Crown and its affiliates.

7. Timing of Payments

All payments under Section 6(a) shall be due and payable, as soon as administratively practicable after the Termination Date. All payments under Section 6(b) shall be due and payable in a single lump sum amount on the first business day occurring on or after the forty-fifth (45th) day after the Termination Date. Payments or benefits set forth in Sections 6(c)-(d) shall be paid or provided at such times set forth therein. Notwithstanding any provision in this Agreement to the contrary, no amounts or benefits under Sections 6(b)-(d) shall be paid to Executive hereunder unless Executive signs and executes a release substantially in the form attached hereto as Exhibit A and such release becomes effective and nonrevocable within forty-five (45) days after the Termination Date.

Notwithstanding any provision in this Agreement to the contrary, in the event that Executive is a "specified employee" (within the meaning of Section 409A) on the Termination Date and Crown determines that delaying the payment of amounts under this Agreement is necessary to comply with the requirements of Section 409A, the payments under Sections 6(b) and 6(c) that would have otherwise been paid within the six month period after the Termination Date shall instead be paid on the first business day of the seventh month following the Termination Date. The timing of all payments and benefits under this Agreement shall be made consistent with the requirements of Section 409A to the extent a payment or benefit is subject to such requirements.

8. Restrictive Covenant.

(a) Executive agrees that (i) during the period of his employment hereunder and (ii) provided that Executive is entitled to the payment under Section 6(b) or is terminated due to a For Cause Termination, for a period of two (2) years after he ceases employment, he will not, without the written consent of Crown and Constellation, seek or obtain a position with a Competitor (as defined below) in which Executive will use or is likely to use any confidential information or trade secrets of Crown or its affiliates, or in which Executive 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 Executive for Crown or its affiliates. The parties agree that Executive may continue service on any boards of directors on which he is serving while employed by Crown or its affiliates. If Executive's employment is terminated by Executive for a Good Reason Termination or by Crown or Constellation for any reason other than a For Cause Termination, then neither Crown nor Constellation will unreasonably withhold such consent provided Constellation receives information and assurances, satisfactory to Constellation, regarding Executive's new position.

(b) Executive understands and agrees that the relationship between Crown and its affiliates and each of their respective employees constitutes a valuable asset of Crown and its affiliates and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that (i) during the period of his employment hereunder and (ii) for a period of twelve months (12) months after he ceases employment, Executive shall not directly or indirectly, on his own behalf or on behalf of another person, solicit or induce any employee to terminate his or her employment relationship with Crown or any affiliate of Crown 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.

(c) For the purposes of this Section 8, "Competitive Services" means the provision of goods or services that are competitive with any goods or services offered by Constellation or any affiliate of Constellation including, but not limited to manufacturing, importing, exporting, distributing or selling wine, beer, liquor or other alcoholic beverages in the United States, Canada, New Zealand, Italy, and/or Mexico. The parties acknowledge that Crown or its affiliates 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 Executive agrees that this Agreement 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 8. "Competitor" means any individual or any entity or enterprise engaged, wholly or in part, in Competitive Services.

(d) Executive agrees that, due to his position of trust and confidence, the restrictions contained in this Section 8 are reasonable, and the benefits conferred on him in this Agreement, including his compensation, are

adequate consideration, and, since the nature of Crown's and its affiliates' collective business is international in scope, the geographic restriction herein is reasonable.

(e) Executive acknowledges that a breach of this Section 8 will cause irreparable injury and damage, which cannot be reasonably or adequately compensated by money damages. Accordingly, he acknowledges that the remedies of injunction and specific performance shall be available in the event of such a breach, and Crown and Constellation 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 8 shall be extended for a period of time equal to the duration of any breach or violation thereof.

(f) In the event of Executive's breach of this Section 8, in addition to the injunctive relief described above, Crown's and Constellation's remedy shall include (i) the right to require Executive to account for and pay over to Crown or Constellation all compensation, profits, monies, accruals, increments or other benefits derived or received by Executive as the result of any transactions constituting a breach of the restrictive covenants in this Section 8, and (ii) in the case of a breach during the term of Executive's employment hereunder, the termination of all compensation otherwise payable to Executive under Sections 3 and 4 with respect to the period of time after such breach, or (iii) in the case of a breach during the period described in Section 8(a)(ii) or 8(b)(ii) above, the forfeiture to Crown of any payment made under Sections 6(b) herein.

(g) In the event that any provision of this Section 8 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 8 enforceable, it being acknowledged by the parties that the representations and covenants set forth herein are of the essence of this Agreement.

9. Limitation on Payments. Notwithstanding anything contained in this Agreement or any other compensation plan to the contrary, if upon or following a change in the "ownership or effective control" of Crown or Constellation or in the "ownership of a substantial portion of the assets" of Crown or Constellation (each within the meaning of Section 280G of the Code), the tax imposed by Section 4999 of the Code (the "Excise Tax") applies to any payments, benefits and/or amounts received by the Executive pursuant to this Agreement or otherwise, including, without limitation, any benefits received by the Executive as a result of any automatic vesting, lapse of restrictions and/or accelerated target or performance achievement provisions, or otherwise, applicable to outstanding grants or awards to the Executive under any of Crown's or Constellation's incentive plans, including without limitation, Constellation's Long-Term Stock Incentive Plan (collectively, the "Total Payments"), then the Total Payments shall be reduced so that the maximum amount of the Total Payments (after reduction) shall be one dollar (\$1.00) less than the amount which would cause the Total Payments to be subject to the Excise Tax; provided that such reduction to the Total Payments shall be made only if the total after-tax benefit to the Executive is greater after giving effect to such reduction than if no such reduction had been made. If such a reduction is required, Crown shall reduce or eliminate the Total Payments by eliminating or reducing the payment under Section 6(b) and then, if necessary eliminating or reducing the payment under Section 6(c). In the case of reductions under Section 6(c) the payments shall be reduced in reverse order beginning with the payments which are to be paid the farthest in time.

10. Trade Secrets and Confidential Information. Executive agrees that unless duly authorized in writing by Crown, he will neither during his employment by Crown or its affiliates nor at any time thereafter divulge or use in connection with any business activity other than that of Crown or its affiliates any trade secrets or confidential information first acquired by him during and by virtue of his employment with Crown or its affiliates.

11. Indemnification. Constellation and its successors and/or assigns will indemnify, hold harmless, and defend Executive to the fullest extent permitted by the law of the State of Delaware and the Certificate of Incorporation and By-Laws of Constellation as in effect on the date of this Agreement with respect to any claims that may be brought against Executive arising out of any action taken or not taken by Executive in his capacity as an employee, officer or director of Crown or Constellation. In addition, Constellation will advance to Executive reasonable legal fees and expenses, as such fees and expenses are incurred by Executive, to the fullest extent permitted by law, subject only to any requirements as are imposed by law. Executive shall not unreasonably withhold his consent to the settlement of any claim for monetary damages for which Executive is entitled to full indemnification hereunder. Executive shall be covered, in respect of his activities as an officer or director of Crown or Constellation, by any Directors and Officers liability policy or other similar policies maintained or obtained by Constellation or any of its successors and/or assigns to the fullest extent permitted by such policies. Notwithstanding anything to the contrary contained in this Agreement, Executive's rights under this Section 11 shall survive the Termination Date and the expiration or termination of this Agreement and shall continue without limit for so long as Executive may be subject to any claims covered by this Section 11. No amendment to the Certificate of Incorporation or By-Laws of

Constellation after the date of this Agreement will affect or impair Executive's rights under this Section 11 even with respect to any action taken or not taken by Executive after the effective date of any such amendment.

12. Notice. Any and all notices referred to herein shall be sufficient if furnished in writing and sent by registered mail to the parties.

13. Transferability. The rights, benefits and obligations of Crown or Constellation under this Agreement shall be transferable, and all covenants and agreements hereunder shall inure to the benefit of and be enforceable by or against, its successors and assigns. Whenever the term "Crown" is used in this Agreement, such term shall mean and include Crown Imports LLC and its successors and assigns. Whenever the term "Constellation" is used in this Agreement, such term shall mean and include Constellation Brands, Inc. and its successors and assigns. The rights and benefits of Executive under this Agreement shall not be transferable other than rights to property or compensation that may pass on his death to his estate or beneficiaries through his will or the laws of descent and distribution and the terms of any Crown or Constellation compensation or benefit plan.

14. Severability. If any provision of this Agreement or the application thereof is held invalid or unenforceable, the invalidity or unenforceability thereof shall not affect any other provisions of this Agreement which can be given effect without the invalid or unenforceable provision, and to this end the provisions of this Agreement are to be severable.

15. Amendment; Waiver. This Agreement contains the entire agreement of the parties with respect to the employment of Executive by Crown and/or its affiliates and upon execution of this Agreement supersedes any previous agreement with Crown and/or its affiliates. No amendment or modification of this Agreement shall be valid unless evidenced by a written instrument executed by the parties hereto. No waiver by either party of any breach by the other party of any provision or conditions of this Agreement shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time.

16. Tax Withholding. Crown or Constellation may withhold from any payments due to Executive hereunder such amounts as Crown or Constellation may determine are required to be withheld under applicable federal, state and local tax laws. To the extent that there are no cash payments to withhold upon, Executive shall promptly remit to Crown or Constellation, as appropriate, cash payments that are sufficient to cover all applicable withholdings.

17. Section 409A. The parties intend that benefits under this Agreement are to be either exempt from, or comply with, the requirements of Section 409A, and this Agreement shall be interpreted and administered in accordance with the intent that Executive not be subject to tax under Section 409A. If any provision of the Agreement would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended so as to avoid the conflict. Any reference in this Agreement to "terminates employment", "employment with Crown and its affiliates terminates", or similar phrase shall mean an event that constitutes a "separation from service" within the meaning of Section 409A. Neither Crown nor Constellation shall be responsible for any tax, penalty, interest or similar assessment imposed on Executive as a consequence of Section 409A. Each payment hereunder shall be treated as a separate payment for purposes of Section 409A.

18. Governing Law. This Agreement shall be governed by and construed under and in accordance with the laws of the State of New York without regard to principles of conflicts of laws.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Executive Employment Agreement as of the date first set forth above.

CROWN IMPORTS LLC

By: /s/ David E. Klein
Name: David E. Klein
Title: Vice President

CONSTELLATION BRANDS, INC.

By: /s/ Robert Sands
Name: Robert Sands
Title: President and Chief Executive Officer

/s/ William F. Hackett
William F. Hackett

Exhibit A

FULL AND FINAL RELEASE OF CLAIMS

1. In consideration of the payments provided for in Sections 6(b)-(d) of the Executive Employment Agreement (hereinafter referred to as the "Employment Agreement") between **CROWN IMPORTS LLC, CONSTELLATION BRANDS, INC.** and **WILLIAM F. HACKETT** (hereinafter referred to as "Executive"), which is attached hereto and forms a part of this Full and Final Release of Claims, on behalf of himself, his heirs, administrators and assigns, Executive hereby releases and forever discharges Constellation Brands, Inc., its subsidiaries and affiliates (including without limitation Crown Imports LLC) and each of its and their respective officers, directors, employees, servants and agents, and their successors and assigns, (hereinafter collectively referred to as "Constellation Released Parties") jointly and severally from any and all actions, causes of action, contracts and covenants, whether express or implied, claims and demands for damages, indemnity, costs, attorneys' fees, interest, loss or injury of every nature and kind whatsoever arising under any federal, state, or local law, or the common law, which Executive may heretofore have had, may now have or may hereinafter have in any way relating to any matter, including but not limited to, any matter related to Executive's employment by Constellation Released Parties and the termination of that employment; provided, however, nothing in this Full and Final Release of Claims shall release (i) Executive's right to receive the payments or benefits provided for in Sections 6(b)-(d) of the Employment Agreement, (ii) Executive's vested benefits under Crown Imports LLC's or Constellation Brands, Inc.'s pension plans or rights under any existing stock options held by Executive, or (iii) any right to indemnification or advancement of expenses pursuant to Section 11 of the Employment Agreement or the Certificate of Incorporation or By-laws of Constellation Brands, Inc. (the items in the foregoing clauses (i) through (iii) are hereinafter referred to as the "Preserved Rights").

a. This Full and Final Release of Claims covers, without limitation, any claims of discrimination, unlawful retaliation or harassment, or denial of rights, on the basis of any protected status, characteristic or activity, including, but not limited to, sex, disability, handicap, race, color, religion, creed, national origin, ancestry, citizenship, ethnic characteristics, sexual orientation, marital status, military status, or age (including, without limitation, any right or claim arising under the Age Discrimination in Employment Act), need for a leave of absence, or complaint about discrimination, harassment, or other matter, arising under any state, federal, or local law (whether statutory or common law), regulation or ordinance which may be applicable to his employment by Constellation Released Parties. This Full and Final Release of Claims also covers, without limitation, any claims of wrongful termination, breach of express or implied contract, breach of implied covenant of good faith and fair dealing, violation of public policy, intentional or negligent infliction of emotional distress, defamation, invasion of privacy, fraud or negligent misrepresentation, intentional or negligent interference with contractual relations, and any other common law tort. Except to the extent that they constitute Preserved Rights, this Full and Final Release of Claims also covers any claims for severance pay, bonus, life insurance, health and medical insurance, disability benefits, or any other fringe benefit, and claims related to any other transaction, occurrence, act, or omission or any loss, damage or injury whatsoever, known or unknown, resulting from any act or omission by or on the part of Constellation Released Parties, or any of them, committed or omitted prior to the date of this Full and Final Release of Claims.

b. Executive understands and agrees that the giving of the aforementioned consideration is deemed to be no admission of liability on the part of the Constellation Released Parties.

c. In the event that Executive should hereafter make any claim or demand or commence or threaten to commence any action, claim or proceeding against the Constellation Released Parties for or by reason of any cause, matter or thing other than a Preserved Right, this document may be raised as a complete bar to any such claim, demand or action.

2. By signing this Full and Final Release of Claims, Executive acknowledges that:

a. He has been afforded a reasonable and sufficient period of time to review, and deliberate thereon, and has been specifically urged by Constellation Released Parties to consult with legal counsel or a representative of his choice before signing this Full and Final Release of Claims and that he has had a fair opportunity to do so; and

b. He has carefully read and understands the terms of this Full and Final Release of Claims; and

- c. He has signed this Full and Final Release of Claims freely and voluntarily and without duress or coercion and with full knowledge of its significance and consequences, and of the rights and claims relinquished, surrendered, released and discharged hereunder; and
- d. He acknowledges he is not entitled to the consideration described above in the absence of signing this Full and Final Release of Claims; and
- e. The consideration which he is receiving in exchange for his release of claims is of value to him; and
- f. The only consideration for signing this Full and Final Release of Claims are the terms stated herein, and no other promise, agreement or representation of any kind has been made to him by any person or entity whatsoever to cause him to sign this Full and Final Release of Claims; and
- g. He was offered a minimum period of at least twenty-one (21) days after his receipt of this Full and Final Release of Claims to review and consider it and for deliberation thereon, and, to the extent he has elected to sign it prior to the expiration of the twenty-one (21) day period, he does so voluntarily on his own initiative without any inducement or encouragement on the part of the Constellation Released Parties to do so.
- h. He understands that this Full and Final Release of Claims may be revoked in writing by him at any time during the period of seven (7) calendar days following the date of his execution of this Full and Final Release of Claims by delivering such written revocation to _____, at his office located at _____, New York _____. If such seven-day revocation period expires without his exercising his revocation right, the obligations of this Full and Final Release of Claims will then become fully effective as more fully set forth herein.

IN WITNESS WHEREOF, Executive has hereunto executed this Full and Final Release of Claims by affixing his hand this ____ day of _____, 20__ in the presence of the witness whose signature is subscribed below.

William F. Hackett

Sworn to before me this
____ day of _____, 20__.

Notary Public

IN WITNESS WHEREOF, _____ has hereunto executed this Full and Final Release of Claims on behalf of Crown Imports LLC, its subsidiaries, affiliates, by affixing [his/her] hand this ____ day of _____, 20__ in the presence of the witness whose signature is subscribed below.

[Name]
[Title]

Sworn to before me this
____ day of _____, 20__.

Notary Public

IN WITNESS WHEREOF, _____ has hereunto executed this Full and Final Release of Claims on behalf of Constellation Brands, Inc., its subsidiaries, affiliates, by affixing [his/her] hand this ____ day of _____, 20__ in the presence of the witness whose signature is subscribed below.

[Name]
[Title]

Sworn to before me this
____ day of _____, 20__.

Notary Public

CROWN IMPORTS LLC

**2007 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(As Amended and Restated Effective January 1, 2011)**

CROWN IMPORTS LLC
2007 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(As Amended and Restated Effective January 1, 2011)

Article 1

INTRODUCTION

1.1 THE SERP AND ITS EFFECTIVE DATE. Crown Imports LLC (the "Company") has adopted, effective March 1, 2007 (the "Effective Date"), and amended and restated effective as of January 1, 2011, the Crown Imports LLC 2007 Supplemental Executive Retirement Plan (the "SERP"), as set forth herein.

1.2 PURPOSE. The Company maintains the Crown Imports LLC 401(k) and Profit Sharing Plan (the "Plan"), a plan that is intended to meet the qualification requirements set forth in Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Code Section 401(a)(17) limits to \$225,000 (in 2007, as adjusted in subsequent years by the Secretary of the Treasury) the amount of compensation that may be taken into account for a year under a qualified plan (the "Compensation Limit"), and Code Section 415 limits the annual additions, including employer contributions, that may be made to an employee's account under a qualified plan (the "Section 415 Limit"). In addition, other limits may apply to limit or reduce the contributions that may be made to an employee's account under the Plan.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), permits the provision of benefits under an unfunded plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The purpose of the SERP is to provide to those employees of the Company or an Affiliate (as defined below) who are selected by the Committee (as defined below) from year to year, benefits that would be provided under the Plan without regard to the Compensation Limit or the Section 415 Limit, or other limits with respect to certain Company contributions under the Plan. In no case, however, may any Company contribution to the SERP relate to, or be determined with respect to, any elective contributions made by any employee to the Plan. For purposes of the SERP, the term "Affiliate" means a corporation, trade or business that is a member of a controlled group of corporations, a group of trades or businesses (whether or not incorporated) under common control or an "affiliated service group," (all as defined in Code Sections 414(b), 414(c) and 414(m)) that includes the Company. The term "Affiliate" also includes a corporation, trade or business that is required to be aggregated with the Company pursuant to regulations under Code Section 414(o). In applying the term "Affiliate" for purposes of Section 2.5(a), the standard of control under Code Sections 414(b) and 414(c) will be deemed to be at least 50%.

The SERP shall be frozen as of the last day of the Plan Year ending December 31, 2010, so that for Plan Years beginning on or after January 1, 2011, the SERP shall have no Active Participants (as defined below) and no further contributions will be made to the SERP.

1.3 DEFINED TERMS. Except as otherwise indicated, capitalized terms used in this plan document that are not defined herein have the same meaning as the same terms in the Plan.

1.4 PLAN ADMINISTRATION. The SERP shall be administered by a committee (the "Committee") consisting of one or more individuals appointed by the Board of Directors of the Company. The Committee shall have, to the extent appropriate, the same powers, rights, duties and obligations with respect to the SERP as the Committee under the Plan has with respect to the Plan. In the event that the Board of Directors does not appoint a Committee, the Company shall act as the Committee.

Article 2

PARTICIPATION AND BENEFITS

2.1 ELIGIBILITY FOR BENEFITS. A person for whom an account is established at any time under the SERP (a "SERP Account") shall be a participant in the SERP (a "Participant") for purposes of receiving distributions, maintaining account balances and being credited with net earnings, gains and losses until all amounts credited to his or her SERP Account have been distributed or forfeited. The Committee, in its discretion, may select the employees of the Company or an Affiliate who shall receive Annual Benefit Credits, as defined in Section 2.2, under the SERP for a Plan Year (the "Active Participants"). The Committee may, in its discretion, designate an employee as an Active Participant for the purpose of receiving credits with respect to some types of contributions under the Plan and not other types of contributions; furthermore, the Committee need not select all Active Participants to receive credits with respect to the same types of contributions under the Plan. A person who becomes an Active Participant shall

remain a Participant until all amounts credited to his or her SERP Account have been distributed or forfeited, whether or not such person is selected as an Active Participant for a subsequent Plan Year.

Notwithstanding the foregoing, no person shall be an Active Participant during any Plan Year beginning on or after January 1, 2011.

2.2 AMOUNT OF BENEFIT CREDITS. The amount credited to an Active Participant's SERP Account for a Plan Year ("Annual Benefit Credits") shall equal (a) the amount, if any, of Employer Safe-Harbor Profit Sharing Contributions and Employer Regular Profit Sharing Contributions the Active Participant would have received under the Plan for that Plan Year if he or she had received Employer Safe-Harbor Profit Sharing Contributions and Employer Regular Profit Sharing Contributions with respect to his or her Plan Compensation above the Compensation Limit at the same rate that he or she received Employer Safe-Harbor Profit Sharing Contributions and Employer Regular Profit Sharing Contributions under the Plan with respect to his or her Plan Compensation not greater than the Compensation Limit and if the Section 415 Limit did not apply (respectively, the "SERP Safe Harbor Contributions" and the "SERP Regular Contributions"), and (b) such other amounts as the Committee shall from time to time, in its discretion, determine to credit to the Active Participant's SERP Account with respect to other limited or reduced contributions under the Plan, except that in no case shall any contribution or benefit provided under the SERP be contingent upon, or determined with respect to, an elective contribution made by an employee to the Plan.

Notwithstanding the foregoing, no Annual Benefit Credits shall be made to the Plan with respect to any Plan Year beginning on or after January 1, 2011. For the avoidance of doubt, the last Annual Benefit Credits to be made to the SERP will be (i) any SERP Safe Harbor Contributions that relate to the Plan Year ending December 31, 2010, and (ii) any SERP Regular Contributions that relate to the Plan Year ending December 31, 2010.

2.3 INCOME CREDITS. Each Participant's SERP Account shall be credited as of each Valuation Date with net earnings, gains and losses ("Income Credits") in an amount equal to the amount that such SERP Account would have earned, gained or lost if at all times, from the first business date Annual Benefit Credits, if any, were credited to the Participant's SERP Account, such amounts were fully invested as provided in the following paragraph.

From time to time the Committee shall determine the method of determining Participants' Income Credits under the SERP. The Committee may, in its discretion, determine Income Credits by treating the Participants' SERP Accounts as if invested in a manner designated by the Committee or by permitting Participants to self-direct the manner in which their Income Credits are to be determined from among such deemed investment options, and in accordance with such rules and procedures, as the Committee shall from time to time determine. Any changes that the Committee shall make in the method for determining Income Credits shall be determined and announced to Participants in advance of the date it becomes effective and shall represent a rate which the Company could, ignoring the effect of federal, state and local income taxes, replicate by investing its assets in available markets if it chose to do so.

2.4 VESTING. Except as otherwise provided herein, a Participant shall be vested in his or her SERP Account as follows: (a) he or she shall become vested in his or her Annual Benefit Credits to the same extent that the Participant is vested in his or her Employer Regular Profit Sharing Contributions under the Plan and (b) he or she shall be vested in any Income Credits to the same extent he or she is vested in the Annual Benefit Credits to which such Income Credits relate.

2.5 PAYMENT OF BENEFITS. Payments of the vested amount credited to a Participant's SERP Account, including any vested Annual Benefit Credits and any vested Income Credits and other earnings, shall be made as follows:

(a) **DISTRIBUTIONS.** The vested SERP Account of a Participant, including any Participant who is a "specified employee" (within the meaning of Code Section 409A(a)(2)(B)(i)), shall be paid in a lump sum in cash promptly after the date ("Payment Date") that is six months after the date of his or her separation from service (as defined in Section 1.409A-1(h) of the Treasury Regulations ("Separation Date")), but in no event later than 90 days after the Payment Date. For purposes of the SERP, a transfer of employment to any entity that is not an Affiliate is a separation from service. The unvested portion of the Participant's SERP Account shall be forfeited on the Separation Date.

(b) **AFFILIATE EMPLOYEES.** In the event that a Participant is an employee of an Affiliate, other than the Company, and the Affiliate has a Change of Control, the Participant shall be 100% vested in his or her SERP Account and the Participant's entire SERP Account shall be distributed to the Participant promptly in the form of a lump sum distribution, but in no event later than 90 days after such a Change in Control. Notwithstanding the preceding sentence, such vesting and distribution shall only occur if neither the Company nor an entity that is an Affiliate (as determined under the last sentence of the second paragraph of Section 1.2) after such transaction employs the Participant after such transaction. For this purpose, an Affiliate shall be deemed to have a Change of Control with respect to any event that

would be a Change of Control within the meaning of Section 2.5(c), if the term “Company” were replaced with the term “Affiliate” each time it is used therein.

(c) CHANGE OF CONTROL. Notwithstanding anything in this Section 2.5 to the contrary, in the event of the occurrence of a Change of Control with respect to the Company, all Participants shall be 100% vested in their SERP Accounts, the SERP shall be terminated and the entire SERP Account of each Participant shall be distributed to the Participant promptly, but in no event later than 30 days, after the Change of Control, or, if the Participant has already experienced a Separation Date, after his or her Payment Date, in the form of a lump sum distribution. For this purpose a “Change of Control” shall mean (i) a “change in control event” as described in Code Section 409A(a)(2)(A)(v) and (ii) an event that satisfies either of the following:

(1) A change in the ownership of the Company. A change in the ownership of the Company is deemed to occur on the date that any one person, or more than one person acting as a group (as described below), acquires ownership of equity interests of the Company that, together with equity interests held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the equity interests of the Company. However, if any one person or more than one person acting as a group, including any member of the Company, is considered to own 50 percent or more of the total fair market value or total voting power of the equity interests of the Company as of the Effective Date, the acquisition of additional equity interests by the same person or persons will not be considered to cause a change in the ownership of the Company. An increase in the percentage of equity interests owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its equity interests in exchange for property will be treated as an acquisition of equity interests for purposes of this Section 2.5(c)(1). This Section 2.5(c)(1) applies only when there is a transfer or issuance of equity interests of the Company and the equity interests remains outstanding after the transaction.

Persons will not be considered to be acting as a group solely because they purchase or own voting securities of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of voting securities, or similar business transaction with the Company. If a person, including an entity, owns voting securities in the Company and another corporation that enters into a merger, consolidation, purchase or acquisition of voting securities, or similar transaction with the Company, such shareholder is considered to be acting as a group with other shareholders of the other corporation only with respect to their ownership interest in that corporation prior to the transaction.

Notwithstanding the foregoing, a Change of Control shall not occur upon the transfer of voting securities of the Company among or between persons or, if such persons are individuals, members of their immediate family, or between trusts or other entities controlled by or operated for the benefit of such individuals or members of their immediate family, who own more than 50 percent of the total voting power of the Company, or upon the transfer of voting securities of the Company among or between the Company and a Affiliate or two or more Affiliates.

For purposes of the preceding paragraph, the term “immediate family” shall include the spouse and the lineal ascendants and descendants of an individual and the spouses of such lineal ascendants and descendants and the other individuals who share a common parent or grandparent with such individual and the spouses of such individuals. Adopted children shall be considered as the descendants of their adoptive parents and their parents’ parents in the same manner as would be the biological children of such parents.

(2) The sale of all or substantially all of the Company’s assets. A sale of all or substantially all of the Company’s assets occurs on the date that any one person or persons acting as a group acquire (or have acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to all or substantially all (and in no case less than 40%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means to the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. A transfer of assets to an entity that is controlled by the members of the Company immediately after the transfer, or a transfer of assets by the Company to any of the following, are not considered to be a sale of all or substantially all of the Company’s assets for purposes of this Section 2.5(c)(2): (A) a member of the Company (immediately before the asset transfer) in exchange for or with respect of its equity interests; (B) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (C) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent

or more of the total value or voting power of all the outstanding equity interests of the Company; or (D) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (C). For purposes of this Section 2.5(c)(2) and except as otherwise provided, a person's status is determined immediately after the transfer of the assets. For example, a transfer to a corporation in which the Company has no ownership interest before the transaction, but which is a majority-owned subsidiary of the Company after the transaction is not treated as a sale of all substantially all of the assets of the Company.

Persons will not be considered to be acting as a group solely because they purchase assets of the Company at the same time. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and another corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar transaction with the Company, such shareholder is considered to be acting as a group with other shareholders of the other corporation only with respect to their ownership interest in that corporation prior to the transaction.

2.6 BENEFICIARY DESIGNATION. In the event of a Participant's death prior to full distribution of his or her vested SERP Account, such amount shall be paid to the beneficiary properly designated by the Participant in the manner established by the Committee to receive his or her SERP Account hereunder. Such distribution shall be made in a lump sum distribution as soon as practicable, but within 90 days, after the Participant's death. If the Participant fails to properly designate a beneficiary hereunder, including if the Participant's designated beneficiary predeceases him or her, upon the Participant's death the vested SERP Account shall be paid to the person or entity that is the Participant's beneficiary under the Plan, whether by designation of the Participant or by the terms of the Plan.

2.7 VALUATION OF ACCOUNTS. The value of a Participant's vested SERP Account shall be determined as of the Valuation Date immediately preceding the date on which a distribution is made to such Participant, based upon the value that the SERP Account would have if at all times it were earning the rate of return specified by the Committee or were fully invested in the investment options designated by the Committee or selected by the Participant, pursuant to Section 2.3.

2.8 FUNDING. Benefits payable under the SERP to any person shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of benefits under the SERP. While the Company may make investments in amounts equal or unequal to amounts payable hereunder, the Company shall not be under any obligation to make such investments and any such investments shall remain an asset of the Company subject to the claims of its general creditors. Notwithstanding the foregoing, the Company may maintain one or more trusts to hold assets to be used for payment of benefits under the SERP; provided that the assets of each trust shall be subject to the creditors of the Company in the event the Company becomes insolvent (as defined in such trust) and provided that any such trust must comply with the requirements of Code Section 409A. Any payments by such a trust to a Participant (or to the beneficiary of a Participant) under the SERP shall be considered payment by the Company and shall discharge the Company of any further liability under the SERP to the extent of the payments made by such trust.

Article 3

MISCELLANEOUS

3.1 EMPLOYMENT RIGHTS. Status as a Participant and/or as an Active Participant shall not be construed to give an employee the right to be retained in the service of the Company or any Affiliate or any right to any benefits not specifically provided by the SERP.

3.2 INTERESTS NOT TRANSFERABLE. Except as to withholding of any tax under the laws of the United States or any state or locality, no benefit payable at any time under the SERP shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefits, whether currently or thereafter payable, shall be void. No benefit shall, in any manner, be liable for or subject to the debts or liabilities of any person entitled to such benefits. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber his or her benefits under the SERP, or if by reason of his or her bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the SERP, then the Company, in its discretion, may terminate the interest in any such benefits of the person entitled thereto under the SERP and hold or apply them to or for the benefit of such person entitled thereto under the SERP or his or her spouse, children or other dependents, or any of them, in such manner as the Company may deem proper.

3.3 UNCLAIMED AMOUNTS. Unclaimed amounts shall consist of the amounts of the SERP Accounts of any Participant that cannot be distributed because of the Committee's inability to locate the payee, after a reasonable search, within a period of two (2) years after the benefits become distributable under Article 2, as set forth herein. Unclaimed amounts shall be forfeited at the end of such two-year period. These forfeitures shall reduce the obligations of the Company under the SERP. After an unclaimed amount has been forfeited, the Participant or beneficiary, as applicable, shall have no further right to his or her SERP Account.

3.4 CONTROLLING LAW. The law of the State of Illinois, without giving effect to its conflicts of laws principles, shall be controlling in all matters relating to the SERP to the extent not preempted by ERISA.

3.5 NUMBER. Words in the plural shall include the singular and the singular shall include the plural.

3.6 ACTION BY AN EMPLOYER. Except as otherwise specifically provided herein, any action required of or permitted by the Company under the SERP shall be by resolution of the Board of Directors of the Company or person(s) authorized by resolution of the Board of Directors of the Company.

3.7 TAXES. The Company shall have the right to require Participants to remit to the Company any amount sufficient to satisfy applicable federal, state, and local tax withholding requirements, and to deduct from all payments made pursuant to the SERP amounts sufficient to satisfy such withholding requirements.

3.8 WAIVER. No failure or delay on the part of the Company or the Committee in enforcing or exercising any right or remedy hereunder will operate as a waiver thereof at the same or at any prior or subsequent time.

3.9 SEVERABILITY. If any provision of the SERP is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the SERP, and the SERP will be construed and enforced as if the illegal or invalid provision had not been included.

3.10 INDEMNIFICATION. To the maximum extent permitted by law, the officers, directors, members, managers, and all agents and representatives of the Company and members of the Committee will be indemnified by the Company, and saved harmless against any claims, losses, liabilities, costs, fines, penalties, and expenses (including attorneys fees), resulting from any actual or alleged action, conduct, or failure to act relating to the administration of the SERP, except for claims arising from gross negligence, willful neglect, willful misconduct, or lack of good faith, or from conduct that has resulted in the receipt of personal profit or advantage to which such party is not entitled. Parties may be indemnified under this Section 3.10 to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the SERP.

3.11 SECTION 409A COMPLIANCE. The SERP is intended to comply with, and will in all cases be interpreted and operated in accordance with the requirements of, Code Section 409A, and the regulations and other guidance issued thereunder. If an unintentional operational failure occurs with respect to Code Section 409A requirements, any affected Participant or beneficiary shall fully cooperate with the Company to correct the failure, to the extent possible, in accordance with any correction procedure established by the U.S. Internal Revenue Service. Any reference herein to Code Section 409A and the Treasury Regulations shall be interpreted to refer to any successor section of the Code, the Treasury Regulations or other guidance issued by the U.S. Internal Revenue Service, as appropriate.

Article 4

AMENDMENT AND TERMINATION

4.1 COMPANY AUTHORITY TO AMEND. The Company intends the SERP to be permanent, but reserves the right at any time to modify or amend the SERP by action of its Board of Directors or the Committee, or to terminate the SERP by action of its Board of Directors, provided however, that if a Participant has a SERP Account, benefits provided under Section 2.1 shall constitute an irrevocable obligation of the Company as applicable, to the same extent that such SERP Account, had it been an account under the Plan, would have been an irrevocable obligation of the Plan.

[Signature Page Follows]

Executed in this 18th day of February, 2011.

CROWN IMPORTS LLC

By: /s/ William F. Hackett

Its: President

CROWN IMPORTS LLC

2011 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
Effective January 1, 2011

CROWN IMPORTS LLC
2011 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
Effective January 1, 2011

Article 1

INTRODUCTION

1.1 THE 2011 SERP AND ITS EFFECTIVE DATE. Crown Imports LLC (the “Company”) has adopted, effective as of January 1, 2011 (the “Effective Date”), the Crown Imports LLC 2011 Supplemental Executive Retirement Plan (the “2011 SERP”), as set forth herein.

1.2 PURPOSE. The Company maintains the Crown Imports LLC 401(k) and Profit Sharing Plan (the “Plan”), a plan that is intended to meet the qualification requirements set forth in Section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Code Section 401(a)(17) limits to \$245,000 (in 2011, as adjusted in subsequent years by the Secretary of the Treasury) the amount of compensation that may be taken into account for a year under a qualified plan (the “Compensation Limit”), and Code Section 415 limits the annual additions, including employer contributions, that may be made to an employee’s account under a qualified plan (the “Section 415 Limit”). In addition, other limits may apply to limit or reduce the contributions that may be made to an employee’s account under the Plan.

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), permits the provision of benefits under an unfunded plan maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. The purpose of the SERP is to provide to certain employees of the Company or an Affiliate (as defined below) benefits that would be provided under the Plan without regard to the Compensation Limit or the Section 415 Limit, or other limits with respect to certain Company contributions under the Plan. In no case, however, may any Company contribution to the 2011 SERP relate to, or be determined with respect to, any elective contributions made by any employee to the Plan. For purposes of the 2011 SERP, the term “Affiliate” means a corporation, trade or business that is a member of a controlled group of corporations, a group of trades or businesses (whether or not incorporated) under common control or an “affiliated service group,” (all as defined in Code Sections 414(b), 414(c) and 414(m)) that includes the Company. The term “Affiliate” also includes a corporation, trade or business that is required to be aggregated with the Company pursuant to regulations under Code Section 414(o). In applying the term “Affiliate” for purposes of Section 2.5(a), the standard of control under Code Sections 414(b) and 414(c) will be deemed to be at least 50%.

1.3 DEFINED TERMS. Except as otherwise indicated, capitalized terms used in this plan document that are not defined herein have the same meaning as the same terms in the Plan.

1.4 PLAN ADMINISTRATION. The 2011 SERP shall be administered by a committee (the “Committee”) consisting of one or more individuals appointed by the Board of Directors of the Company. The Committee shall have, to the extent appropriate, the same powers, rights, duties and obligations with respect to the SERP as the Committee under the Plan has with respect to the Plan. In the event that the Board of Directors does not appoint a Committee, the Company shall act as the Committee.

Article 2

PARTICIPATION AND BENEFITS

2.1 ELIGIBILITY FOR BENEFITS. A person for whom an account is established at any time under the 2011 SERP (a “SERP Account”) shall be a participant in the 2011 SERP (a “Participant”) for purposes of receiving distributions, maintaining account balances and being credited with net earnings, gains and losses until all amounts credited to his or her SERP Account have been distributed or forfeited. Any employee of the Company or an Affiliate whose contributions under the Plan are limited in a particular Plan Year, in accordance with Section 1.2, by the Compensation Limit, the Section 415 Limit or by any other limit with respect to certain Company contributions under the Plan shall become a Participant and shall receive Annual Benefit Credits, as defined in Section 2.2, under the 2011 SERP for that Plan Year (an “Active Participant”). The Committee shall be notified when any employee of the Company or an Affiliate becomes an Active Participant. A person who becomes an Active Participant shall remain a Participant until all amounts credited to his or her SERP Account have been distributed or forfeited, whether or not such person is an Active Participant for a subsequent Plan Year.

2.2 AMOUNT OF BENEFIT CREDITS. The amount credited to an Active Participant's SERP Account for a Plan Year ("Annual Benefit Credits") shall equal (a) the amount, if any, of Employer Safe-Harbor Profit Sharing Contributions and Employer Regular Profit Sharing Contributions the Active Participant would have received under the Plan for that Plan Year if he or she had received Employer Safe-Harbor Profit Sharing Contributions and Employer Regular Profit Sharing Contributions with respect to his or her Plan Compensation above the Compensation Limit at the same rate that he or she received Employer Safe-Harbor Profit Sharing Contributions and Employer Regular Profit Sharing Contributions under the Plan with respect to his or her Plan Compensation not greater than the Compensation Limit and if the Section 415 Limit did not apply, and (b) such other amounts as the Committee shall from time to time, in its discretion, determine to credit to the Active Participant's SERP Account with respect to other limited or reduced contributions under the Plan, except that in no case shall any contribution or benefit provided under the 2011 SERP be contingent upon, or determined with respect to, an elective contribution made by an employee to the Plan.

2.3 INCOME CREDITS. Each Participant's SERP Account shall be credited as of each Valuation Date with net earnings, gains and losses ("Income Credits") in an amount equal to the amount that such SERP Account would have earned, gained or lost if at all times, from the first business date Annual Benefit Credits, if any, were credited to the Participant's SERP Account, such amounts were fully invested as provided in the following paragraph.

From time to time the Committee shall determine the method of determining Participants' Income Credits under the 2011 SERP. The Committee may, in its discretion, determine Income Credits by treating the Participants' SERP Accounts as if invested in a manner designated by the Committee or by permitting Participants to self-direct the manner in which their Income Credits are to be determined from among such deemed investment options, and in accordance with such rules and procedures, as the Committee shall from time to time determine. Any changes that the Committee shall make in the method for determining Income Credits shall be determined and announced to Participants in advance of the date it becomes effective and shall represent a rate which the Company could, ignoring the effect of federal, state and local income taxes, replicate by investing its assets in available markets if it chose to do so.

2.4 VESTING. Except as otherwise provided herein, a Participant shall be vested in his or her SERP Account as follows: (a) he or she shall become vested in his or her Annual Benefit Credits to the same extent that the Participant is vested in his or her Employer Regular Profit Sharing Contributions under the Plan and (b) he or she shall be vested in any Income Credits to the same extent he or she is vested in the Annual Benefit Credits to which such Income Credits relate.

Notwithstanding the foregoing, if a Participant's employment with the Company or an Affiliate is terminated for "Cause," the Participant will forfeit his or her entire SERP Account, including the portion that has already vested. For purposes of the 2011 SERP, "Cause" has the meaning set forth in any employment, consulting, or other written agreement between the Participant and the Company or an Affiliate. If there is no such employment, consulting, or other written agreement, or if such agreement does not define "Cause," then "Cause" will mean the Participant's:

- (a) willful neglect of or continued failure to substantially perform, in any material respect, his or her duties as assigned to the Participant from time to time or obligations including, without limitation, a violation of policy or a breach of noncompetition, nonsolicitation or nondisclosure obligation to the Company or an Affiliate, other than any such failure resulting from his or her incapacity due to physical or mental illness;
- (b) commission of a willful act (including, without limitation, a dishonest or fraudulent act) or a grossly negligent act, or the willful or grossly negligent omission to act, that is intended to cause, causes, or is reasonably likely to cause, material harm to the Company or an Affiliate, monetarily, reputationally, or otherwise;
- (c) commission or conviction of, or plea of *nolo contendere* to, any felony or any crime or offense involving dishonesty or fraud or that is significantly injurious to the Company or an Affiliate, monetarily, reputationally, or otherwise; or
- (d) abuse of illegal drugs or other controlled substances or habitual intoxication.

Unless otherwise defined in the Participant's employment or other agreement, an act or omission is "willful" for this purpose if it was knowingly done, or knowingly omitted to be done, by the Participant not in good faith and without reasonable belief that the act or omission was in the best interest of the Company. The Committee has the discretion, in other circumstances, to determine in good faith, from all the facts and circumstances reasonably available to it, whether a Participant who is under investigation for, or has been charged with, a crime will be deemed to have committed such crime willfully for purposes of this 2011 SERP. The Participant's employment shall be deemed to have terminated for Cause if, after the Participant's employment has terminated, facts and circumstances are discovered that would have justified a termination for Cause.

2.5 PAYMENT OF BENEFITS. Payments of the vested amount credited to a Participant's SERP Account, including any vested Annual Benefit Credits and any vested Income Credits and other earnings, shall be made as follows:

(a) **DISTRIBUTIONS.** The vested SERP Account of a Participant, including any Participant who is a "specified employee" (within the meaning of Code Section 409A(a)(2)(B)(i)), shall be paid in a lump sum in cash promptly after the date ("Payment Date") that is six months after the date of his or her separation from service (as defined in Section 1.409A-1(h) of the Treasury Regulations ("Separation Date")), but in no event later than 90 days after the Payment Date. For purposes of the 2011 SERP, a transfer of employment to any entity that is not an Affiliate is a separation from service. The unvested portion of the Participant's SERP Account shall be forfeited on the Separation Date.

(b) **AFFILIATE EMPLOYEES.** In the event that a Participant is an employee of an Affiliate, other than the Company, and the Affiliate has a Change of Control, the Participant shall be 100% vested in his or her SERP Account and the Participant's entire SERP Account shall be distributed to the Participant promptly in the form of a lump sum distribution, but in no event later than 90 days after such a Change in Control. Notwithstanding the preceding sentence, such vesting and distribution shall only occur if neither the Company nor an entity that is an Affiliate (as determined under the last sentence of the second paragraph of Section 1.2) after such transaction employs the Participant after such transaction. For this purpose, an Affiliate shall be deemed to have a Change of Control with respect to any event that would be a Change of Control within the meaning of Section 2.5(c), if the term "Company" were replaced with the term "Affiliate" each time it is used therein.

(c) **CHANGE OF CONTROL.** Notwithstanding anything in this Section 2.5 to the contrary, in the event of the occurrence of a Change of Control with respect to the Company, all Participants shall be 100% vested in their SERP Accounts, the 2011 SERP shall be terminated and the entire SERP Account of each Participant shall be distributed to the Participant promptly, but in no event later than 30 days, after the Change of Control, or, if the Participant has already experienced a Separation Date, after his or her Payment Date, in the form of a lump sum distribution. For this purpose a "Change of Control" shall mean (i) a "change in control event" as described in Code Section 409A(a)(2)(A)(v) and (ii) an event that satisfies either of the following:

(1) A change in the ownership of the Company. A change in the ownership of the Company is deemed to occur on the date that any one person, or more than one person acting as a group (as described below), acquires ownership of equity interests of the Company that, together with equity interests held by such person or group, constitutes more than 50 percent of the total fair market value or total voting power of the equity interests of the Company. However, if any one person or more than one person acting as a group, including any member of the Company, is considered to own 50 percent or more of the total fair market value or total voting power of the equity interests of the Company as of the Effective Date, the acquisition of additional equity interests by the same person or persons will not be considered to cause a change in the ownership of the Company. An increase in the percentage of equity interests owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its equity interests in exchange for property will be treated as an acquisition of equity interests for purposes of this Section 2.5(c)(1). This Section 2.5(c)(1) applies only when there is a transfer or issuance of equity interests of the Company and the equity interests remains outstanding after the transaction.

Persons will not be considered to be acting as a group solely because they purchase or own voting securities of the Company at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of voting securities, or similar business transaction with the Company. If a person, including an entity, owns voting securities in the Company and another corporation that enters into a merger, consolidation, purchase or acquisition of voting securities, or similar transaction with the Company, such shareholder is considered to be acting as a group with other shareholders of the other corporation only with respect to their ownership interest in that corporation prior to the transaction.

Notwithstanding the foregoing, a Change of Control shall not occur upon the transfer of voting securities of the Company among or between persons or, if such persons are individuals, members of their immediate family, or between trusts or other entities controlled by or operated for the benefit of such individuals or members of their immediate family, who own more than 50 percent of the total voting power of the Company, or upon the transfer of voting securities of the Company among or between the Company and a Affiliate or two or more Affiliates.

For purposes of the preceding paragraph, the term “immediate family” shall include the spouse and the lineal ascendants and descendants of an individual and the spouses of such lineal ascendants and descendants and the other individuals who share a common parent or grandparent with such individual and the spouses of such individuals. Adopted children shall be considered as the descendants of their adoptive parents and their parents’ parents in the same manner as would be the biological children of such parents.

(2) The sale of all or substantially all of the Company’s assets. A sale of all or substantially all of the Company’s assets occurs on the date that any one person or persons acting as a group acquire (or have acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to all or substantially all (and in no case less than 40%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, gross fair market value means to the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. A transfer of assets to an entity that is controlled by the members of the Company immediately after the transfer, or a transfer of assets by the Company to any of the following, are not considered to be a sale of all or substantially all of the Company’s assets for purposes of this Section 2.5(c)(2): (A) a member of the Company (immediately before the asset transfer) in exchange for or with respect of its equity interests; (B) an entity, 50 percent or more of the total value or voting power of which is owned, directly or indirectly, by the Company; (C) a person, or more than one person acting as a group, that owns, directly or indirectly, 50 percent or more of the total value or voting power of all the outstanding equity interests of the Company; or (D) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person described in paragraph (C). For purposes of this Section 2.5(c)(2) and except as otherwise provided, a person’s status is determined immediately after the transfer of the assets. For example, a transfer to a corporation in which the Company has no ownership interest before the transaction, but which is a majority-owned subsidiary of the Company after the transaction is not treated as a sale of all substantially all of the assets of the Company.

Persons will not be considered to be acting as a group solely because they purchase assets of the Company at the same time. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar business transaction with the Company. If a person, including an entity, owns stock in the Company and another corporation that enters into a merger, consolidation, purchase or acquisition of assets, or similar transaction with the Company, such shareholder is considered to be acting as a group with other shareholders of the other corporation only with respect to their ownership interest in that corporation prior to the transaction.

2.6 BENEFICIARY DESIGNATION. In the event of a Participant’s death prior to full distribution of his or her vested SERP Account, such amount shall be paid to the beneficiary properly designated by the Participant in the manner established by the Committee to receive his or her SERP Account hereunder. Such distribution shall be made in a lump sum distribution as soon as practicable, but within 90 days, after the Participant’s death. If the Participant fails to properly designate a beneficiary hereunder, including if the Participant’s designated beneficiary predeceases him or her, upon the Participant’s death the vested SERP Account shall be paid to the person or entity that is the Participant’s beneficiary under the Plan, whether by designation of the Participant or by the terms of the Plan.

2.7 VALUATION OF ACCOUNTS. The value of a Participant’s vested SERP Account shall be determined as of the Valuation Date immediately preceding the date on which a distribution is made to such Participant, based upon the value that the SERP Account would have if at all times it were earning the rate of return specified by the Committee or were fully invested in the investment options designated by the Committee or selected by the Participant, pursuant to Section 2.3.

2.8 FUNDING. Benefits payable under the 2011 SERP to any person shall be paid directly by the Company. The Company shall not be required to fund, or otherwise segregate assets to be used for payment of benefits under the 2011 SERP. While the Company may make investments in amounts equal or unequal to amounts payable hereunder, the Company shall not be under any obligation to make such investments and any such investments shall remain an asset of the Company subject to the claims of its general creditors. Notwithstanding the foregoing, the Company may maintain one or more trusts to hold assets to be used for payment of benefits under the 2011 SERP; provided that the assets of each trust shall be subject to the creditors of the Company in the event the Company becomes insolvent (as defined in such trust) and provided that any such trust must comply with the requirements of Code Section 409A. Any payments by such a trust to a Participant (or to the beneficiary of a Participant) under the 2011 SERP shall be considered payment by the Company and shall discharge the Company of any further liability under the 2011 SERP to the extent of the payments made by such trust.

Article 3

MISCELLANEOUS

3.1 EMPLOYMENT RIGHTS. Status as a Participant and/or as an Active Participant shall not be construed to give an employee the right to be retained in the service of the Company or any Affiliate or any right to any benefits not specifically provided by the 2011 SERP.

3.2 INTERESTS NOT TRANSFERABLE. Except as to withholding of any tax under the laws of the United States or any state or locality, no benefit payable at any time under the 2011 SERP shall be subject in any manner to alienation, sale, transfer, assignment, pledge, attachment, or other legal process, or encumbrance of any kind. Any attempt to alienate, sell, transfer, assign, pledge or otherwise encumber any such benefits, whether currently or thereafter payable, shall be void. No benefit shall, in any manner, be liable for or subject to the debts or liabilities of any person entitled to such benefits. If any person shall attempt to, or shall alienate, sell, transfer, assign, pledge or otherwise encumber his or her benefits under the 2011 SERP, or if by reason of his or her bankruptcy or other event happening at any time, such benefits would devolve upon any other person or would not be enjoyed by the person entitled thereto under the 2011 SERP, then the Company, in its discretion, may terminate the interest in any such benefits of the person entitled thereto under the 2011 SERP and hold or apply them to or for the benefit of such person entitled thereto under the 2011 SERP or his or her spouse, children or other dependents, or any of them, in such manner as the Company may deem proper.

3.3 UNCLAIMED AMOUNTS. Unclaimed amounts shall consist of the amounts of the SERP Accounts of any Participant that cannot be distributed because of the Committee's inability to locate the payee, after a reasonable search, within a period of two (2) years after the benefits become distributable under Article 2, as set forth herein. Unclaimed amounts shall be forfeited at the end of such two-year period. These forfeitures shall reduce the obligations of the Company under the 2011 SERP. After an unclaimed amount has been forfeited, the Participant or beneficiary, as applicable, shall have no further right to his or her SERP Account.

3.4 CONTROLLING LAW. The law of the State of Illinois, without giving effect to its conflicts of laws principles, shall be controlling in all matters relating to the 2011 SERP to the extent not preempted by ERISA.

3.5 NUMBER. Words in the plural shall include the singular and the singular shall include the plural.

3.6 ACTION BY AN EMPLOYER. Except as otherwise specifically provided herein, any action required of or permitted by the Company under the 2011 SERP shall be by resolution of the Board of Directors of the Company or person(s) authorized by resolution of the Board of Directors of the Company.

3.7 TAXES. The Company shall have the right to require Participants to remit to the Company any amount sufficient to satisfy applicable federal, state, and local tax withholding requirements, and to deduct from all payments made pursuant to the 2011 SERP amounts sufficient to satisfy such withholding requirements.

3.8 WAIVER. No failure or delay on the part of the Company or the Committee in enforcing or exercising any right or remedy hereunder will operate as a waiver thereof at the same or at any prior or subsequent time.

3.9 SEVERABILITY. If any provision of the 2011 SERP is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the 2011 SERP, and the 2011 SERP will be construed and enforced as if the illegal or invalid provision had not been included.

3.10 INDEMNIFICATION. To the maximum extent permitted by law, the officers, directors, members, managers, and all agents and representatives of the Company and members of the Committee will be indemnified by the Company, and saved harmless against any claims, losses, liabilities, costs, fines, penalties, and expenses (including attorneys fees), resulting from any actual or alleged action, conduct, or failure to act relating to the administration of the SERP, except for claims arising from gross negligence, willful neglect, willful misconduct, or lack of good faith, or from conduct that has resulted in the receipt of personal profit or advantage to which such party is not entitled. Parties may be indemnified under this Section 3.10 to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the 2011 SERP.

3.11 SECTION 409A COMPLIANCE. The 2011 SERP is intended to comply with, and will in all cases be interpreted and operated in accordance with the requirements of, Code Section 409A, and the regulations and other guidance issued thereunder. If an unintentional operational failure occurs with respect to Code Section 409A requirements, any affected Participant or beneficiary

shall fully cooperate with the Company to correct the failure, to the extent possible, in accordance with any correction procedure established by the U.S. Internal Revenue Service. Any reference herein to Code Section 409A and the Treasury Regulations shall be interpreted to refer to any successor section of the Code, the Treasury Regulations or other guidance issued by the U.S. Internal Revenue Service, as appropriate.

Article 4

AMENDMENT AND TERMINATION

4.1 COMPANY AUTHORITY TO AMEND. The Company intends the SERP to be permanent, but reserves the right at any time to modify or amend the SERP by action of its Board of Directors or the Committee, or to terminate the SERP by action of its Board of Directors, provided however, that if a Participant has a SERP Account, benefits provided under Section 2.1 shall constitute an irrevocable obligation of the Company as applicable, to the same extent that such SERP Account, had it been an account under the Plan, would have been an irrevocable obligation of the Plan.

[Signature Page Follows]

Executed in this 18th day of February, 2011.

CROWN IMPORTS LLC

By: /s/ William F. Hackett

Its: President

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

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2013**

I, Robert Sands, 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: October 10, 2013

/s/ Robert Sands

Robert Sands
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 August 31, 2013**

I, Robert Ryder, 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: October 10, 2013

/s/ Robert Ryder

Robert Ryder

Executive Vice President and
Chief Financial Officer

**SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2013**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2013, I, Robert Sands, 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 August 31, 2013 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 August 31, 2013 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 10, 2013

/s/ Robert Sands

Robert Sands,
President and Chief Executive Officer

**SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2013**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2013, I, Robert Ryder, 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 August 31, 2013 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 August 31, 2013 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 10, 2013

/s/ Robert Ryder

Robert Ryder,
Executive Vice President and
Chief Financial Officer