UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended February 29, 2016
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, INC.
(Exact name of registrant as specified in its charter)

Delaware	16-0716709
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
207 High Point Drive, Building 100 Victor, New York	14564
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (585) 678-7100
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock (par value $.01 per share)	New York Stock Exchange
Class B Common Stock (par value $.01 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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 ý	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 ý

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing sales prices of the registrant’s Class A and Class B Common Stock as reported on the New York Stock Exchange as of the last business day of the registrant’s most recently completed second fiscal quarter was $21,123,013,825.

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of April 19, 2016, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, par value $.01 per share	176,413,448
Class B Common Stock, par value $.01 per share	23,352,729
Class 1 Common Stock, par value $.01 per share	2,000

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement of Constellation Brands, Inc. to be issued for the Annual Meeting of Stockholders which is expected to be held July 20, 2016 is incorporated by reference in Part III to the extent described therein.

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This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical fact included in this Annual Report on Form 10-K, including without limitation (I) the statements under Item 1 “Business” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding (i) our business strategy, future financial position, prospects, plans and objectives of management, (ii) information concerning expected or potential actions of third parties, (iii) information concerning the future expected balance of supply and demand for wine, (iv) the duration of the share repurchase implementation and source of funds for share repurchases, (v) our effective tax rate, (vi) the timing and source of funds for operating activities, (vii) the amount and timing of future dividends, and (viii) the acquisition of The Prisoner Wine Company brand portfolio, (II) the statements regarding the expansions of our Nava Brewery, construction of our Mexicali Brewery and glass plant expansion, including anticipated costs and timeframes for completion and (III) the statements regarding a decision whether to pursue an initial public offering of a portion of the Company’s Canadian wine business are forward-looking statements. When used in this Annual Report on Form 10-K, 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 Annual Report on Form 10-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations and conditions in the general economy and markets in which we compete, our forward-looking statements contained in this Annual Report on Form 10-K 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 grape harvest, actual shipments to distributors and actual consumer demand, (ii) the actual demand for our products will vary from current expectations due to, among other reasons, actual shipments to distributors and actual consumer demand, (iii) the amount and timing of and source of funds for any share repurchases may vary due to market conditions, our cash and debt position, and other factors as determined by management from time to time, (iv) the amount and timing of future dividends may differ from our current expectations if our ability to use cash flow to fund dividends is affected by unanticipated increases in total net debt, we are unable to generate cash flow at anticipated levels, or we fail to generate expected earnings, (v) the timeframe and actual costs associated with the expansions of our Nava Brewery, construction of our Mexicali Brewery and glass plant expansion may vary from management’s current expectations due to market conditions, our cash and debt position, receipt of all required regulatory approvals by the expected dates and on the expected terms and other factors as determined by management, (vi) The Prisoner Wine Company brand portfolio acquisition is subject to the satisfaction of certain closing conditions and the receipt of any required regulatory approvals, and (vii) the decision whether to pursue an initial public offering of a portion of the Company’s Canadian wine business is subject to the determination and discretion of the Company. Additional important factors that could cause actual results to differ materially from those set forth in or implied by our forward-looking statements contained in this Annual Report on Form 10-K are those described in Item 1A “Risk Factors” and elsewhere in this report and in our other filings with the Securities and Exchange Commission.

Unless the context otherwise requires, the terms “Company,” “CBI,” “we,” “our,” or “us” refer to Constellation Brands, Inc. an its subsidiaries. All references to “net sales” refer to gross sales less promotions, returns and allowances, and excise taxes consistent with the Company’s method of classification. All references to “Fiscal 2016,” “Fiscal 2015” and “Fiscal 2014” refer to the Company’s fiscal year ended the last day of February of the indicated year. All references to “Fiscal 2017” refer to our fiscal year ending February 28, 2017. Unless otherwise defined herein, refer to the Notes to the Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K for the definition of capitalized terms used herein.

Market positions and industry data discussed in this Annual Report on Form 10-K are as of calendar 2015 and have been obtained or derived from industry and government publications and our estimates. The industry and government publications include: Association for Canadian Distillers; Aztec; Beer Marketers Insights; Beverage Information Group; Distilled Spirits Council of the United States; The Gomberg-Fredrikson Report; Impact Databank Review and Forecast; International Wine and Spirits Research (IWSR); IRI; and National Alcohol Beverage Control Association. We have not independently verified the data from the industry and government publications. Unless otherwise noted, all references to market positions are based on equivalent unit volume.

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PART I

Item 1. Business.

Introduction

We are a leading international beverage alcohol company with many of our products recognized as leaders in their respective categories and geographic markets. We are the third-largest producer and marketer of beer for the U.S. market and the world's leading premium wine company with a leading market position in the U.S. and Canada. Our wine portfolio is complemented by select premium spirits brands and other select beverage alcohol products. We are the largest multi-category supplier (beer, wine and spirits) ("Multi-category Supplier") of beverage alcohol in the U.S. Our strong market positions make us a supplier of choice to many of our customers, who include wholesale distributors, retailers, on-premise locations and government alcohol beverage control agencies.

The Company is a Delaware corporation incorporated on December 4, 1972, as the successor to a business founded in 1945. We have approximately 9,000 employees located primarily in the U.S., Canada and Mexico, with our corporate headquarters located in Victor, New York. We conduct our business through entities we wholly own as well as through a variety of joint ventures and other entities.

Strategy

Certain key industry trends during the past decade have impacted our activities, results and strategy. These include:

- consolidation of suppliers, wholesalers and retailers;
- high-end beer (primarily imported and craft) growing faster than total beer in the U.S.;
- an increase in North American wine consumption, with premium wines growing faster than value-priced wines; and
- volume of premium spirits growing faster than value-priced spirits in the U.S.

To capitalize on these trends, become more competitive and grow our business, we have generally employed a strategy focused on a combination of organic growth and acquisitions, with an increasing focus on the higher-growth, higher-margin premium categories of the beverage alcohol industry. Key elements of our strategy include:

- leveraging our existing portfolio of leading brands;
- developing new products, new packaging and line extensions;
- strengthening relationships with wholesalers and retailers;
- expanding distribution of our product portfolio;
- enhancing and expanding production capabilities;
- realizing operating efficiencies and synergies; and
- maximizing asset utilization.

We completed the Beer Business Acquisition to solidify our position in the U.S. beer market over the long-term; diversify our profit base and enhance our margins, results of operations and cash flow; and provide new avenues for growth. We enhanced our position in the high-end beer segment with the acquisition of Ballast Point, a highly-awarded craft brewer, which provides us with a high-growth premium platform to compete in the fast-growing craft beer category. We have also acquired higher-margin premium and above wine growth brands as part of our efforts to increase our mix of premium brands, improve margins and create operating efficiencies.

For further information on our strategy, see Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Annual Report on Form 10-K ("MD&A").

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Investments and Acquisitions

As part of our strategy to improve margins, enhance production capabilities and keep an increased focus on the higher-margin premium categories of the beverage alcohol industry, we have completed, or are in the process of completing, the following investments and acquisitions:

Name	Period
Prisoner acquisition	Pending
Ballast Point acquisition	December 2015
Meiomi acquisition	August 2015
Glass production plant acquisition through joint venture with Owens-Illinois	December 2014
Casa Noble acquisition	September 2014
Beer Business Acquisition	June 2013
Mark West acquisition	July 2012
Ruffino acquisition	October 2011

Pending Prisoner Acquisition

The pending acquisition of this portfolio of five fast-growing, higher-margin, super-luxury wine brands will complement our existing portfolio and strengthen our position in the super-luxury wine category.

Ballast Point Acquisition

The acquisition of this major, craft beer brewer has provided a high-growth premium platform that will allow us to compete in the fast-growing, craft beer category and further strengthen our position in the high-end of the U.S. beer market.

Meiomi Acquisition

The acquisition of this fast-growing, higher-margin, luxury brand has complemented our existing portfolio and further strengthened our position in the U.S. pinot noir category.

Glass Production Plant Acquisition

The formation of an equally-owned joint venture with Owens-Illinois, the world’s largest glass container manufacturer, and the acquisition of a state-of-the-art glass production plant that is located adjacent to our Nava Brewery in Mexico has solidified our long-term glass sourcing strategy under favorable terms.

Casa Noble Acquisition

The acquisition of this fast-growing, higher-margin, super-premium tequila brand has complemented our Mexican beer portfolio and has further strengthened both our on and off-premise presence as tequila and Mexican beer share similar target consumers and drinking occasions. In addition, Casa Noble fits well into our existing wine and spirits distribution infrastructure.

Beer Business Acquisition

The acquisition of Modelo’s U.S. beer business included the remaining 50% interest in Crown Imports, which provides us with complete, independent control of our U.S. commercial beer business; the state-of-the-art Nava Brewery; and exclusive perpetual brand rights to import, market and sell Corona and the other Mexican Beer Brands in the U.S.

market. The transaction solidified our position in the U.S. beer market for the long term and made us the third-largest brewer and seller of beer for the U.S. market. Combining this with our strong position in wine and spirits positions us as the largest Multi-category Supplier of beverage alcohol in the U.S.

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Mark West

The acquisition of this higher-margin, premium wine growth brand has complemented our existing portfolio and further strengthened our position in the U.S. pinot noir category.

Ruffino

The acquisition of the remaining equity interest in this business has solidified our position in the Italian premium wine category in the U.S. and Canada.

For further information about our Fiscal 2016, Fiscal 2015 and Fiscal 2014 transactions, refer to (i) MD&A and (ii) Note 2 of the Notes to the Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K ("Notes to the Financial Statements").

Business Segments

We report our operating results in three segments: (i) Beer, (ii) Wine and Spirits, and (iii) Corporate Operations and Other. The business segments reflect how our operations are managed, how resources are allocated, how operating performance is evaluated by senior management and the structure of our internal financial reporting. We report net sales in two reportable segments, as follows:

(in millions)	For the Year Ended February 29, 2016	% of Total Segment Net Sales	For the Year Ended February 28, 2015	% of Total Segment Net Sales	For the Year Ended February 28, 2014	% of Total Segment Net Sales
Beer	$3,622.6	55.3 %	$3,188.6	52.9 %	$2,835.6	49.9 %
Wine and Spirits:						
Wine	2,591.4	39.6 %	2,523.4	41.9 %	2,554.2	45.0 %
Spirits	334.4	5.1 %	316.0	5.2 %	291.3	5.1 %
Total Wine and Spirits	2,925.8	44.7 %	2,839.4	47.1 %	2,845.5	50.1 %
Consolidation and Eliminations	—		—		(813.4)	
Consolidated Net Sales	$6,548.4		$6,028.0		$4,867.7	

Beer

We are the leader in the high-end segment of the U.S. beer market. We sell a number of brands in the import and craft beer categories.

Within the imported beer category, we have the exclusive right to import, market and sell these Mexican Beer Brands in all 50 states of the U.S.:

- Corona Extra
- Corona Light
- Modelo Especial
- Pacifico
- Negra Modelo
- Victoria

In the U.S., we have five of the top-selling 15 imported beer brands. Corona Extra is the best-selling imported beer and the fifth best-selling beer overall in the U.S.; Corona Light is the leading imported light beer; and Modelo Especial is the second-largest and one of the fastest-growing major imported beer brands. During Fiscal 2014, we introduced Modelo Especial Chelada, a blend of beer with flavors of tomato, salt and lime, to further

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capitalize on the strength of this growing brand. Additionally, we are continuing efforts focused on increasing sales penetration of products in can and draft package formats.

Our craft beer products are primarily sold under the Ballast Point brand, which is one of the fastest-growing major craft brands in the U.S. beer market. Ballast Point produces more than 40 different styles of beer, led by its popular Sculpin IPA and Grapefruit Sculpin IPA.

The current capacity of our Nava Brewery is 15 million hectoliters, which includes completion of the first 5 million hectoliters of our previously-announced Nava Brewery capacity expansion. We intend to expand the Nava Brewery's capacity by an additional 12.5 million hectoliters to 27.5 million hectoliters of capacity with (i) 5 million hectoliters expected to be completed by June 2016, (ii) 5 million hectoliters expected to be completed by summer of calendar 2017 and (iii) 2.5 million hectoliters expected to be completed by early calendar 2018.

In January 2016, we announced details related to the construction of a new, state-of-the-art brewery in Mexicali, Baja California, Mexico (the "Mexicali Brewery"), located near California, which is our largest beer market in the U.S. Initially, the Mexicali Brewery will be built to provide 10 million hectoliters production capacity with the ability to scale to 20 million hectoliters in the future. We expect to complete construction of the 10 million hectoliters production capacity by calendar year-end 2020, with the first 5 million hectoliters production capacity expected to be completed by calendar year-end 2019.

Total spend related to these brewery capacity expansion activities, as well as expansion activities at the glass plant facility adjacent to the Nava Brewery (collectively, the "Mexico Beer Expansion Projects"), is estimated to be approximately $4.5 billion through fiscal 2021. In total, we have invested approximately $1.5 billion for the Mexico Beer Expansion Projects, with approximately $775 million during Fiscal 2016 and the remainder during Fiscal 2015 and Fiscal 2014.

Prior to the Beer Business Acquisition, we and Modelo, indirectly, each had an equal interest in Crown Imports, which had the exclusive right to import, market and sell the Mexican Beer Brands.

Wine and Spirits

We are the world's leading producer and marketer of premium wine. We sell a large number of wine brands across all categories – table wine, sparkling wine and dessert wine – and across all price points – popular, premium and luxury categories, primarily within the $5 to $25 U.S. retail price range – and we have a leading market position in the U.S. and Canada. Our portfolio of premium and luxury wines is supported by vineyard holdings in the U.S., Canada, New Zealand and Italy. Our top premium spirits brands have leading positions in their respective categories.

Our wine produced in the U.S. is primarily marketed domestically and in Canada. Wine produced in Canada is primarily marketed domestically. Wine produced in New Zealand and Italy is primarily marketed in the U.S. and Canada. In addition, we export our wine products to other major world markets.

In our spirits business, SVEDKA Vodka is imported from Sweden and is the largest imported vodka brand in the U.S. Black Velvet Canadian Whisky is the second-largest Canadian whisky brand in the U.S.

In the U.S., we sell 16 of the top-selling 100 table wine brands and are a leading premium wine company. Some of our well-known wine and spirits brands sold in the U.S., which comprise our U.S. Focus Brands ("Focus Brands"), include:

Wine Brands			Spirits Brands
Black Box	Kim Crawford	Ruffino	SVEDKA Vodka
Clos du Bois	Mark West	Saved	

Estancia	Meiomi	Simi
Franciscan Estate	Mount Veeder	The Dreaming Tree
Inniskillin	Robert Mondavi	Wild Horse

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We dedicate a large share of sales and marketing resources to these brands as they represent a majority of our U.S. wine and spirits revenue and profitability, and generally have strong positions in their respective price categories. Within the Focus Brands, we have been increasing brand building support behind certain key brands which we believe collectively provide the best opportunity for growth and operating margin enhancement for our wine and spirits business. These brands include Black Box, Kim Crawford, Mark West, Meiomi, Robert Mondavi, Ruffino, SVEDKA Vodka and The Dreaming Tree.

We have been increasing resources in support of product innovation as we believe this is one of the key drivers of overall beverage alcohol category growth. In wine, we have launched varietal line extensions behind many of our focus brands and introduced newer brands like Ravage and Tom Gore Vineyards. In spirits, we have been introducing flavor extensions for SVEDKA Vodka and Paul Masson Brandy.

In Canada, we are the leading wine company and have eight of the top-selling 25 table wine brands. In this market, Jackson-Triggs is the top-selling wine brand and Inniskillin is the leading icewine brand. In addition to our domestic brands, we are targeting to increase our import brand presence in this market with offerings like Robert Mondavi, Kim Crawford and Ruffino.

Corporate Operations and Other

The Corporate Operations and Other segment includes traditional corporate-related items including executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations and information technology.

Further information regarding net sales, operating income and total assets of each of our business segments and information regarding geographic areas is set forth in Note 20 of the Notes to the Financial Statements.

Marketing and Distribution

To focus on their respective product categories, build brand equity and increase sales, our segments employ full-time, in-house marketing, sales and customer service functions. These functions engage in a range of marketing activities and strategies, including market research, consumer and trade advertising, price promotions, point-of-sale materials, event sponsorship, on-premise promotions and public relations. Where opportunities exist, particularly with national accounts in the U.S., we leverage our sales and marketing skills across the organization.

In North America, our products are primarily distributed by wholesale distributors, with separate distribution networks utilized for our beer portfolio and our wine and spirits portfolio, as well as state and provincial alcohol beverage control agencies. As is the case with all other beverage alcohol companies, products sold through these agencies are subject to obtaining and maintaining listings to sell our products in that agency's state or province. State and provincial governments can affect prices paid by consumers of our products through the imposition of taxes or, in states and provinces in which the government acts as the distributor of our products through an alcohol beverage control agency, by directly setting the retail prices.

Trademarks and Distribution Agreements

Trademarks are an important aspect of our business. We sell products under a number of trademarks, which we own or use under license. Throughout our segments, we also have various licenses and distribution agreements for the sale, or the production and sale, of our products and products of third parties. These licenses and distribution agreements have varying terms and durations.

Prior to the Beer Business Acquisition, all of our imported beer products were imported, marketed and sold through Crown Imports. Crown Imports had entered into exclusive importation agreements with the suppliers of the imported beer products and had an exclusive sub-license to use certain trademarks related to the Mexican Beer Brands in the U.S. and Guam pursuant to a renewable sub-license agreement between Crown Imports and Marcas

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Modelo, S.A. de C.V. As a result of the Beer Business Acquisition, our sub-license agreement for the exclusive use of the trademarks for our Mexican Beer Brands is now perpetual.

Competition

The beverage alcohol industry is highly competitive. We compete on the basis of quality, price, brand recognition and distribution strength. Our beverage alcohol products compete with other alcoholic and non-alcoholic beverages for consumer purchases, as well as shelf space in retail stores, restaurant presence and wholesaler attention. We compete with numerous multinational producers and distributors of beverage alcohol products, some of which have greater resources than we do. Our principal competitors include:

Beer	Anheuser-Busch InBev, MillerCoors, Heineken, Pabst Brewing Company, The Boston Beer Company
Wine	
U.S.	E&J Gallo Winery, The Wine Group, Trinchero Family Estates, Treasury Wine Estates, Ste. Michelle Wine Estates, Deutsch Family Wine & Spirits, Jackson Family Wines
Canada	Andrew Peller, Treasury Wine Estates, E&J Gallo Winery, Kruger Wines and Spirits, Pernod Ricard
Spirits	Diageo, Beam Suntory, Brown-Forman, Sazerac Company, Pernod Ricard

Production

For Fiscal 2016, approximately 50% of our Mexican Beer Brands requirements were produced by our Nava Brewery, which is located in Mexico, approximately 10 miles from the Texas border. The current capacity of the Nava Brewery is 15 million hectoliters and is expected to reach 20 million hectoliters by June 2016. In total, we intend to expand the Nava Brewery's capacity to 27.5 million hectoliters, with the subsequent Nava Brewery expansions from 20 million hectoliters to 27.5 million hectoliters targeted to be completed by early calendar 2018.

To meet our beer supply requirements above the current Nava Brewery capacity, we entered into a three-year interim supply agreement with Anheuser-Busch InBev SA/NV ("ABI") in June 2013. This agreement also provides for up to two one-year extensions. However, the United States, acting through the Antitrust Division of the United States Department of Justice ("DOJ"), has a right of approval, in its sole discretion, of any extension of the term of this interim supply agreement beyond three years.

While we remain on track with the Nava Brewery expansion activity, we have extended the interim supply agreement through June 2017 in order to support the robust growth levels of our Mexican beer portfolio and continue a smooth transition as we ramp up incremental capacity.

Additionally, the initial construction of the Mexicali Brewery to provide 10 million hectoliters of production capacity is targeted to be completed by calendar year-end 2020, with the first 5 million hectoliters targeted to be completed by calendar year-end 2019.

We currently operate four facilities in the greater San Diego, California area that produce our Ballast Point brand, including Miramar, which serves as the primary production site for the brand. This facility was built in 2014 and may be expanded to accommodate future growth.

In the U.S., we operate 19 wineries using many varieties of grapes grown principally in the Napa, Sonoma, Monterey and San Joaquin regions of California. We also operate eight wineries in Canada, four wineries in New Zealand and five wineries in Italy. Grapes are crushed at most of our wineries and stored as wine until packaged for sale under our brand names or sold in bulk. The inventories of wine are usually at their highest levels during and after the crush of each year's grape harvest, and are reduced prior to the subsequent year's crush. Wine inventories are usually at their highest levels in September through November in the U.S., Canada and Italy, and in March through May in New Zealand.

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Our Canadian whisky requirements are produced and aged at our Canadian distillery in Lethbridge, Alberta. Our requirements for grains and bulk spirits used in the production of Canadian whisky are purchased from various suppliers.

Sources and Availability of Production Materials

The principal components in the production of our craft and Mexican Beer Brands include water; agricultural products, such as malt, hops, yeast and corn starch; and packaging materials, which include glass, aluminum and cardboard.

For our Mexican Beer Brands, packaging materials represent the largest cost component of production, with glass bottles representing the largest cost component of our packaging materials. In Fiscal 2016, the package format mix of our Mexican beer volume sold in the U.S. was 74% glass bottles, 24% aluminum cans and 2% in stainless steel kegs.

The Nava Brewery receives allotments of water originating from a mountain aquifer. We believe we have adequate access to water allotments to support the Nava Brewery's on-going and future requirements after completing the Nava Brewery expansion. In connection with the Beer Business Acquisition, we entered into a transition services agreement with ABI for the supply of materials needed to produce and package beer for varying periods up to 36 months from the date of the acquisition. Investments and efforts to establish stand-alone procurement systems and independent supply arrangements for the beer business operations have essentially been completed.

As part of our efforts to solidify our beer glass sourcing strategy over the long-term, we formed an equally-owned joint venture with Owens-Illinois, the world's largest glass container manufacturer. The joint venture acquired a state-of-the-art glass production plant that is located adjacent to our Nava Brewery in Mexico, in December 2014. The glass plant currently has one operational glass furnace and the joint venture intends to scale it to four furnaces by early calendar 2018. When fully operational with four furnaces, the glass plant is expected to supply approximately 50% of our glass requirements for the Nava Brewery. We also entered into long-term glass supply agreements with other glass producers during Fiscal 2015.

The principal components in the production of our wine and spirits products are agricultural products, such as grapes and grain, and packaging materials (primarily glass).

Most of our annual grape requirements are satisfied by purchases from each year's harvest which normally begins in August and runs through October in the U.S., Canada and Italy, and begins in February and runs through May in New Zealand. We receive grapes from approximately 960 independent growers in the U.S. and approximately 220 independent growers located primarily in Canada and New Zealand. We enter into purchase agreements with a majority of these growers with pricing that generally varies year-to-year and is generally based on then-current market prices.

As of February 29, 2016, we owned or leased approximately 21,700 acres of land and vineyards, either fully bearing or under development, primarily in the U.S., Canada, New Zealand and Italy. This acreage supplies only a small percentage of our overall total grape needs for wine production. However, most of this acreage is used to supply a large portion of the grapes used for the production of certain of our higher-end wines. We continue to consider the purchase or lease of additional vineyards, and additional land for vineyard plantings, to supplement our grape supply.

We believe that we have adequate sources of grape supplies to meet our sales expectations. However, when demand for certain wine products exceeds expectations, we look to source the extra requirements from the bulk wine markets around the world.

The distilled spirits manufactured and imported by us require various agricultural products, neutral grain spirits and bulk spirits which we fulfill through purchases from various sources by contractual arrangement and through purchases on the open market. We believe that adequate supplies of the aforementioned products are available at the present time.

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We utilize glass and polyethylene terephthalate (“PET”) bottles and other materials such as caps, corks, capsules, labels, wine bags and cardboard cartons in the bottling and packaging of our wine and spirits products. After grape purchases, glass bottle costs are the largest component of our cost of product sold. In the U.S. and Canada, the glass bottle industry is highly concentrated with only a small number of producers. We have traditionally obtained, and continue to obtain, our glass requirements from a limited number of producers under long-term supply arrangements. Currently, one producer supplies most of our glass container requirements for our U.S. operations and a portion of our glass container requirements for our Canadian operations, with the remaining portion for our Canadian operations supplied by another producer. We have been able to satisfy our requirements with respect to the foregoing and consider our sources of supply to be adequate at this time.

Government Regulation

We are subject to a range of laws and regulations in the countries in which we operate. Where we produce products, we are subject to environmental laws and regulations, and may be required to obtain environmental and alcohol beverage permits and licenses to operate our facilities. Where we market and sell products, we may be subject to laws and regulations on brand registration, packaging and labeling, distribution methods and relationships, pricing and price changes, sales promotions, advertising and public relations. We are also subject to rules and regulations relating to changes in officers or directors, ownership or control.

We believe we are in compliance in all material respects with all applicable governmental laws and regulations in the countries in which we operate. We also believe that the cost of administration and compliance with, and liability under, such laws and regulations does not have, and is not expected to have, a material adverse impact on our financial condition, results of operations or cash flows.

Seasonality

The beverage alcohol industry is subject to seasonality in each major category. As a result, in response to wholesaler and retailer demand which precedes consumer purchases, our beer sales are typically highest during the first and second quarters of our fiscal year, which correspond to the Spring and Summer periods in the U.S. Our wine and spirits sales are typically highest during the third quarter of our fiscal year, primarily due to seasonal holiday buying.

Employees

As of the end of March 2016, we had approximately 9,000 employees. Approximately 4,100 employees were in the U.S. and approximately 4,900 employees were outside of the U.S., primarily in Canada and Mexico. We may employ additional workers during the grape crushing seasons. We consider our employee relations generally to be good.

Executive Officers of the Company

Information with respect to our current executive officers is as follows:

NAME	AGE	OFFICE OR POSITION HELD
Richard Sands	65	Chairman of the Board
Robert Sands	57	President and Chief Executive Officer
William F. Hackett	64	Executive Vice President and Chairman, Beer Division
F. Paul Hetterich	53	Executive Vice President and President, Beer Division
Thomas M. Kane	55	Executive Vice President and Chief Human Resources Officer
David Klein	52	Executive Vice President and Chief Financial Officer
Thomas J. Mullin	64	Executive Vice President and General Counsel
William A. Newlands	57	Executive Vice President and President, Wine & Spirits Division

John A. (Jay) Wright	57	Executive Vice President and President, Canadian Business

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Richard Sands, Ph.D., is the Chairman of the Board of the Company. He has been employed by the Company in various capacities since 1979. He has served as a director since 1982. In September 1999, Mr. Sands was elected Chairman of the Board. He served as Chief Executive Officer from October 1993 to July 2007, as Executive Vice President from 1982 to May 1986, as President from May 1986 to December 2002 and as Chief Operating Officer from May 1986 to October 1993. He is the brother of Robert Sands.

Robert Sands is President and Chief Executive Officer of the Company. He was appointed Chief Executive Officer in July 2007 and appointed as President in December 2002. He has served as a director since January 1990. Mr. Sands also served as Chief Operating Officer from December 2002 to July 2007, as Group President from April 2000 through December 2002, as Chief Executive Officer, International from December 1998 through April 2000, as Executive Vice President from October 1993 through April 2000, as General Counsel from June 1986 through May 2000 and as Vice President from June 1990 through October 1993. He is the brother of Richard Sands.

William F. Hackett has served as an Executive Vice President of the Company since June 2013. Since January 2016 he has performed the role of Chairman, Beer Division and from June 2013 through January 2016 he performed the role of President, Beer Division. Crown Imports LLC was previously owned 50% by the Company, and as a result of the Beer Business Acquisition, it is now a wholly-owned indirect subsidiary of the Company. Mr. Hackett is also Chairman of Crown Imports LLC since January 2016 and before that he served as President of Crown Imports LLC from January 2007 through January 2016. Prior to that, he was President of Barton Beers, Ltd. (a wholly-owned indirect subsidiary of the Company now known as Constellation Beers Ltd.) having served in that role from 1993 until January 2007. Prior to that, Mr. Hackett held several increasingly senior positions in Barton Beers, Ltd., having joined that company in 1984.

F. Paul Hetterich has been an Executive Vice President of the Company since June 2003. Since January 2016 Mr. Hetterich has performed the role of President, Beer Division and President of Crown Imports LLC, a wholly-owned indirect subsidiary of the Company. From January 2015 through January 2016 he performed the role of Executive Vice President, Corporate Development & Beer Operations. From June 2011 until January 2015 he served as Executive Vice President, Business Development and Corporate Strategy, from July 2009 until June 2011 he served as Executive Vice President, Business Development, Corporate Strategy and International and from June 2003 until July 2009 he served as Executive Vice President, Business Development and Corporate Strategy. From April 2001 to June 2003 Mr. Hetterich served as the Company’s Senior Vice President, Corporate Development. Prior to that, Mr. Hetterich held several increasingly senior positions in the Company’s marketing and business development groups. Mr. Hetterich has been with the Company since 1986.

Thomas M. Kane joined the Company in May 2013 as Executive Vice President and Chief Human Resources Officer. Mr. Kane previously served as Senior Vice President, Human Resources and Government Relations of Armstrong World Industries, Inc., a global producer of flooring products and ceiling systems, from February 2012 to May 2013, he served as its Senior Vice President, Human Resources from August 2010 to February 2012 and served as its Chief Compliance Officer from February 2011 to February 2012. Prior to that, Mr. Kane served as Global Vice President, Human Resources for Black & Decker Power Tools, a manufacturer of power and hand tools, from 2002 to 2010. From 1999 to 2002 Mr. Kane served as Global HR leader of GE Specialty Materials, a large manufacturer of silicone products.

David Klein has been the Company’s Executive Vice President and Chief Financial Officer since June 2015. Prior to that, Mr. Klein served as the Company’s Senior Vice President Finance - Beer Division, having held that position from May 2014 until June 2015. He served as the Company’s Senior Vice President and Treasurer from April 2009 to July 2014 and assumed the additional responsibilities of Controller in October 2013, also serving in that role to July 2014. From March 2007 to March 2009 Mr. Klein served as chief financial officer for the Company’s former United Kingdom operations. Mr. Klein joined the Company in 2004 as Vice President of Business Development.

Thomas J. Mullin joined the Company as Executive Vice President and General Counsel in May 2000. Prior to joining the Company, Mr. Mullin served as President and Chief Executive Officer of TD Waterhouse Bank, NA, a national banking association, since February 2000, of CT USA, F.S.B. since September 1998 and of CT USA,

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Inc. since March 1997. He also served as Executive Vice President, Business Development and Corporate Strategy of C.T. Financial Services, Inc. from March 1997 through February 2000. From 1985 through 1997 Mr. Mullin served as Vice Chairman and Senior Executive Vice President of First Federal Savings and Loan Association of Rochester, New York and from 1982 through 1985 he was a partner in the law firm of Phillips Lytle LLP.

William A. Newlands has been an Executive Vice President of the Company since he joined in January 2015. Since January 2016 he has performed the role of President, Wine & Spirits Division and from January 2015 through January 2016 he performed the role of Chief Growth Officer. Mr. Newlands served from October 2011 until August 2014 as Senior Vice President and President, North America of Beam Inc., as Senior Vice President and President, North America of Beam Global Spirits & Wine, Inc. from December 2010 to October 2011 and as Senior Vice President and President, USA of Beam Global Spirits & Wine, Inc. from February 2008 to December 2010. Beam Inc., a producer and seller of branded distilled spirits products, merged with a subsidiary of Suntory Holding Limited, a Japanese company, in 2014. Prior to October 2011, Beam Global Spirits & Wine, Inc. was the spirits operating segment of Fortune Brands, Inc., which was a leading consumer products company that made and sold branded consumer products worldwide in the distilled spirits, home and security, and golf markets.

John A. (Jay) Wright has performed the role of the Company's Executive Vice President and President, Canadian Business since January 2016. From June 2013 through January 2016 he was the Company's Executive Vice President and President, Wine & Spirits Division. He served as Executive Vice President and Chief Operating Officer of the Company from June 2011 to June 2013 and served as President of the Company's wholly-owned direct subsidiary Constellation Brands U.S. Operations, Inc. (formerly known as Constellation Wines U.S., Inc.) from December 2009 through January 2016. Additionally, from December 2009 until June 2011 he served as President, Constellation Wines North America. Prior to that, he served as Executive Vice President and Chief Commercial Officer of Constellation Wines U.S., Inc. from March 2009 until December 2009. Mr. Wright joined the Company in June 2006 with the Company's acquisition of Vincor International Inc. (now known as Constellation Brands Canada, Inc.) Mr. Wright served as President of Vincor International Inc. from June 2006 until March 2009 and, prior to that, as President and Chief Operating Officer of Vincor International Inc.'s Canadian Wine Division from October 2001 until June 2006. Before that, he held various positions of increasing responsibility with various other consumer project companies.

Executive officers of the Company are generally chosen or elected to their positions annually and hold office until the earlier of their removal or resignation or until their successors are chosen and qualified.

Company Information

Our Internet website is http://www.cbrands.com. Our filings with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are accessible free of charge at http://www.cbrands.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, such as ourselves, that file electronically with the SEC. The Internet address of the SEC's site is http://www.sec.gov. Also, the public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330.

We have adopted a Chief Executive Officer and Senior Financial Executive Code of Ethics that specifically applies to our chief executive officer, our principal financial officer and our controller, and is available on our Internet site. This Chief Executive Officer and Senior Financial Executive Code of Ethics meets the requirements as set forth in the Securities Exchange Act of 1934, Item 406 of Regulation S-K.

We also have adopted a Code of Business Conduct and Ethics that applies to all employees, directors and officers, including each person who is subject to the Chief Executive Officer and Senior Financial Executive Code of Ethics. The Code of Business Conduct and Ethics is available on our Internet website, together with our Global Code of Responsible Practices for Beverage Alcohol Advertising and Marketing, our Board of Directors Corporate

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Governance Guidelines and the Charters of the Board's Audit Committee, Human Resources Committee (which serves as the Board's compensation committee) and Corporate Governance Committee (which serves as the Board's nominating committee). All of these materials are accessible on our Internet website at http://www.cbrands.com/investors/corporate-governance. Amendments to, and waivers granted to our directors and executive officers under our codes of ethics, if any, will be posted in this area of our website. Copies of these materials are available in print to any shareholder who requests them. Shareholders should direct such requests in writing to Investor Relations Department, Constellation Brands, Inc., 207 High Point Drive, Building 100, Victor, New York 14564, or by telephoning our Investor Center at 1-888-922-2150.

The information regarding our website and its content is for your convenience only. The content of our website is not deemed to be incorporated by reference in this report or filed with the SEC.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially affect our business, financial condition or results of operations. The risks described below are not the only risks we face. Additional factors not presently known to us or that we currently deem to be immaterial also may materially adversely affect our business, cash flows, financial condition or results of operations in future periods.

Worldwide and domestic economic trends and financial market conditions

We are subject to risks associated with adverse economic conditions, including economic slowdown, inflation, and the disruption, volatility and tightening of credit and capital markets. Unfavorable global or regional economic conditions could adversely impact our business, liquidity, financial condition and results of operations. Unemployment, tax increases, governmental spending cuts or a return of high levels of inflation could affect consumer spending patterns and purchases of our products. These could also create or exacerbate credit issues, cash flow issues and other financial hardships for us and our suppliers, distributors, retailers and consumers. The inability of suppliers, distributors and retailers to access liquidity could impact our ability to produce and distribute our products. We have a committed credit facility and additional liquidity facilities available to us. While to date we have not experienced problems with accessing these facilities, to the extent that the financial institutions that participate in these facilities were to default on their obligation to fund, those funds would not be available to us.

Global operations, currency rate fluctuations, interest rate fluctuations and geopolitical uncertainty

Our products are produced and sold in numerous countries throughout the world. As a result of the Beer Business Acquisition, we also have operations in Mexico.

Risks associated with international operations, any of which could have a material adverse effect on our business, liquidity, financial condition and results of operations, include:

- changes in local political, economic, social and labor conditions;
- potential disruption from socio-economic violence, including terrorism and drug-related violence;
- restrictions on foreign ownership and investments or on repatriation of cash earned in countries outside the U.S.;
- changes in laws, governmental regulations and policies in many countries outside the U.S.;
- changes in tax laws and regulations, including with respect to income taxes in countries outside the U.S.;
- import and export requirements;
- currency exchange rate fluctuations;

- a less developed and less certain legal and regulatory environment, which among other things can create uncertainty with regard to liability issues;
- laws regarding the enforcement of contract and intellectual property rights;

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- inadequate levels of compliance with applicable anti-bribery laws, including the Foreign Corrupt Practices Act; and
- other challenges caused by distance, language and cultural differences.

Our success will depend, in part, on our ability to overcome the challenges we encounter with respect to these factors and other matters generally affecting U.S. companies with global operations. Although we have implemented policies and procedures designed to ensure compliance with U.S. and foreign laws and regulations, including anti-corruption laws, there can be no assurance that our employees, business partners or agents will not violate our policies or take action determined to be in violation of the law. Any determination that our operations or activities were not in compliance with applicable U.S. or foreign laws or regulations could result in the imposition of fines and penalties, interruptions of business, terminations of necessary licenses and permits, and other legal and equitable sanctions.

We are also exposed to risks associated with currency fluctuations and risks associated with interest rate fluctuations. Currency exchange rates between the U.S. dollar and foreign currencies in the markets in which we do business have fluctuated in recent years and are likely to continue to do so in the future. We manage our exposure to foreign currency and interest rate risks utilizing derivative instruments and other means to reduce those risks. We could experience changes in our ability to hedge against or manage fluctuations in foreign currency exchange rates or interest rates and, accordingly, there can be no assurance that we will be successful in reducing those risks. We could also be affected by nationalization of our international operations, unstable governments, unfamiliar or biased legal systems or intergovernmental disputes. These currency, economic and political uncertainties may have a material adverse effect on our results of operations and financial condition, especially to the extent these matters, or the decisions, policies or economic strength of our suppliers and distributors, affect our global operations.

Competition

We are in a highly competitive industry and the dollar amount and unit volume of our sales could be negatively affected by numerous factors including:

- our inability to maintain or increase prices;
- new entrants in our market or categories;
- a general decline in beverage alcohol consumption; or
- the decision of wholesalers or consumers to purchase a competitor’s product instead of ours.

Unit volume and dollar amount of sales could also be affected by pricing, purchasing, financing, operational, advertising or promotional decisions made by wholesalers, state and provincial agencies, and retailers which could affect their supply of, or consumer demand for, our products. We could also experience higher than expected selling, general and administrative expenses if we find it necessary to increase the number of our personnel or our advertising or marketing expenditures to maintain our competitive position or for other reasons.

Dependence on sales of our Mexican Beer Brands

Since the Beer Business Acquisition, sales of the Mexican Beer Brands in the U.S. have become a more significant portion of our business. Accordingly, if the growth rate, amount or profitability of our sales of the Mexican Beer Brands in the U.S. declines, our business could be more adversely affected than as compared to a time prior to the Beer Business Acquisition. Further, consumer preferences and tastes may shift away from the Mexican Beer Brands, the categories in which they compete, or beer generally due to, among other reasons, changing taste preferences, demographics or perceived value. Consequently, any material shift in consumer preferences and taste away from the Mexican Beer Brands, or from the categories in which they compete, could have a material adverse effect on our business, our financial condition and results of operations.

Supply of Mexican Beer Brands

In order to fulfill our current and projected Mexican Beer Brands product requirements, we are currently dependent on our Nava Brewery which is a single facility located in Nava, Coahuila, Mexico, and an interim supply agreement for our supply of Mexican Beer Brands through June 2017. Although we are in the process of

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constructing an additional brewery in Mexicali, Baja California, Mexico with the first phase targeted for completion in calendar 2019, our Nava Brewery may for a period of time become our sole source of supply for our Mexican Beer Brands. The Nava Brewery currently has the capacity to fill approximately 60% of our current product requirements and before the end of calendar 2016 its capacity is expected to increase to allow it to fill approximately 80% of our projected product requirements. We are in the process of further expanding the Nava Brewery's capacity over a three-year period. The first phase, which was intended to make us self-sufficient, is targeted to be complete in calendar 2016. The second phase to support further growth in the business is targeted for completion in calendar 2017, and the third phase, to support additional growth of the business, is targeted for completion in calendar 2018. In 2013, we entered into an interim supply agreement for a supply of additional Mexican Beer Brands products for an initial period of three years. This agreement also provides for up to two one-year extensions. However, the United States, acting though the DOJ, will have a right of approval, in its sole discretion, of any extension of the term of this interim supply agreement beyond three years. The term of this interim supply agreement has been extended for one additional year as to a select number of products to ensure additional supply beyond the initial Nava expansion to support the robust growth levels of our Mexican Beer portfolio and continue a smooth transition as we ramp up incremental capacity. The interim supply agreement will now expire in June 2017. There can be no assurance that any additional requested extension would be granted.

Our Nava Brewery supply is also dependent upon an adequate supply of glass bottles. We formed the Mexican glass plant joint venture which acquired the glass plant adjacent to our Nava Brewery. The Mexican glass plant joint venture plans to expand production of the glass plant facility by early calendar 2018 in order to increase bottle output to support increased production at our Nava Brewery.

We may not be able to satisfy all of our product supply requirements for the Mexican Beer Brands in the event of a significant partial destruction or the total destruction of the Nava Brewery or our interim supplier’s breweries. Also, if the contemplated initial expansion of our Nava Brewery is not completed within three years after consummation of the Beer Business Acquisition, and the additional incremental expansions of the Nava Brewery and construction of the Mexicali Brewery to support further growth of our business are not completed by their targeted completion dates, we may not be able to produce sufficient Mexican Beer Brands to satisfy our needs. Under such circumstances, we may be unable to obtain Mexican Beer Brands at a reasonable price from another source, if at all. A significant disruption at our Nava Brewery or at our supplier’s breweries, even on a short-term basis, could impair our ability to produce and ship products to market on a timely basis. Alternative facilities with sufficient capacity or capabilities may not readily be available, may cost substantially more or may take a significant time to start production, any of which could negatively affect our business and financial performance. Similarly, although we have additional sources of supply of glass bottles, a significant partial destruction or the total destruction of the joint venture’s Mexican glass plant or the failure of the joint venture to complete the glass plant expansion could impair our ability to bottle and ship our Mexican beer products to market. Additionally, our general insurance policies may not cover certain types of catastrophes that might affect our supply of the Mexican Beer Brands. A major uninsured catastrophe could result in significant unrecoverable losses.

Supply of quality water, agricultural and other raw materials, certain raw materials and packaging materials purchased under short-term supply contracts, limited group of suppliers of glass bottles

The quality and quantity of water available for use is important to the supply of our agricultural raw materials and our ability to operate our business. Water is a limited resource in many parts of the world and if climate patterns change and droughts become more severe, there may be a scarcity of water or poor water quality which may affect our production costs or impose capacity constraints. We are dependent on sufficient amounts of quality water for operation of our breweries, our wineries and our distillery, as well as to irrigate our vineyards and conduct our other operations. The suppliers of the agricultural raw materials we purchase are also dependent upon sufficient supplies of quality water for their vineyards and fields.

We have substantial wine operations in the state of California, which has endured an extended period of drought and has instituted restrictions on water usage. While we have undertaken a number of water saving initiatives and we currently believe we have sufficient water available for our California vineyards and wineries, continued or more severe drought conditions in California could have an adverse effect upon those operations, which effect could become more significant depending upon actual future drought conditions. Our Nava Brewery

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and the glass plant receive water originating from a mountain aquifer. Although we anticipate our breweries and the glass plant will receive water adequate to support their on-going requirements, including as a result of the anticipated expansions, there is no guarantee that the water available to them or their water requirements will not change materially in the future.

If water available to our operations or the operations of our suppliers becomes scarcer or the quality of that water deteriorates, we may incur increased production costs or face manufacturing constraints which could negatively affect our business and financial performance. Even if quality water is widely available, including to our breweries, our wineries, our distillery and our vineyards, water purification and waste treatment infrastructure limitations could increase costs or constrain operation of our production facilities and vineyards. Any of these factors could have a material and adverse effect on our financial condition and results of operations.

Our breweries, the glass plant, our wineries and our distillery also use a large volume of agricultural and other raw materials to produce their products. As to the Nava Brewery, these include corn starch, malt, hops and water; the glass plant uses large amounts of soda ash and silica sand; the Ballast Point breweries use large amounts of malt, hops, yeast and water, as well as corn sugars, spices and fruits; the wineries use large amounts of grapes and water; and the distillery uses large amounts of grain and water. Our breweries, our wineries and our distillery all use large amounts of various packaging materials, including glass, aluminum, cardboard and other paper products. Our production facilities, including the glass plant, also use a significant amount of energy in their operations, including electricity, natural gas and diesel fuel. Certain raw materials and packaging materials are purchased under contracts of varying maturities. The supply and price of raw materials, packaging materials and energy can be affected by a number of factors beyond our control, including market demand, global geopolitical events (especially as to their impact on crude oil prices), droughts and other weather conditions, economic factors affecting growth decisions, inflation, plant diseases and theft. To the extent any of the foregoing factors, including supply of goods and energy, affect the prices of ingredients or packaging or we do not effectively or completely hedge changes in commodity price risks, or are unable to recoup costs through increases in the price of our finished products, our financial condition and results of operations could be materially and adversely impacted.

Glass bottle costs are one of our largest components of cost of product sold. We currently have a small number of suppliers of glass bottles for our Mexican Beer Brands. In the U.S. and Canada, glass bottles have only a small number of producers. Currently, one producer supplies most of our glass container requirements for our U.S. operations and a portion of our glass container requirements for our Canadian operations, with the remaining portion of our glass container requirements for our Canadian operations supplied by another producer. The inability of any of our glass bottle suppliers to satisfy our requirements could adversely affect our business.

Catastrophic loss to wineries, production facilities or distribution systems

Throughout the years, we have consolidated several of our winery and production facility operations. Approximately 80% of our total annual wine and spirits product volume is produced in the US, and three of our largest wineries are the Woodbridge Winery in Acampo, CA, the Mission Bell Winery in Madera, CA, and the Canandaigua Winery in Canandaigua, NY. These three facilities produce approximately 36 million cases (or approximately 70% of our US production) which is approximately 55% of the total annual Constellation wine and spirits product volume globally. Additionally, many of our vineyards and production and distribution facilities, such as our California wineries, our Lodi Distribution Center in Lodi, CA, and our planned Mexicali Brewery are located in areas which are prone to seismic activity. If any of these vineyards and facilities were to experience a catastrophic loss, it could disrupt our operations, delay production, shipments and revenue, and result in potentially significant expenses to repair or replace the vineyard or facility. If such a disruption were to occur, we could breach agreements, our reputation could be harmed, and our business and operating results could be adversely affected. In addition, since we have consolidated certain of our operations and various production and distribution facilities, we are more likely to experience an interruption of our operations in the event of a catastrophic event in any one location, such as through acts of war or terrorism, fires, floods, earthquakes, hurricanes or other natural or man-made disasters. Although we carry insurance for property damage and business interruption, certain catastrophes are not covered by our insurance policies as we believe this to be a prudent financial decision. Economic conditions and uncertainties in global markets may adversely affect the cost and other terms upon which we are able to obtain insurance. If our insurance coverage is adversely affected, or to the extent we have elected to self-insure, we may

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be at greater risk that we may experience an adverse impact to our financial results. We take steps to minimize the damage that would be caused by a catastrophic event, but there is no certainty that our efforts would prove successful. If one or more significant uninsured events occur, we could suffer a major financial loss.

Expansion issues, construction issues and operational disruptions

We are currently expanding our Nava Brewery and constructing our Mexicali Brewery and our joint venture with Owens-Illinois is expanding the glass plant. While these multi-million dollar expansion and construction activities are progressing consistent with our plans, there is always the potential risk of completion delays and cost overruns. Our supply of Mexican Beer Brands would be negatively impacted if a serious delay in these expansion or construction activities were to occur, leading to a negative impact upon our results of operation and financial condition.

Expansion of current production facilities and construction of new production facilities required to support future growth is subject to various regulatory and developmental risks, including but not limited to: (i) our ability to obtain timely certificate authorizations, necessary approvals and permits from regulatory agencies and on terms that are acceptable to us; (ii) potential changes in federal, state and local statutes and regulations, including environmental requirements, that prevent a project from proceeding or increase the anticipated cost of the project; (iii) inability to acquire rights-of-way or land or water rights on a timely basis on terms that are acceptable to us; and (iv) inability to acquire the necessary energy supplies, including electricity, natural gas and diesel fuel.

Many of our production facilities, such as our breweries, wineries and distillery, and the Mexican glass plant held by the joint venture with Owens-Illinois are asset intensive. Our profitability could be affected by operational disruption of any of our production or bottling lines or the glass furnace. In such event we may experience an adverse effect to our business operations and profitability due to higher maintenance charges, unexpected capital spending or product supply constraints.

Acquisition, divestiture and joint venture strategy

We have made a number of acquisitions and divestitures and may, from time to time, acquire additional businesses, assets or securities of companies that we believe would provide a strategic fit with our business. Recently, these have included the Meiomi wine brand, the Ballast Point craft beer business and our agreement to acquire The Prisoner Wine Company brand portfolio. We may also divest ourselves of businesses, assets or securities of companies that we believe no longer provide a strategic fit with our business. We will need to integrate acquired businesses with our existing operations; our overall internal control over financial reporting processes; and our financial, operations and information systems. If the financial performance of our business, as supplemented by the assets and businesses acquired, does not meet our expectations, it may make it more difficult for us to service our debt obligations and our results of operations may fail to meet market expectations.

We cannot assure you that we will realize the expected benefits of acquisitions or joint ventures, such as revenue, earnings or operating efficiency, and we may not effectively assimilate the business or product offerings of acquired companies into our business successfully or within the anticipated costs or timeframes. Complications with on-going integration of any acquisition or joint venture, including our Beer Business Acquisition or the acquisition of a Mexican glass plant by our joint venture with Owens-Illinois, could result from the following circumstances, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating, migrating or changing manufacturing, logistics, information, communications, financial, internal control and other systems;
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- failure to retain key customers and suppliers;
- unanticipated changes in applicable laws and regulations;
- failure to retain key employees;
- operating risks inherent in the acquired businesses and assets and our business;
- unanticipated issues, expenses and liabilities;
- failure to realize fully anticipated cost savings, growth opportunities and other potential synergies; and
- unfamiliarity with operating new locations.

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The integration of the Beer Business Acquisition can be further impacted by the following circumstances:

- Mexican brewery operations will be dependent upon the operational experience of employees who are relatively new to our organization;
- our ability to secure or expand Mexican brewery capacity beyond the initial Nava Brewery expansion, both incremental Nava Brewery expansions and construction of the Mexicali Brewery in order to support future growth of our beer business; and
- failure to expand the Nava Brewery under the timeline imposed by the DOJ pursuant to the final judgment.

Our joint venture with Owens-Illinois to operate a glass plant adjacent to our Nava Brewery is fully consolidated into our financial results and the entire output of that facility will be utilized to support our Mexican beer business and the production at our Nava Brewery. The integration of the Mexican glass plant acquisition can be further impacted by the following circumstances:

- we share control of the joint venture with Owens-Illinois and while Owens-Illinois has deep experience running glass plants, we are not as experienced in that particular business;
- glass plant operations will be dependent upon the operational experience of employees who are relatively new to our organization; and
- the ability of the joint venture to expand the glass plant capacity as planned in order to support the future growth of our beer business.

If any of these circumstances were to occur with respect to any of our acquisitions, including our Beer Business Acquisition or the Mexican glass plant joint venture's acquisition of the glass plant, our business, financial condition and results of operations may be negatively impacted.

We may provide various indemnifications in connection with the sale of assets or portions of our business. Additionally, our final determinations and appraisals of the estimated fair value of assets acquired and liabilities assumed in our acquisitions may vary materially from earlier estimates. We cannot assure you that the fair value of acquired businesses will remain constant.

We have entered into joint ventures such as our Mexican glass plant joint venture with Owens-Illinois and we may enter into additional joint ventures for other purposes and with other parties. We share control of our joint ventures. We have also acquired or retained ownership interests in companies which we do not control, such as investments recently made through our Constellation Ventures function, such as our minority interests in Crafthouse Cocktails and Nelson's Green Brier Tennessee Whiskey. Our joint venture partners or the other parties that hold the remaining ownership interests in companies which we do not control may at any time have economic, business or legal interests or goals that are inconsistent with our goals or the goals of the joint ventures or those companies. Similarly, in 2016, we announced that we are evaluating the merits of executing an initial public offering of a portion of our Canadian wine business. Our joint venture arrangements and the arrangements through which we acquired or hold our other equity or membership interests may require us, among other matters, to pay certain costs, to make capital investments, to fulfill alone our joint venture partners' obligations, or to purchase other parties' interests. Even though we share control of our Mexican glass plant joint venture, the financial results of that joint venture are consolidated into our financial results. Our failure to adequately manage the risks associated with any acquisition, or the failure of an entity in which we have an equity or membership interest, could adversely affect our financial condition or our valuation of these types of investments.

We cannot assure you that any of our acquisitions, investments or joint ventures will be profitable or that forecasts regarding acquisition, divestiture, joint venture or investment activities will be accurate.

Indebtedness

In recent years, we have incurred substantial indebtedness to finance acquisitions such as our acquisition of Ballast Point, repurchase shares of our common stock and fund the Beer Business Acquisition. In the future, we may continue to incur substantial additional indebtedness to finance acquisitions, repurchase shares of our stock and

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fund other general corporate purposes, including our Nava Brewery expansions, our Mexicali Brewery construction and expansion of the glass plant held through the Mexican glass plant joint venture. We cannot assure you that our business will generate sufficient cash flow from operations to meet all of our debt service requirements, to pay dividends and to fund our general corporate and capital requirements.

Our ability to satisfy our debt obligations will depend upon our future operating performance. We do not have complete control over our future operating performance because it is subject to prevailing economic conditions, levels of interest rates and financial, business and other factors.

Our current and future debt service obligations and covenants could have important consequences. These consequences include, or may include, the following:

- our ability to obtain financing for future working capital needs or acquisitions or other purposes may be limited;
- our funds available for operations, expansions, dividends or other distributions may be reduced because we dedicate a significant portion of our cash flow from operations to the payment of principal and interest on our indebtedness;
- our ability to conduct our business could be limited by restrictive covenants; and
- our vulnerability to adverse economic conditions may be greater than less leveraged competitors and, thus, our ability to withstand competitive pressures may be limited.

Restrictive covenants in our senior credit facility and in our indentures place limits on our ability to conduct our business. Covenants in our senior credit facility include those that restrict our ability to make acquisitions, incur debt, encumber or sell assets, pay dividends, engage in mergers and consolidations, enter into transactions with affiliates, make investments and permit our subsidiaries to enter into certain restrictive agreements. It additionally contains certain financial covenants, including a net debt coverage ratio test and an interest coverage ratio test. Covenants in our indentures are generally less restrictive than those in our senior credit facility but nevertheless, among other things, limit our ability under certain circumstances to create liens or enter into sale-leaseback transactions and impose conditions on our ability to engage in mergers, consolidations and sales of all or substantially all of our assets.

These agreements also contain certain change of control provisions which, if triggered, may result in an acceleration of our obligation to repay the debt. If we fail to comply with the obligations contained in the senior credit facility, our existing or future indentures or other loan agreements, we could be in default under such agreements, which could require us to immediately repay the related debt and also debt under other agreements that may contain cross-acceleration or cross-default provisions.

Potential decline in the consumption of products we sell

We rely on consumers' demand for our products. Consumer preferences may shift due to a variety of factors, including changes in demographic or social trends, public health policies, and changes in leisure, dining and beverage consumption patterns. Our continued success will require us to anticipate and respond effectively to shifts in consumer behavior and drinking tastes. If consumer preferences were to move away from our premium brands, including our Mexican Beer Brands, in any of our major markets, our financial results might be adversely affected.

While over the past several years there have been modest increases in consumption of beverage alcohol in most of our product categories and geographic markets, there have been periods in the past in which there were sequential declines in the overall per capita consumption of certain beverage alcohol product categories in the U.S. and other markets in which we participate. A limited or general decline in consumption in one or more of our product categories could occur in the future due to a variety of factors, including:

- a general decline in economic or geopolitical conditions;

- concern about the health consequences of consuming beverage alcohol products and about drinking and driving;

- a general decline in the consumption of beverage alcohol products in on-premise establishments, such as may result from smoking bans and stricter laws relating to driving while under the influence of alcohol;
- consumer dietary preferences favoring lighter, lower calorie beverages such as diet soft drinks, sports drinks and water products;
- the increased activity of anti-alcohol groups;
- increased federal, state, provincial and foreign excise or other taxes on beverage alcohol products and possible restrictions on beverage alcohol advertising and marketing;
- increased regulation placing restrictions on the purchase or consumption of beverage alcohol products or increasing prices due to the imposition of duties or excise tax;
- inflation; and
- wars, pandemics, weather and natural or man-made disasters.

In addition, our continued success depends, in part, on our ability to develop new products. The launch and ongoing success of new products are inherently uncertain especially with regard to their appeal to consumers. The launch of a new product can give rise to a variety of costs and an unsuccessful launch, among other things, can affect consumer perception of existing brands and our reputation. Unsuccessful implementation or short-lived popularity of our product innovations may result in inventory write-offs and other costs.

Reliance on wholesale distributors, major retailers and government agencies

Local market structures and distribution channels vary worldwide. Within our primary market in the U.S., we offer a range of beverage alcohol products across the imported beer, craft beer, branded wine and spirits categories, with separate distribution networks utilized for our imported and craft beer portfolios and our wine and spirits portfolio. In the U.S., we sell our products principally to wholesalers for resale to retail outlets including grocery stores, club and discount stores, package liquor stores and restaurants and also directly to government agencies, while in Canada, we sell our products principally to government agencies. In the U.S., we have entered into exclusive arrangements with certain wholesalers that generate a large portion of our U.S. wine and spirits sales. The replacement or poor performance of our major wholesalers, retailers or government agencies could result in temporary or longer-term sales disruptions or could materially and adversely affect our results of operations and financial condition for a particular period. Our inability to collect accounts receivable from our major wholesalers, retailers or government agencies could also materially and adversely affect our results of operations and financial condition.

Our industry is being affected by the trend toward consolidation in the wholesale and retail distribution channels, particularly in the U.S. If we are unable to adapt successfully to this changing environment, our net income, market share and volume growth could be negatively affected. In addition, wholesalers and retailers of our products offer products which compete directly with our products for retail shelf space, promotional support and consumer purchases. Accordingly, wholesalers or retailers may give higher priority to products of our competitors.

Reliance upon complex information systems and third party global networks

We depend on information technology to enable us to operate efficiently and interface with customers and suppliers, as well as maintain financial accuracy and efficiency. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. We recognize that many groups on a world-wide basis have experienced increases in cyber attacks and other hacking activity. We have dedicated internal and external resources to review and address such threats. However, as with all large information technology systems, our systems could be penetrated by outside parties intent on extracting confidential or proprietary information, corrupting our information, disrupting our business processes, or engaging in the unauthorized use of strategic information about us or our employees, customers or consumers. Such unauthorized access could disrupt our business operations and could result in the loss of assets or revenues, litigation, remediation costs, damage to our reputation, or the failure by us to retain or attract customers following such an event. Such events could have a material adverse effect on our business, financial condition or results of operations.

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We have outsourced various functions to third-party service providers and may outsource other functions in the future. We rely on those third-party service providers to provide services on a timely and effective basis. Although we believe we have robust service level agreements with such third parties, closely monitor their performance and maintain contingency plans in case they are unable to perform as agreed, we do not ultimately control their performance. Their failure to perform as expected or as required by contract could result in significant disruptions and costs to our operations, which could materially affect our business, financial condition, operating results and cash flow, and could impair our ability to make required filings with various reporting agencies on a timely or accurate basis.

In connection with the Beer Business Acquisition, we currently have the right to receive various services pursuant to our amended transition services agreement with ABI. These currently include certain limited services which are available for the time periods as set forth in that transition services agreement, which include certain raw material supplies such as glass bottles and specialty malts.

The failure of ABI (or any third party that ABI is permitted to outsource to) to perform as expected or as required by our contract or the glass plant joint venture's contract could result in significant disruptions and costs to our operations, and could also materially affect our business, financial condition, operating results and cash flow, and could impair our ability to make required filings with various reporting agencies on a timely or accurate basis.

Various diseases, pests and certain weather conditions

Various diseases, pests, fungi, viruses, drought, frosts and certain other weather conditions could affect the quality and quantity of barley, hops, grapes and other agricultural raw materials available, decreasing the supply of our products and negatively impacting profitability. We cannot guarantee that our grape suppliers or our suppliers of other agricultural raw materials will succeed in preventing contamination in existing vineyards or fields or that we will succeed in preventing contamination in our existing vineyards or future vineyards we may acquire. Future government restrictions regarding the use of certain materials used in growing grapes or other agricultural raw materials may increase vineyard costs and/or reduce production of grapes or other crops. Growing agricultural raw materials also requires adequate water supplies. A substantial reduction in water supplies could result in material losses of grape crops and vines or other crops, which could lead to a shortage of our product supply.

Climate change, or legal, regulatory or market measures to address climate change

Our business depends upon agricultural activity and natural resources. There has been much public discussion related to concerns that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Severe weather events, such as drought in California or a prolonged cold winter in New York and Canada, and climate change may negatively affect agricultural productivity in the regions from which we presently source our various agricultural raw materials. Decreased availability of our raw materials may increase the cost of goods for our products. Severe weather events or changes in the frequency or intensity of weather events can also disrupt our supply chain, which may affect production operations, insurance cost and coverage, as well as delivery of our products to wholesalers, retailers and consumers.

Control by the Sands Family

Our Class B Common Stock is principally held by members of the Sands family, either directly or through entities controlled by members of the Sands family. Holders of Class A Common Stock are entitled to one vote per share and holders of Class B Common Stock are entitled to 10 votes per share. Holders of Class 1 Common Stock generally do not have voting rights. The stock ownership of the Sands family and entities controlled by members of the Sands family represents a majority of the combined voting power of all classes of our common stock as of April 19, 2016, voting as a single class. As a result, the Sands family has the power to elect a majority of our directors and approve actions requiring the approval of the stockholders of the Company voting as a single class.

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Import and excise duties or other taxes or government regulations, including significant additional labeling or warning requirements or limitations in the marketing or sale of our products

The U.S., Canada and other countries in which we operate impose import and excise duties and other taxes on beverage alcohol products in varying amounts which are subject to change. Significant increases in import and excise duties or other taxes on beverage alcohol products could materially and adversely affect our financial condition or results of operations. The U.S. federal budget and individual state, provincial or local municipal budget deficits could result in increased taxes on our products, business, customers or consumers. Various proposals to increase taxes on beverage alcohol products have been made at the federal and state or provincial level in recent years. Many U.S. states have considered proposals to increase, and some of these states have increased, state alcohol excise taxes. There may be further consideration by federal, state, provincial, local and foreign governmental entities to increase taxes upon beverage alcohol products as governmental entities explore available alternatives for raising funds during the current macroeconomic climate.

In addition, federal, state, provincial, local and foreign governmental agencies extensively regulate the beverage alcohol products industry concerning such matters as licensing, warehousing, trade and pricing practices, permitted and required labeling, advertising and relations with wholesalers and retailers. Certain federal, state or provincial regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on our financial condition or results of operations. Additionally, various jurisdictions may seek to adopt significant additional product labeling or warning requirements or limitations on the marketing or sale of our products as a result of what they contain or allegations that they cause adverse health effects. If these types of requirements become applicable to one or more of our major products under current or future environmental or health laws or regulations, they may inhibit sales of such products.

Damage to our reputation

Maintaining a good reputation is critical to selling our branded products. Product contamination or tampering or the failure to maintain our standards for product quality, safety and integrity, including with respect to raw materials, naturally occurring compounds, packaging materials or product components obtained from suppliers, may reduce demand for our products or cause production and delivery disruptions. Although we maintain standards for the materials and product components we receive from our suppliers, and we also audit our suppliers’ compliance with our standards, it is possible that a supplier may not provide materials or product components which meet our required standards or may falsify documentation associated with the fulfillment of those requirements. If any of our products becomes unsafe or unfit for consumption, is misbranded or causes injury, we may have to engage in a product recall and/or be subject to liability and incur additional costs. A widespread product recall, multiple product recalls, or a significant product liability judgment could cause our products to be unavailable for a period of time, which could further reduce consumer demand and brand equity. Our reputation could be impacted negatively by public perception, adverse publicity (whether or not valid), negative comments in social media, or our responses relating to:

- a perceived failure to maintain high ethical, social and environmental standards for all of our operations and activities;
- a perceived failure to address concerns relating to the quality, safety or integrity of our products;
- our environmental impact, including use of agricultural materials, packaging, water and energy use, and waste management; or
- efforts that are perceived as insufficient to promote the responsible use of alcohol.

Failure to comply with local laws and regulations, to maintain an effective system of internal controls, to provide accurate and timely financial statement information, or to protect our information systems against service interruptions, misappropriation of data or breaches of security, could also hurt our reputation. Damage to our reputation or loss of consumer confidence in our products for any of these or other reasons could result in decreased demand for our products and could have a material adverse effect on our business, financial condition and results of operations, as well as require additional resources to rebuild our reputation, competitive position and brand equity.

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Contamination

The success of our brands depends upon the positive image that consumers have of those brands. Contamination, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for our brands, could adversely affect their sales. Contaminants in raw materials, packaging materials or product components purchased from third parties and used in the production of our beer, wine or spirits products or defects in the fermentation or distillation process could lead to low beverage quality as well as illness among, or injury to, consumers of our products and may result in reduced sales of the affected brand or all of our brands.

Dependence upon trademarks and proprietary rights, failure to protect our intellectual property rights

Our future success depends significantly on our ability to protect our current and future brands and products and to defend our intellectual property rights. We have been granted numerous trademark registrations covering our brands and products and have filed, and expect to continue to file, trademark applications seeking to protect newly-developed brands and products. We cannot be sure that trademark registrations will be issued with respect to any of our trademark applications. There is also a risk that we could, by omission, fail to timely renew or protect a trademark or that our competitors will challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, us.

Cost of energy or environmental regulatory compliance

We have experienced increases in energy costs in the past, and energy costs could rise in the future, which would result in higher transportation, freight and other operating costs. We may experience significant future increases in the costs associated with environmental regulatory compliance, including fees, licenses, and the cost of capital improvements to our operating facilities in order to meet environmental regulatory requirements. Our future operating expenses and margins will be dependent on our ability to manage the impact of cost increases. We cannot guarantee that we will be able to pass along increased energy costs or increased costs associated with environmental regulatory compliance to our customers through increased prices.

In addition, we may be party to various environmental remediation obligations arising in the normal course of our business or in connection with historical activities of businesses we acquire. Due to regulatory complexities, uncertainties inherent in litigation and the risk of unidentified contaminants in our current and former properties, the potential exists for remediation, liability and indemnification costs to differ materially from the costs that we have estimated. We cannot assure you that our costs in relation to these matters will not exceed our projections or otherwise have an adverse effect upon our business reputation, financial condition or results of operations.

Intangible assets, such as goodwill and trademarks

We continue to have a significant amount of intangible assets such as goodwill and trademarks and may acquire more intangible assets in the future. Intangible assets are subject to a periodic impairment evaluation under applicable accounting standards. The write-down of any of these intangible assets could materially and adversely affect our net income.

Benefit cost increases and labor relations

Our profitability is affected by employee medical costs and other employee benefits. In recent years, employee medical costs have increased due to factors such as the increase in health care costs in the U.S. These factors, plus the enactment of the Patient Protection and Affordable Care Act in March 2010, are expected to continue to put pressure on our business and financial performance due to higher employee benefit costs. Although we actively seek to control increases in employee benefit costs and encourage employees to maintain healthy lifestyles to reduce future potential medical costs, there can be no assurance that we will succeed in limiting future cost increases. Continued employee benefit cost increases could have an adverse effect on our results of operations and financial condition.

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We believe our subsidiaries have good working relations with their employees. However, if their employees were to engage in a strike or other work stoppage, they could experience an operational disruption and/or experience higher on-going labor costs which may have a material adverse effect on our results of operations and financial condition.

Class action or other litigation relating to alcohol abuse, the misuse of alcohol, product liability, or marketing or sales practices

There has been public attention directed at the beverage alcohol industry, which we believe is due to concern over problems related to harmful use of alcohol, including drinking and driving, underage drinking and health consequences from the misuse of alcohol. We also could be exposed to lawsuits relating to product liability or marketing or sales practices. Adverse developments in lawsuits concerning these types of matters or a significant decline in the social acceptability of beverage alcohol products that may result from lawsuits could have a material adverse effect on our business.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

We operate breweries, wineries, a distilling plant and bottling plants, many of which include warehousing and distribution facilities on the premises, and through a joint venture, we operate a glass production plant. In addition to our properties described below, certain of our businesses maintain office space for sales and similar activities and offsite warehouse and distribution facilities in a variety of geographic locations.

Our corporate headquarters are located in leased offices in Victor, New York. Our segments also maintain leased office spaces in other locations in the U.S. and internationally.

We believe that our facilities, taken as a whole, are in good condition and working order. Within the Wine and Spirits segment, we have adequate capacity to meet our needs for the foreseeable future, although we do possess certain underutilized assets. Within the Beer segment, we have undertaken activities to increase our production capacity to address our anticipated future needs. As of February 29, 2016, our properties include the following:

	Owned	Leased
Beer		
Breweries		
U.S.		4
Mexico	1	
Total breweries	1	4
Glass production plant [1]		
Mexico	1	
Warehouse, distribution and other production facilities		
U.S.		26
Mexico	1	
Total warehouse, distribution and other production facilities	1	26
Total Beer	3	30

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	Owned	Leased
Wine and Spirits		
Wineries		
U.S.		
California	15	2
New York	1	
Washington	1	
Canada		
British Columbia	3	1
Ontario	3	
Quebec	1	
New Zealand	3	1
Italy		5
Total wineries	27	9
Distillery		
Canada	1	
Warehouse, distribution and other production facilities		
U.S.		4
Canada	2	1
Italy	1	8
Total warehouse, distribution and other production facilities	3	13
Total Wine and Spirits	31	22

(1) The glass production plant in Nava, Coahuila, Mexico is owned and operated by an equally-owned joint venture with Owens-Illinois and is located adjacent to our Nava Brewery.

Within our Wine and Spirits segment, as of February 29, 2016, we owned, leased or had interests in approximately 13,300 acres of vineyards in California (U.S.), 5,800 acres of vineyards in New Zealand, 1,700 acres of vineyards in Canada and 900 acres of vineyards in Italy.

As of February 29, 2016, our principal facilities, all of which are owned, consist of:

- the Nava Brewery in Nava, Coahuila, Mexico;
- the glass production plant in Nava, Coahuila, Mexico;
- two wineries in California: the Woodbridge Winery in Acampo and the Mission Bell winery in Madera;
- the Canandaigua winery in Canandaigua, New York; and
- the distillery in Lethbridge, Alberta, Canada.

Item 3. Legal Proceedings.

In the ordinary course of their business, the Company and its subsidiaries are subject to lawsuits, arbitrations, claims and other legal proceedings in connection with their business. Some of the legal actions include claims for substantial or unspecified compensatory and/or punitive damages. A substantial adverse judgment or other unfavorable resolution of these matters could have a material adverse effect on the Company’s financial condition, results of operations and cash flows. Management believes that the Company has adequate legal defenses with respect to the legal proceedings to which it is a defendant or respondent and that the outcome of these pending proceedings is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company. However, the

Company is unable to predict the outcome of these matters.

Regulatory Matters – The Company and its subsidiaries are in discussions with various governmental agencies concerning matters raised during regulatory examinations or otherwise subject to such agencies' inquiry. These matters could result in censures, fines or other sanctions. Management believes the outcome of any pending regulatory matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows. However, the Company is unable to predict the outcome of these matters.

As previously reported in the Company's Form 10-K for the fiscal year ended February 28, 2014, the United States District Court for the District of Columbia ("District Court") signed the Stipulation and Order filed by the DOJ, permitting the Company and Anheuser-Busch InBev SA/NV ("ABI") to consummate the Beer Business Acquisition. After expiration of the 60-day public comment period as required under the Antitrust Procedures and Penalties Act, the DOJ moved the District Court for entry of the Final Judgment. The Final Judgment was signed on October 21, 2013, and entered into the District Court's docket on October 24, 2013, without modification to the terms included in the Proposed Final Judgment. The Company is operating in accordance with the requirements of the Final Judgment.

As previously reported in the Company's Form 10-K for the fiscal years ended February 28, 2014 and February 28, 2015, and the Company's Form 10-Q for the fiscal quarters ended May 31, 2014, August 31, 2014, and November 30, 2014, 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 ("Northern District") denied plaintiffs' Motion for a Temporary Restraining Order and the transaction between ABI and Modelo was consummated on June 7, 2013. Plaintiffs' Second Amended and Supplemental Complaint was filed June 25, 2013, and dismissed by the Northern District on September 13, 2013, and the district judge denied plaintiffs' other procedural motions. Plaintiffs filed their Motion for Relief from Judgment Pursuant to Fed. R. Civ. P. 59(e) or 60(b), or in the alternative, Rule 60(d) on November 11, 2013 and the Motion was denied by the Northern District on January 24, 2014. Plaintiffs filed a Notice of Appeal on February 21, 2014. Plaintiffs, now Appellants, filed their opening brief on August 29, 2014, and the Company and ABI/Modelo filed their answering briefs on October 29, 2014. Appellants' reply brief was filed January 21, 2015. Oral argument was conducted before the United States Court of Appeals for the Ninth Circuit on March 15, 2016. On April 4, 2016, the Ninth Circuit affirmed the Northern District's dismissal of the Complaint without leave to amend and affirmed that the Northern District was within its discretion to deny Plaintiff's motion. On April 18, 2016, the Ninth Circuit approved Appellants' motion to extend the date by which Appellants must file any petition for rehearing and/or rehearing en banc and ordered that any petition be filed on or before May 4, 2016. Management believes that this action is baseless and without merit and the Company intends to continue to defend itself vigorously against this claim.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Class A Common Stock and Class B Common Stock trade on the New York Stock Exchange® ("NYSE") under the symbols STZ and STZ.B, respectively. There is no public trading market for our Class 1 Common Stock. The following table sets forth, for the periods indicated, the high and low sales prices of our Class A Common Stock and Class B Common Stock as reported on the NYSE, and cash dividends declared for those classes of common stock. For all periods presented, the cash dividends declared for our Class 1 Common Stock are the same as those declared for our Class B Common Stock.

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	Fiscal 2016			Fiscal 2015		
	High	Low	Dividends	High	Low	Dividends
Class A Common Stock						
1st Quarter	$121.92	$110.45	$ 0.31	$85.91	$76.26	$ —
2nd Quarter	$130.42	$114.49	$ 0.31	$94.77	$82.03	$ —
3rd Quarter	$144.60	$122.35	$ 0.31	$96.60	$80.70	$ —
4th Quarter	$155.68	$130.23	$ 0.31	$116.29	$89.34	$ —
Class B Common Stock						
1st Quarter	$121.57	$109.24	$ 0.28	$85.70	$76.65	$ —
2nd Quarter	$129.84	$116.22	$ 0.28	$94.02	$82.12	$ —
3rd Quarter	$144.36	$126.32	$ 0.28	$96.37	$80.89	$ —
4th Quarter	$156.00	$134.76	$ 0.28	$115.60	$90.20	$ —

At April 19, 2016, the number of holders of record of our Class A Common Stock, Class B Common Stock and Class 1 Common Stock were 606, 110 and 1, respectively.

Prior to Fiscal 2016, we had not paid any cash dividends on our common stock since our initial public offering in 1973 as we had retained all of our earnings to finance the development and expansion of our business. In April 2015, our Board of Directors approved the initiation of a dividend program under which we paid quarterly cash dividends during Fiscal 2016 and intend to continue to pay a regular quarterly cash dividend to stockholders of our common stock. On April 5, 2016, we declared an increased regular quarterly cash dividend of $0.40 per share of Class A Common Stock, $0.36 per share of Class B Convertible Common Stock and $0.36 per share of Class 1 Common Stock payable on May 24, 2016, to stockholders of record of each class on May 10, 2016.

We currently expect to pay quarterly cash dividends on our common stock in the future, but such payments are subject to approval of our Board of Directors and are dependent upon our financial condition, results of operations, capital requirements and other factors, including those set forth under Item 1A “Risk Factors” of this Annual Report on Form 10-K. In addition, the terms of our 2016 Credit Agreement may restrict the payment of cash dividends on our common stock under certain circumstances. Any indentures for debt securities issued in the future, the terms of any preferred stock issued in the future and any credit agreements entered into in the future may also restrict or prohibit the payment of cash dividends on our common stock.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1) (2)
December 1 – 31, 2015	—	$—	—	$703,371,679
January 1 – 31, 2016	—	—	—	$703,371,679
February 1 – 29, 2016	246,143	137.29	246,143	$669,577,800
Total	246,143	$137.29	246,143	

(1) In April 2012, our Board of Directors authorized the repurchase of up to an aggregate amount of $1.0 billion of our Class A Common Stock and Class B Convertible Common Stock under the 2013 Authorization. The Board of Directors did not specify a date upon which the 2013 Authorization would expire.

(2) Pursuant to the 2013 Authorization, prior to February 29, 2016, we initiated the repurchase of 7,409 shares of Class A Common Stock at an aggregate cost of $1.0 million, or an average cost of $138.83 per share, through open market transactions. This repurchase settled subsequent to February 29, 2016. Accordingly, the approximate dollar value of shares that may yet be purchased under the 2013 Authorization subsequent to April 25, 2016, is $668.5 million.

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Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with MD&A and our consolidated financial statements and notes thereto under Item 8 of this Annual Report on Form 10-K (the "Financial Statements").

	For the Years Ended				
	February 29, 2016	February 28, 2015	February 28, 2014 [1]	February 28, 2013	February 29, 2012
(in millions, except per share data)					
Sales	$7,223.8	$ 6,672.1	$5,411.0	$ 3,171.4	$ 2,979.1
Less – excise taxes	(675.4)	(644.1)	(543.3)	(375.3)	(324.8)
Net sales	6,548.4	6,028.0	4,867.7	2,796.1	2,654.3
Cost of product sold	(3,606.1)	(3,449.4)	(2,876.0)	(1,687.8)	(1,592.2)
Gross profit	2,942.3	2,578.6	1,991.7	1,108.3	1,062.1
Selling, general and administrative expenses	(1,177.2)	(1,078.4)	(895.1)	(585.4)	(537.5)
Impairment of goodwill and intangible assets [2]	—	—	(300.9)	—	(38.1)
Gain on remeasurement to fair value of equity method investment	—	—	1,642.0	—	—
Operating income	1,765.1	1,500.2	2,437.7	522.9	486.5
Earnings from unconsolidated investments	51.1	21.5	87.8	233.1	228.5
Interest expense	(313.9)	(337.7)	(323.2)	(227.1)	(181.0)
Loss on write-off of debt issuance costs	(1.1)	(4.4)	—	(12.5)	—
Income before income taxes	1,501.2	1,179.6	2,202.3	516.4	534.0
Provision for income taxes	(440.6)	(343.4)	(259.2)	(128.6)	(89.0)
Net income	1,060.6	836.2	1,943.1	387.8	445.0
Net (income) loss attributable to noncontrolling interests	(5.7)	3.1	—	—	—
Net income attributable to CBI	$1,054.9	$ 839.3	$1,943.1	$ 387.8	$ 445.0
Net income per common share attributable to CBI:					
Basic – Class A Common Stock	$5.42	$ 4.40	$10.45		