FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended November 30, 2006

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.)

370 Woodcliff Drive, Suite 300, Fairport, New York	**14450**
(Address of principal executive offices)	(Zip Code)

(585) 218-3600
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer X   Accelerated Filer ___   Non-accelerated Filer ___

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

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of December 31, 2006, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, Par Value $.01 Per Share	210,558,466
Class B Common Stock, Par Value $.01 Per Share	23,828,338

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21 E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control, that could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. For further information regarding such forward-looking statements, risks and uncertainties, please see "Information Regarding Forward-Looking Statements" under Part I - Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" under Part II - Item 1A of this Quarterly Report on Form 10-Q.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	November 30, 2006	February 28, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	$ 34.7	$ 10.9
Accounts receivable, net	1,159.6	771.9
Inventories	2,138.9	1,704.4
Prepaid expenses and other	303.2	213.7
Total current assets	3,636.4	2,700.9
PROPERTY, PLANT AND EQUIPMENT, net	1,706.1	1,425.3
GOODWILL	3,089.1	2,193.6
INTANGIBLE ASSETS, net	1,161.3	883.9
OTHER ASSETS, net	252.4	196.9
Total assets	$ 9,845.3	$ 7,400.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable to banks	$ 316.8	$ 79.9
Current maturities of long-term debt	59.7	214.1
Accounts payable	543.4	312.8
Accrued excise taxes	94.6	76.7
Other accrued expenses and liabilities	828.7	614.6
Total current liabilities	1,843.2	1,298.1
LONG-TERM DEBT, less current maturities	3,949.4	2,515.8
DEFERRED INCOME TAXES	457.9	371.2
OTHER LIABILITIES	266.9	240.3
STOCKHOLDERS' EQUITY:		
Preferred Stock, $.01 par value - Authorized, 1,000,000 shares; Issued, none at November 30, 2006, and 170,500 shares at February 28, 2006	-	-
Class A Common Stock, $.01 par value - Authorized, 300,000,000 shares; Issued, 218,012,918 shares at November 30, 2006, and 203,651,535 shares at February 28, 2006	2.2	2.0
Class B Convertible Common Stock, $.01 par value- Authorized, 30,000,000 shares; Issued, 28,835,138 shares at November 30, 2006, and 28,863,138 shares at February 28, 2006	0.3	0.3
Additional paid-in capital	1,242.1	1,159.4
Retained earnings	1,849.1	1,592.3
Accumulated other comprehensive income	359.4	247.4
	3,453.1	3,001.4
Less-Treasury stock-		
Class A Common Stock, 8,171,432 shares at November 30, 2006, and 4,474,371 shares at February 28, 2006, at cost	(123.0)	(24.0)
Class B Convertible Common Stock, 5,005,800 shares at November 30, 2006, and February 28, 2006, at cost	(2.2)	(2.2)
	(125.2)	(26.2)
Total stockholders' equity	3,327.9	2,975.2
Total liabilities and stockholders' equity	$ 9,845.3	$ 7,400.6

The accompanying notes are an integral part of these statements.

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

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2006	2005	2006	2005
SALES	$ 4,979.3	$ 4,402.9	$ 1,834.2	$ 1,567.9
Less - Excise taxes	(905.1)	(847.3)	(333.4)	(300.8)
Net sales	4,074.2	3,555.6	1,500.8	1,267.1
COST OF PRODUCT SOLD	(2,895.6)	(2,517.4)	(1,055.6)	(882.9)
Gross profit	1,178.6	1,038.2	445.2	384.2
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(574.8)	(478.5)	(197.8)	(156.9)
RESTRUCTURING AND RELATED CHARGES	(26.1)	(8.4)	(2.1)	(4.3)
ACQUISITION-RELATED INTEGRATION COSTS	(17.6)	(15.9)	(9.5)	(1.6)
Operating income	560.1	535.4	235.8	221.4
EQUITY IN EARNINGS OF EQUITY METHOD INVESTEES	10.7	5.7	10.4	6.5
GAIN ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENT	55.1	-	-	-
INTEREST EXPENSE, net	(194.3)	(142.3)	(73.1)	(48.1)
Income before income taxes	431.6	398.8	173.1	179.8
PROVISION FOR INCOME TAXES	(169.9)	(131.7)	(65.3)	(70.8)
NET INCOME	261.7	267.1	107.8	109.0
Dividends on preferred stock	(4.9)	(7.4)	-	(2.5)
INCOME AVAILABLE TO COMMON STOCKHOLDERS	$ 256.8	$ 259.7	$ 107.8	$ 106.5
SHARE DATA:				
Earnings per common share:				
Basic - Class A Common Stock	$ 1.14	$ 1.19	$ 0.47	$ 0.49
Basic - Class B Common Stock	$ 1.04	$ 1.08	$ 0.42	$ 0.44
Diluted	$ 1.09	$ 1.12	$ 0.45	$ 0.46
Weighted average common shares outstanding:				
Basic - Class A Common Stock	203.113	196.432	209.524	197.220
Basic - Class B Common Stock	23.845	23.916	23.837	23.888
Diluted	239.889	238.669	239.396	238.583

The accompanying notes are an integral part of these statements.

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

	For the Nine Months Ended November 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 261.7	$ 267.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	92.2	86.3
Deferred tax provision	31.5	38.8
Loss on disposal of business	16.9	-
Stock-based compensation expense	12.1	0.2
Non-cash portion of loss on extinguishment of debt	11.8	-
Loss on disposal of assets	10.7	1.9
Amortization of intangible and other assets	6.0	6.0
Gain on change in fair value of derivative instrument	(55.1)	-
Equity in earnings of equity method investees	(10.7)	(5.7)
Proceeds from early termination of derivative instruments	-	42.9
Change in operating assets and liabilities, net of effects from purchases and sales of businesses:		
Accounts receivable, net	(275.7)	(161.5)
Inventories	(147.7)	(255.5)
Prepaid expenses and other current assets	(45.1)	7.3
Accounts payable	172.0	172.6
Accrued excise taxes	13.3	6.9
Other accrued expenses and liabilities	24.4	85.8
Other, net	(0.2)	(10.8)
Total adjustments	(143.6)	15.2
Net cash provided by operating activities	118.1	282.3
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of business, net of cash acquired	(1,093.7)	(45.8)
Purchases of property, plant and equipment	(135.6)	(91.6)
Payment of accrued earn-out amount	(3.7)	(3.1)
Proceeds from maturity of derivative instrument	55.1	-
Proceeds from sales of businesses	28.4	17.8
Proceeds from sales of assets	8.8	119.1
Proceeds from sales of equity method investments	-	36.0
Investment in equity method investee	-	(2.7)
Other investing activities	(0.4)	(4.9)
Net cash (used in) provided by investing activities	(1,141.1)	24.8
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	3,695.0	-
Net proceeds from notes payable	210.5	111.1
Exercise of employee stock options	51.3	21.0
Excess tax benefits from stock-based payment awards	12.0	-
Proceeds from employee stock purchases	3.3	3.1
Principal payments of long-term debt	(2,780.3)	(425.3)
Purchases of treasury stock	(100.0)	-
Payment of issuance costs of long-term debt	(20.2)	-
Payment of preferred stock dividends	(7.3)	(7.4)
Net cash provided by (used in) financing activities	1,064.3	(297.5)
Effect of exchange rate changes on cash and cash investments	(17.5)	(0.8)
NET INCREASE IN CASH AND CASH INVESTMENTS	23.8	8.8
CASH AND CASH INVESTMENTS, beginning of period	10.9	17.6
CASH AND CASH INVESTMENTS, end of period	$ 34.7	$ 26.4
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Fair value of assets acquired, including cash acquired	$ 1,736.9	$ 49.5
Liabilities assumed	(609.6)	(1.4)
Net assets acquired	1,127.3	48.1
Plus - settlement of note payable	2.3	-
Less - issuance of note payable	-	(2.3)
Less - cash acquired	(34.9)	-
Less - direct acquisition costs accrued	(1.0)	-
Net cash paid for purchases of businesses	$ 1,093.7	$ 45.8

The accompanying notes are an integral part of these statements.

1) MANAGEMENT'S REPRESENTATIONS:

The consolidated financial statements included herein have been prepared by Constellation Brands, Inc. and its subsidiaries (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q and reflect, in the opinion of the Company, all adjustments necessary to present fairly the financial information for the Company. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in the Company's Current Report on Form 8-K dated August 8, 2006. Results of operations for interim periods are not necessarily indicative of annual results.

2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS:

Effective March 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 151 ("SFAS No. 151"), "Inventory Costs - an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends the guidance in Accounting Research Bulletin No. 43 ("ARB No. 43"), "Restatement and Revision of Accounting Research Bulletins," Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS No. 151 requires that those items be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of SFAS No. 151 did not have a material impact on the Company's consolidated financial statements.

Effective March 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS No. 123(R)"), "Share-Based Payment." SFAS No. 123(R) replaces Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," and supersedes Accounting Principles Board Opinion No. 25 ("APB Opinion No. 25"), "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires the cost resulting from all share-based payment transactions be recognized in the financial statements. In addition, SFAS No. 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a grant date fair-value-based measurement method in accounting for share-based payment transactions. SFAS No. 123(R) also amends Statement of Financial Accounting Standards No. 95 ("SFAS No. 95"), "Statement of Cash Flows," to require that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. SFAS No. 123(R) applies to all awards granted, modified, repurchased, or cancelled by the Company after March 1, 2006. See Note 16 for further discussion.

Effective March 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 154 ("SFAS No. 154"), "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 changes the requirements for the accounting of and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle and requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change of estimate effected by a change in accounting principle. SFAS No. 154 also carries forward without change the guidance in APB Opinion No. 20 with respect to accounting for changes in accounting estimates, changes in the reporting unit and correction of an error in previously issued financial statements. The adoption of SFAS No. 154 did not have a material impact on the Company's consolidated financial statements.

3) ACQUISITION:

On June 5, 2006, the Company acquired all of the issued and outstanding common shares of Vincor International Inc. ("Vincor"), Canada's premier wine company. Vincor is Canada's largest producer and marketer of wine. At the time of the acquisition, Vincor was the world's eighth largest producer and distributor of wine and related products by revenue and was also one of the largest wine importers, marketers and distributors in the U.K. Through this transaction, the Company acquired various additional winery and vineyard interests used in the production of premium, super-premium and fine wines from Canada, California, Washington State, Western Australia and New Zealand. In addition, as a result of the acquisition, the Company sources, markets and sells premium wines from South Africa. Well-known premium brands acquired in the Vincor acquisition include Inniskillin, Jackson-Triggs, Sumac Ridge, Hawthorne Mountain, R.H. Phillips, Toasted Head, Hogue, Kim Crawford and Kumala.

The acquisition of Vincor supports the Company's strategy of strengthening the breadth of its portfolio across price segments and geographic regions to capitalize on the overall growth in the wine industry. In addition to complementing the Company's current operations in the U.S., U.K., Australia and New Zealand, the acquisition of Vincor increases the Company's global presence by adding Canada as another core market and provides the Company with the ability to capitalize on broader geographic distribution in strategic international markets. In addition, the acquisition of Vincor makes the Company the largest wine company in Canada and strengthens the Company's position as the largest wine company in the world and the largest premium wine company in the U.S.

Total consideration paid in cash to the Vincor shareholders was $1,115.8 million. In addition, the Company expects to incur direct acquisition costs of approximately $11.5 million. At closing, the Company also assumed outstanding indebtedness of Vincor, net of cash acquired, of $308.2 million. The purchase price was financed with borrowings under the Company's 2006 Credit Agreement (as defined in Note 10). In accordance with the purchase method of accounting, the acquired net assets are recorded at fair value at the date of acquisition. The purchase price was based primarily on the estimated future operating results of the Vincor business, including the factors described above, as well as an estimated benefit from operating cost synergies.

In connection with the Vincor acquisition, the Company entered into a foreign currency forward contract to fix the U.S. dollar cost of the acquisition and the payment of certain outstanding indebtedness in April 2006. For the nine months ended November 30, 2006, the Company recorded a gain of $55.1 million in connection with this derivative instrument. Under SFAS No. 133, a transaction that involves a business combination is not eligible for hedge accounting treatment. As such, the gain was recognized separately on the Company's Consolidated Statements of Income, and the proceeds from maturity of the derivative instrument were reported as cash flows provided by investing activities on the Company's Consolidated Statements of Cash Flows.

The results of operations of the Vincor business are reported in the Constellation Wines segment and have been included in the Consolidated Statements of Income since the acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in the Vincor acquisition at the date of acquisition. The Company is in the process of obtaining third-party valuations of certain assets and liabilities, and refining its restructuring plan which is under development and will be finalized during the Company's year ending February 28, 2007 (see Note 18). Accordingly, the allocation of the purchase price is preliminary and subject to change. Estimated fair values at June 5, 2006, are as follows:

(in millions)		
Current assets	$	391.2
Property, plant and equipment		213.7
Goodwill		849.9
Trademarks		230.1
Other assets		52.0
Total assets acquired		1,736.9
Current liabilities		288.9
Long-term liabilities		320.7
Total liabilities assumed		609.6
Net assets acquired	$	1,127.3

The trademarks are not subject to amortization. None of the goodwill is expected to be deductible for tax purposes.

The following table sets forth the unaudited pro forma results of operations of the Company for the nine months ended November 30, 2006, and November 30, 2005, and the unaudited historical and unaudited pro forma results of operations of the Company for the three months ended November 30, 2006, and November 30, 2005, respectively. The unaudited pro forma results of operations for the nine months ended November 30, 2006, and November 30, 2005, and the three months ended November 30, 2005, give effect to the Vincor acquisition as if it occurred on March 1, 2005. The unaudited pro forma results of operations are presented after giving effect to certain adjustments for depreciation, amortization of certain intangible assets and deferred financing costs, interest expense on the acquisition financing, interest expense associated with adverse grape contracts, and related income tax effects. The unaudited pro forma results of operations are based upon currently available information and certain assumptions that the Company believes are reasonable under the circumstances. The unaudited pro forma results of operations for the nine months ended November 30, 2005, do not reflect total pretax nonrecurring charges of $29.5 million ($0.09 per share on a diluted basis) related to transaction costs, primarily for the acceleration of vesting of stock options, legal fees and investment banker fees, all of which were incurred by Vincor prior to the acquisition. The unaudited pro forma results of operations do not purport to present what the Company's results of operations would actually have been if the aforementioned transaction had in fact occurred on such date or at the beginning of the period indicated, nor do they project the Company's financial position or results of operations at any future date or for any future period.

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2006	2005	2006	2005
(in millions, except per share data)				
Net sales	$ 4,191.8	$ 3,978.0	$ 1,500.8	$ 1,428.3
Income before income taxes	$ 385.6	$ 427.4	$ 173.1	$ 184.9
Net income	$ 229.9	$ 289.8	$ 107.8	$ 113.6
Income available to common stockholders	$ 225.0	$ 282.4	$ 107.8	$ 111.1
Earnings per common share - basic:				
Class A Common Stock	$ 1.00	$ 1.29	$ 0.47	$ 0.51
Class B Common Stock	$ 0.91	$ 1.18	$ 0.42	$ 0.46
Earnings per common share - diluted	$ 0.96	$ 1.21	$ 0.45	$ 0.48
Weighted average common shares outstanding - basic:				
Class A Common Stock	203.113	196.432	209.524	197.220
Class B Common Stock	23.845	23.916	23.837	23.888
Weighted average common shares outstanding - diluted	239.889	238.669	239.396	238.583

4) INVENTORIES:

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

	November 30, 2006	February 28, 2006
(in millions)		
Raw materials and supplies	$ 188.2	$ 82.4
In-process inventories	1,247.4	1,081.3
Finished case goods	703.3	540.7
	$ 2,138.9	$ 1,704.4

5) PROPERTY, PLANT AND EQUIPMENT:

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

	November 30, 2006	February 28, 2006
(in millions)		
Land and land improvements	$ 308.5	$ 245.2
Vineyards	198.6	187.7
Buildings and improvements	427.2	373.2
Machinery and equipment	1,192.5	1,042.2
Motor vehicles	38.9	16.2
Construction in progress	137.8	73.9
	2,303.5	1,938.4
Less - Accumulated depreciation	(597.4)	(513.1)
	$ 1,706.1	$ 1,425.3

In October 2006, as part of the Fiscal 2007 Wine Plan (as defined in Note 18), the Company recorded an asset impairment charge of $10.8 million in connection with the write-down of certain winery and vineyard assets which satisfied the conditions necessary to be classified as held-for-sale. These Constellation Wines segment's assets were written down to a value based on the Company's estimate of fair value less cost to sell. Total assets held for sale as of November 30, 2006, are not material. The impairment charge is included within selling, general and administrative expenses on the Company's Consolidated Statements of Income for the nine months and three months ended November 30, 2006.

6) GOODWILL:

The changes in the carrying amount of goodwill for the nine months ended November 30, 2006, are as follows:

	Constellation Wines	Constellation Beers and Spirits	Consolidated
(in millions)			
Balance, February 28, 2006	$ 2,034.9	$ 158.7	$ 2,193.6
Purchase accounting allocations	838.4	(0.9)	837.5
Foreign currency translation adjustments	80.3	-	80.3
Purchase price earn-out	3.6	-	3.6
Disposal of business	(25.9)	-	(25.9)
Balance, November 30, 2006	$ 2,931.3	$ 157.8	$ 3,089.1

The Constellation Wines segment's purchase accounting allocations of goodwill totaling $838.4 million consist of $849.9 million of goodwill resulting from the Vincor acquisition and a reduction of $11.5 million, net of tax, in connection with an adjustment to assumed liabilities acquired in a prior acquisition.

7) INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

	November 30, 2006		February 28, 2006	
	Gros Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in millions)				
Amortizable intangible assets:				
Customer relationships	$ 34.5	$ 33.3	$ 3.7	$ 3.6
Distribution agreements	18.9	6.1	18.9	7.0
Other	3.2	2.0	2.4	1.3
Total	$ 56.6	41.4	$ 25.0	11.9
Nonamortizable intangible assets:				
Trademarks		1,101.5		853.6
Agency relationships		18.4		18.4
Total		1,119.9		872.0
Total intangible assets		$ 1,161.3		$ 883.9

The difference between the gross carrying amount and net carrying amount for each item presented is attributable to accumulated amortization. Amortization expense for intangible assets was $2.1 million and $1.4 million for the nine months ended November 30, 2006, and November 30, 2005, respectively, and $0.8 million and $0.6 million for the three months ended November 30, 2006, and November 30, 2005, respectively. Estimated amortization expense for the remaining three months of fiscal 2007 and for each of the five succeeding fiscal years and thereafter is as follows:

(in millions)		
2007	$	0.9
2008	$	3.2
2009	$	3.1
2010	$	3.1
2011	$	2.8
2012	$	2.5
Thereafter	$	25.8

8) OTHER ASSETS:

The major components of other assets are as follows:

	November 30, 2006		February 28, 2006	
(in millions)				
Investment in equity method investees	$	171.5	$	146.6
Deferred financing costs		37.2		34.8
Deferred tax asset		28.9		15.8
Other		28.3		15.3
		265.9		212.5
Less - Accumulated amortization		(13.5)		(15.6)
	$	252.4	$	196.9

The Company has several investments which are being accounted for under the equity method. The primary investments consist of Opus One, a 50% owned joint venture arrangement and a 40% interest in Ruffino S.r.l. ("Ruffino"). The percentage of ownership of the remaining investments ranges from 20% to 50%.

In connection with the Company's investment in Ruffino, the Company's Constellation Wines segment distributes Ruffino's products in the U.S. Amounts purchased from Ruffino under this arrangement for the nine months and three months ended November 30, 2006, and November 30, 2005, were not material. As of November 30, 2006, amounts payable to Ruffino were not material.

Amortization expense for other assets was included in selling, general and administrative expenses and was $3.9 million and $4.6 million for the nine months ended November 30, 2006, and November 30, 2005, respectively, and $1.5 million and $1.4 million for the three months ended November 30, 2006, and November 30, 2005, respectively.

9) OTHER ACCRUED EXPENSES AND LIABILITIES:

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

(in millions)	November 30, 2006	February 28, 2006
Advertising and promotions	$ 229.0	$ 174.1
Income taxes payable	139.3	113.2
Salaries and commissions	71.9	77.3
Accrued interest	69.4	28.4
Accrued restructuring	55.3	25.3
Adverse grape contracts	47.6	59.1
Other	216.2	137.2
	$ 828.7	$ 614.6

10) BORROWINGS:

Senior credit facility -

In connection with the acquisition of Vincor, on June 5, 2006, the Company and certain of its U.S. subsidiaries, JPMorgan Chase Bank, N.A. as a lender and administrative agent, and certain other agents, lenders, and financial institutions entered into a new credit agreement (the "2006 Credit Agreement"). The 2006 Credit Agreement provides for aggregate credit facilities of $3.5 billion, consisting of a $1.2 billion tranche A term loan facility due in June 2011, a $1.8 billion tranche B term loan facility due in June 2013, and a $500 million revolving credit facility (including a sub-facility for letters of credit of up to $200 million) which terminates in June 2011. Proceeds of the 2006 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the acquisition of Vincor and to repay certain indebtedness of Vincor. The Company uses its revolving credit facility under the 2006 Credit Agreement for general corporate purposes, including working capital, on an as needed basis.

The tranche A term loan facility and the tranche B term loan facility were fully drawn on June 5, 2006. In August 2006, the Company used proceeds from the August 2006 Senior Notes (as defined below) to repay $180.0 million of the tranche A term loan and $200.0 million of the tranche B term loan. In addition, the Company prepaid an additional $100.0 million on the tranche B term loan in August 2006. As of November 30, 2006, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining three months of fiscal 2007 and for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)	Tranche A Term Loan	Tranche B Term Loan	Total
2007	$ -	$ -	$ -
2008	90.0	7.6	97.6
2009	210.0	15.2	225.2
2010	270.0	15.2	285.2
2011	300.0	15.2	315.2
2012	150.0	15.2	165.2
Thereafter	-	1,431.6	1,431.6
	$ 1,020.0	$ 1,500.0	$ 2,520.0

The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) and, with respect to LIBOR borrowings, ranges between 1.00% and 1.50%. The initial LIBOR margin for the revolving credit facility and the tranche A term loan facility is 1.25%, while the LIBOR margin on the tranche B term loan facility is 1.50%.

The Company's obligations are guaranteed by certain of its U.S. subsidiaries. These obligations are also secured by a pledge of (i) 100% of the ownership interests in certain of the Company's U.S. subsidiaries and (ii) 65% of the voting capital stock of certain of the Company's foreign subsidiaries.

The Company and its subsidiaries are also subject to covenants that are contained in the 2006 Credit Agreement, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness), additional liens, mergers and consolidations, disposition or acquisition of property, the payment of dividends, transactions with affiliates and the making of certain investments, in each case subject to numerous conditions, exceptions and thresholds. The financial covenants are limited to maximum total debt and senior debt coverage ratios and minimum interest and fixed charge coverage ratios.

As of November 30, 2006, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $1.0 billion bearing an interest rate of 6.7%, tranche B term loans of $1.5 billion bearing an interest rate of 6.9%, revolving loans of $74.0 million bearing an interest rate of 6.5%, outstanding letters of credit of $57.6 million, and $368.4 million in revolving loans available to be drawn.

As of November 30, 2006, the Company had outstanding interest rate swap agreements which fixed LIBOR interest rates on $1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. For the nine months ended November 30, 2006, and November 30, 2005, the Company reclassified $4.1 million, net of tax effect of $2.7 million, and $2.7 million, net of tax effect of $1.7 million, respectively, from Accumulated Other Comprehensive Income (Loss) ("AOCI") to Interest Expense, net in the Company's Consolidated Statements of Income. For the three months ended November 30, 2006, and November 30, 2005, the Company reclassified $1.8 million, net of tax effect of $1.2 million, and $1.0 million, net of tax effect of $0.6 million, respectively, from AOCI to Interest Expense, net in the Company's Consolidated Statements of Income. This non-cash operating activity is included on the Other, net line in the Company's Consolidated Statements of Cash Flows.

Foreign subsidiary facilities -

The Company has additional credit arrangements available totaling $400.7 million as of November 30, 2006. These arrangements support the financing needs of certain of the Company's foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of November 30, 2006, amounts outstanding under the foreign subsidiary credit arrangements were $264.1 million.

Senior notes -

On August 4, 1999, the Company issued $200.0 million aggregate principal amount of 8 5/8% Senior Notes due August 2006 (the "August 1999 Senior Notes"). On August 1, 2006, the Company repaid the August 1999 Senior Notes with proceeds from its revolving credit facility under the 2006 Credit Agreement.

On August 15, 2006, the Company issued $700.0 million aggregate principal amount of 7 1/4% Senior Notes due September 2016 at an issuance price of $693.1 million (net of $6.9 million unamortized discount, with an effective interest rate of 7.4%) (the "August 2006 Senior Notes"). The net proceeds of the offering ($685.3 million) were used to reduce a corresponding amount of borrowings under the Company's 2006 Credit Agreement. Interest on the August 2006 Senior Notes is payable semiannually on March 1 and September 1 of each year, beginning March 1, 2007. The August 2006 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount and a make whole payment based on the present value of the future payments at the adjusted Treasury rate plus 50 basis points. The August 2006 Senior Notes are senior unsecured obligations and rank equally in right of payment to all existing and future senior unsecured indebtedness of the Company. Certain of the Company's significant operating subsidiaries guarantee the August 2006 Senior Notes, on a senior basis. As of November 30, 2006, the Company had outstanding $693.3 million (net of $6.7 million unamortized discount) aggregate principal amount of August 2006 Senior Notes.

11) INCOME TAXES:

The Company's effective tax rate for the nine months ended November 30, 2006, and November 30, 2005, was 39.4% and 33.0%, respectively. On May 31, 2006, the Company sold its branded bottled water business. For the nine months ended November 30, 2006, the Company recorded a loss of $13.4 million on the sale which resulted from a write-off of $27.7 million of non-deductible intangible assets, primarily goodwill. The increase in the Company's effective tax rate for the nine months ended November 30, 2006, was due primarily to the provision for income taxes on the sale of the branded bottled water business. In addition, the effective tax rate for the nine months ended November 30, 2005, reflected adjustments to income tax accruals of $16.2 million in connection with the completion of various income tax examinations as well as the benefit related to the impact of the American Jobs Creation Act of 2004 (the "AJCA") on planned distributions of foreign earnings.

The Company's effective tax rate for the three months ended November 30, 2006, and November 30, 2005, was 37.7% and 39.4%, respectively. The decrease in the Company's effective tax rate for the three months ended November 30, 2006, was due primarily to a decrease in the amount of assumed distributions of foreign earnings for the year ending February 28, 2007.

12) OTHER LIABILITIES:

The major components of other liabilities are as follows:

(in millions)	November 30, 2006	February 28, 2006
Accrued pension liability	$ 132.7	$ 122.1
Adverse grape contracts	57.1	64.6
Other	77.1	53.6
	$ 266.9	$ 240.3

13) RETIREMENT SAVINGS PLANS AND POSTRETIREMENT BENEFIT PLANS:

In connection with the Vincor acquisition, the Company acquired the Retirement Plan for Salaried Employees of Vincor International Inc. (the "Vincor Plan") which covers substantially all salaried Canadian employees. The Vincor Plan has a defined benefit component and a defined contribution component. Net periodic benefit costs reported in the Consolidated Statements of Income for the Company's defined benefit pension plans, including the newly acquired Vincor Plan, include the following components:

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2006	2005	2006	2005
(in millions)				
Service cost	$ 3.4	$ 1.6	$ 2.3	$ 0.5
Interest cost	16.0	13.1	6.3	4.1
Expected return on plan assets	(18.5)	(12.6)	(7.6)	(3.9)
Plan participants' contributions	(0.5)	-	(0.5)	-
Amortization of prior service cost	0.2	0.2	0.1	0.1
Recognized net actuarial loss	4.6	2.1	2.0	0.6
Net periodic benefit cost	$ 5.2	$ 4.4	$ 2.6	$ 1.4

Net periodic benefit costs reported in the Consolidated Statements of Income for the Company's unfunded postretirement benefit plans include the following components:

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2006	2005	2006	2005
(in millions)				
Service cost	$ 0.2	$ 0.2	$ 0.1	$ 0.1
Interest cost	0.2	0.2	0.1	0.1
Amortization of prior service cost	-	-	-	-
Recognized net actuarial loss	-	-	-	-
Net periodic benefit cost	$ 0.4	$ 0.4	$ 0.2	$ 0.2

Contributions of $8.9 million and $3.4 million have been made by the Company to fund its defined benefit pension plans for the nine months and three months ended November 30, 2006, respectively. The Company presently anticipates contributing an additional $3.0 million to fund its defined benefit pension plans during the year ending February 28, 2007, resulting in total employer contributions of $11.9 million for the year ending February 28, 2007.

14) STOCKHOLDERS' EQUITY:

Stock repurchase -

In February 2006, the Company's Board of Directors replenished the June 1998 authorization to repurchase up to $100.0 million of the Company's Class A Common Stock and Class B Convertible Common Stock. During the nine months ended November 30, 2006, the Company purchased 3,894,978 shares of Class A Common Stock at an aggregate cost of $100.0 million, or at an average cost of $25.67 per share.

Preferred stock -

On September 1, 2006, the Company's 5.75% Series A Mandatory Convertible Preferred Stock ("Preferred Stock") was converted into 9,983,066 shares of the Company's Class A Common Stock. The September 1, 2006, conversion includes both mandatory conversions as well as optional conversions initiated during August 2006. No fractional shares of the Company's Class A Common Stock were issued in the conversions.

15) EARNINGS PER COMMON SHARE:

Basic earnings per common share excludes the effect of common stock equivalents and is computed using the two-class computation method. Diluted earnings per common share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method and the conversion of Class B Common Stock and Preferred Stock using the if converted method.

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

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2006	2005	2006	2005
(in millions, except per share data)				
Net income	$ 261.7	$ 267.1	$ 107.8	$ 109.0
Dividends on preferred stock	(4.9)	(7.4)	-	(2.5)
Income available to common stockholders	$ 256.8	$ 259.7	$ 107.8	$ 106.5
Weighted average common shares outstanding - basic:				
Class A Common Stock	203.113	196.432	209.524	197.220
Class B Common Stock	23.845	23.916	23.837	23.888
Total weighted average common shares outstanding - basic	226.958	220.348	233.361	221.108
Stock options	6.251	8.338	6.035	7.492
Preferred stock	6.680	9.983	-	9.983
Weighted average common shares outstanding - diluted	239.889	238.669	239.396	238.583
Earnings per common share - basic:				
Class A Common Stock	$ 1.14	$ 1.19	$ 0.47	$ 0.49
Class B Common Stock	$ 1.04	$ 1.08	$ 0.42	$ 0.44
Earnings per common share - diluted	$ 1.09	$ 1.12	$ 0.45	$ 0.46

Stock options to purchase 3.8 million and 3.7 million shares of Class A Common Stock at a weighted average price per share of $27.24 and $27.30 were outstanding during the nine months ended November 30, 2006, and November 30, 2005, respectively, but were not included in the computation of the diluted earnings per common share because the stock options' exercise price was greater than the average market price of the Class A Common Stock for the period. Stock options to purchase 0.2 million and 3.7 million shares of Class A Common Stock at a weighted average price per share of $29.56 and $27.26 were outstanding during the three months ended November 30, 2006, and November 30, 2005, respectively, but were not included in the computation of the diluted earnings per common share because the stock options' exercise price was greater than the average market price of the Class A Common Stock for the period.

16) STOCK-BASED COMPENSATION:

Effective March 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004) (“SFAS No. 123(R)”), “Share-Based Payment,” for its stock-based compensation plans (described more fully below). Under SFAS No. 123(R), all stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense in the income statement over the requisite service period. On March 29, 2005, the Securities and Exchange Commission (“SEC”) staff issued Staff Accounting Bulletin No. 107 (“SAB No. 107”), “Share-Based Payment,” to express the views of the staff regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and to provide the staff’s views regarding the valuation of share-based payment arrangements for public companies. The SAB No. 107 guidance was taken into consideration with the implementation of SFAS No. 123(R).

Prior to March 1, 2006, the Company applied the intrinsic value method described in Accounting Principles Board Opinion No. 25 (“APB No. 25”), “Accounting for Stock Issued to Employees,” and related interpretations, in accounting for its stock-based compensation plans. In accordance with APB No. 25, the compensation cost for stock options is recognized in income based on the excess, if any, of the quoted market price of the stock at the grant date of the award or other measurement date over the amount an employee must pay to acquire the stock. Options granted under the Company’s stock option plans have an exercise price equal to the market value of the underlying common stock on the date of grant; therefore, no incremental compensation expense was recognized for grants made to employees under the Company’s stock option plans. The Company utilized the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 (“SFAS No. 123”), “Accounting for Stock-Based Compensation,” as amended.

The Company adopted SFAS No. 123(R) using the modified prospective transition method. Under the modified prospective transition method, the Company is required to record stock-based compensation expense for all awards granted after the adoption date and for the unvested portion of previously granted awards outstanding on the adoption date. Compensation cost related to the unvested portion of previously granted awards is based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123. Compensation cost for awards granted after the adoption date is based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Results for prior periods have not been restated and do not reflect the recognition of stock-based compensation in accordance with the provisions of SFAS No. 123(R).

Stock-based awards, primarily stock options, granted by the Company are subject to specific vesting conditions, generally time vesting, or upon retirement, disability or death of the employee (as defined by the stock option plan), if earlier. Under APB No. 25, as the exercise price is equal to the market value of the underlying common stock on the date of grant, no compensation expense is recognized for the granting of these stock options. Under the disclosure only provisions of SFAS No. 123, for stock-based awards that specify an employee vests in the award upon retirement, the Company accounts for the compensation expense ratably over the stated vesting period. If the employee retires, becomes disabled or dies before the end of the stated vesting period, then any remaining unrecognized compensation expense is accounted for at the date of the event. The Company continues to apply this policy for any awards granted prior to the Company’s adoption of SFAS No. 123(R) on March 1, 2006, and for the unrecognized compensation expense associated with the remaining portion of the then unvested outstanding awards. The remaining portion of the unvested outstanding awards as of February 28, 2006, was not material.

With the Company's adoption of SFAS No. 123(R) on March 1, 2006, the Company revised its policy for recognition of compensation expense for all new stock-based awards that accelerate vesting upon retirement. Under this revised policy, compensation expense will be recognized immediately for awards granted to retirement-eligible employees or over the period from the date of grant to the date of retirement-eligibility if that is expected to occur during the requisite service period.

Prior to the adoption of SFAS No. 123(R), the Company reported all tax benefits resulting from the exercise of stock options as operating cash flows in the Consolidated Statements of Cash Flows. SFAS No. 123(R) requires cash flows resulting from the tax deductions in excess of the related compensation cost recognized in the financial statements (excess tax benefits) to be classified as financing cash flows. In accordance with SFAS No. 123(R), excess tax benefits recognized in periods after the adoption date have been properly classified as financing cash flows. Excess tax benefits recognized in periods prior to the adoption date are classified as operating cash flows.

As a result of the adoption of SFAS No. 123(R), for the nine months and three months ended November 30, 2006, the Company recorded $12.0 million and $4.3 million, respectively, of stock-based compensation cost in selling, general and administrative expenses on the Company's Consolidated Statements of Income. In addition, the Company recorded an income tax benefit of $3.1 million and $1.1 million for the nine months and three months ended November 30, 2006, respectively, related to this stock-based compensation cost. There was no compensation cost capitalized to assets for the nine months and three months ended November 30, 2006. The following table illustrates the effect of adopting SFAS No. 123(R) for the nine months and three months ended November 30, 2006, on selected reported items ("As Reported") and what those items would have been under previous guidance under APB No. 25:

	For the Nine Months Ended November 30, 2006		For the Three Months Ended November 30, 2006	
	As Reported	Under APB No. 25	As Reported	Under APB No. 25
(in millions, except per share data)				
Income before income taxes	$ 431.6	$ 443.6	$ 173.1	$ 177.4
Net income	$ 261.7	$ 270.6	$ 107.8	$ 111.0
Cash flows from operating activities	$ 118.1	$ 130.1	$ 33.2	$ 36.4
Cash flows from financing activities	$ 1,064.3	$ 1,052.3	$ (10.9)	$ (14.1)
Earnings per common share - basic:				
Class A Common Stock	$ 1.14	$ 1.18	$ 0.47	$ 0.48
Class B Common Stock	$ 1.04	$ 1.07	$ 0.42	$ 0.44
Earnings per common share - diluted	$ 1.09	$ 1.13	$ 0.45	$ 0.46

The following table illustrates the effect on net income and earnings per share for the nine months and three months ended November 30, 2005, as if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

(in millions, except per share data)	For the Nine Months Ended November 30, 2005	For the Three Months Ended November 30, 2005
Net income, as reported	$ 267.1	$ 109.0
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	0.1	0.1
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(7.1)	(1.8)
Pro forma net income	$ 260.1	$ 107.3
Earnings per common share - basic:		
Class A Common Stock, as reported	$ 1.19	$ 0.49
Class B Common Stock, as reported	$ 1.08	$ 0.44
Class A Common Stock, pro forma	$ 1.16	$ 0.48
Class B Common Stock, pro forma	$ 1.05	$ 0.44
Earnings per common share - diluted, as reported	$ 1.12	$ 0.46
Earnings per common share - diluted, pro forma	$ 1.08	$ 0.45

Long-term stock incentive plan -

Under the Company's Long-Term Stock Incentive Plan, nonqualified stock options, stock appreciation rights, restricted stock and other stock-based awards may be granted to employees, officers and directors of the Company. The aggregate number of shares of the Company's Class A Common Stock available for awards under the Company's Long-Term Stock Incentive Plan is 80,000,000 shares. The exercise price, vesting period and term of nonqualified stock options granted are established by the committee administering the plan (the "Committee"). The exercise price of any nonqualified stock option may not be less than the fair market value of the Company's Class A Common Stock on the date of grant. Grants of stock appreciation rights, restricted stock and other stock-based awards may contain such vesting, terms, conditions and other requirements as the Committee may establish. During the nine months ended November 30, 2006, and November 30, 2005, no stock appreciation rights were granted. During the nine months ended November 30, 2006, and November 30, 2005, 8,614 shares and 7,150 shares of restricted Class A Common Stock were granted at a weighted average grant date fair value of $24.75 per share and $27.96 per share, respectively.

Incentive stock option plan -

Under the Company's Incentive Stock Option Plan, incentive stock options may be granted to employees, including officers, of the Company. Grants, in the aggregate, may not exceed 8,000,000 shares of the Company's Class A Common Stock. The exercise price of any incentive stock option may not be less than the fair market value of the Company's Class A Common Stock on the date of grant. The vesting period and term of incentive stock options granted are established by the Committee. The maximum term of incentive stock options is ten years.

A summary of stock option activity under the Company's Long-Term Stock Incentive Plan and the Incentive Stock Option Plan is as follows:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life		Aggregate Intrinsic Value
Options outstanding, February 28, 2006	23,652,958	$	14.43	6.5 years		
Granted	5,662,681	$	25.97	9.4 years		
Exercised	(4,350,317)	$	12.00	5.2 years		
Forfeited	(471,305)	$	25.48	8.7 years		
Options outstanding, November 30, 2006	24,494,017	$	17.32	6.7 years	$	261,425,841
Options exercisable, November 30, 2006	18,783,123	$	14.84	5.9 years	$	247,017,992

Other information pertaining to stock options is as follows:

	For the Nine Months Ended November 30,			
		2006		2005
Weighted average grant-date fair value of stock options granted	$	10.04	$	9.56
Total fair value of stock options vested	$	1,109,530	$	5,760,224
Total intrinsic value of stock options exercised	$	60,288,515	$	32,361,360

The fair value of options is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Nine Months Ended November 30,	
	2006	2005
Expected life	5.5 years	5.0 years
Expected volatility	31.7%	31.3%
Risk-free interest rate	4.8%	4.1%
Expected dividend yield	0.0%	0.0%

For the nine months ended November 30, 2006, and November 30, 2005, the Company used a projected expected life for each award granted based on historical experience of employees' exercise behavior for similar type grants. Expected volatility for the nine months ended November 30, 2006, and November 30, 2005, is based on historical volatility levels of the Company's Class A Common Stock. The risk-free interest rate for the nine months ended November 30, 2006, and November 30, 2005, is based on the implied yield currently available on U.S. Treasury zero coupon issues with a remaining term equal to the expected life.

Employee stock purchase plans -

The Company has a stock purchase plan under which 9,000,000 shares of Class A Common Stock may be issued. Under the terms of the plan, eligible employees may purchase shares of the Company's Class A Common Stock through payroll deductions. The purchase price is the lower of 85% of the fair market value of the stock on the first or last day of the purchase period. During the nine months ended November 30, 2006, and November 30, 2005, employees purchased 140,233 shares and 111,192 shares, respectively, under this plan.

The weighted average fair value of purchase rights granted during the nine months ended November 30, 2006, and November 30, 2005, was $5.60 and $6.47, respectively. The fair value of purchase rights granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Nine Months Ended November 30,	
	2006	2005
Expected life	0.5 years	0.5 years
Expected volatility	25.1%	29.0%
Risk-free interest rate	5.2%	3.7%
Expected dividend yield	0.0%	0.0%

The Company has a stock purchase plan under which 2,000,000 shares of the Company's Class A Common Stock may be issued to eligible employees and directors of the Company's U.K. subsidiaries. Under the terms of the plan, participants may purchase shares of the Company's Class A Common Stock through payroll deductions. The purchase price may be no less than 80% of the closing price of the stock on the day the purchase price is fixed by the committee administering the plan. During the nine months ended November 30, 2006, and November 30, 2005, employees purchased 52,842 shares and 92,622 shares, respectively, under this plan. During the nine months ended November 30, 2006, the Company granted purchase rights with a weighted average fair value of $11.25. The fair value of the purchase rights granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: expected purchase right life of 4.0 years, expected volatility of 28.0%, risk-free interest rate of 4.8% and expected dividend yield of 0%. The maximum number of shares which can be purchased under this grant is 396,803 shares. During the nine months ended November 30, 2005, there were no purchase rights granted.

As of November 30, 2006, there was $46.3 million of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under the Company's four stock-based employee compensation plans. This cost is expected to be recognized in the Company's Consolidated Statements of Income over a weighted-average period of 3.4 years. With respect to the issuance of shares under any of the Company's stock-based compensation plans, the Company has the option to issue authorized but unissued shares or treasury shares.

17) COMPREHENSIVE INCOME (LOSS):

Comprehensive income (loss) consists of net income, foreign currency translation adjustments, net unrealized gains or losses on derivative instruments, net unrealized gains or losses on available-for-sale marketable equity securities and minimum pension liability adjustments. The reconciliation of net income to comprehensive income (loss) is as follows:

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2006	2005	2006	2005
(in millions)				
Net income	$ 261.7	$ 267.1	$ 107.8	$ 109.0
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of tax (expense) benefit of ($10.8), $11.7, ($2.1) and $4.3, respectively	150.2	(171.2)	53.1	(55.9)
Cash flow hedges:				
Net derivative losses (gains), net of tax benefit (expense) of $10.3, ($4.1), $3.2 and ($11.9), respectively	(17.8)	3.7	(3.2)	18.0
Reclassification adjustments, net of tax benefit of $4.4, $4.0, $1.0 and $2.2, respectively	(9.3)	(6.8)	(2.1)	(3.8)
Net cash flow hedges	(27.1)	(3.1)	(5.3)	14.2
Minimum pension liability adjustment, net of tax benefit (expense) of $4.8, ($3.2), $1.3 and ($1.3), respectively	(11.1)	7.4	(3.0)	2.9
Total comprehensive income	$ 373.7	$ 100.2	$ 152.6	$ 70.2

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

(in millions)	Foreign Currency Translation Adjustments	Net Unrealized Gains on Derivatives	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, February 28, 2006	$ 314.7	$ 31.0	$ (98.3)	$ 247.4
Current period change	150.2	(27.1)	(11.1)	112.0
Balance, November 30, 2006	$ 464.9	$ 3.9	$ (109.4)	$ 359.4

18) RESTRUCTURING AND RELATED CHARGES:

The Company has the following restructuring plans within its Constellation Wines segment as of November 30, 2006: (i) the Company's plans to invest in new distribution and bottling facilities in the U.K. and to streamline certain Australian wine operations announced August 2006 (collectively, the "Fiscal 2007 Wine Plan"), (ii) the Company's plan to restructure and integrate the operations of Vincor (the "Vincor Plan") announced July 2006, (iii) the Company's worldwide wine reorganizations and the Company's plan to consolidate certain west coast production processes in the U.S., both announced during fiscal 2006, (collectively, the "Fiscal 2006 Plan"), and (iv) the Company's plan to restructure and integrate the operations of The Robert Mondavi Corporation (the "Robert Mondavi Plan") (announced January 2005) and the further realignment of business operations and the Company's plan to exit the commodity concentrate product line in the U.S., both announced during fiscal 2004, (the "Fiscal 2004 Plan"), (the Robert Mondavi Plan and the Fiscal 2004 Plan are collectively referred to as "Other Plans"). For the nine months ended November 30, 2006, the Company recorded $26.1 million of restructuring and related charges associated with these plans. For the nine months ended November 30, 2005, the Company recorded $8.4 million of restructuring and related charges associated primarily with the Fiscal 2006 Plan and the Robert Mondavi Plan.

Details of each plan are presented in the following table:

(in millions)	Fiscal 2007 Wine Plan	Vincor Plan	Fiscal 2006 Plan	Other Plans	Total
Restructuring liability, February 28, 2006	$ -	$ -	$ 16.7	$ 8.6	$ 25.3
Vincor acquisition	-	49.0	-	-	49.0
Restructuring charges:					
Employee termination benefit costs	-	-	2.2	0.3	2.5
Contract termination costs	-	-	-	(0.2)	(0.2)
Facility consolidation/relocation costs	-	-	-	-	-
Restructuring charges, May 31, 2006	-	-	2.2	0.1	2.3
Employee termination benefit costs	2.9	0.5	1.2	-	4.6
Contract termination costs	16.0	0.7	-	-	16.7
Facility consolidation/relocation costs	-	-	0.4	-	0.4
Restructuring charges, August 31, 2006	18.9	1.2	1.6	-	21.7
Employee termination benefit costs	-	-	(0.2)	(0.1)	(0.3)
Contract termination costs	1.9	-	-	-	1.9
Facility consolidation/relocation costs	-	0.1	0.2	0.2	0.5
Restructuring charges, November 30, 2006	1.9	0.1	-	0.1	2.1
Total restructuring charges	20.8	1.3	3.8	0.2	26.1
Cash expenditures	(17.9)	(14.6)	(11.7)	(2.8)	(47.0)
Foreign currency translation adjustments	0.1	1.2	0.6	-	1.9
Restructuring liability, November 30, 2006	$ 3.0	$ 36.9	$ 9.4	$ 6.0	$ 55.3

Employee termination benefit costs include the reversal of prior accruals of $0.5 million and $0.1 million related to the Fiscal 2006 Plan and the Fiscal 2004 Plan, respectively, for the three months ended November 30, 2006. In addition, facility consolidation/relocation costs include the reversal of prior accruals of $0.3 million related to the Fiscal 2004 Plan for the three months ended November 30, 2006.

In addition, the following table presents other related costs incurred in connection with the Fiscal 2007 Wine Plan, Vincor Plan and the Fiscal 2006 Plan:

	For the Nine Months Ended November 30, 2006			
(in millions)	Fiscal 2007 Wine Plan	Vincor Plan	Fiscal 2006 Plan	Total
Accelerated depreciation/inventory write-down (cost of product sold)	$ 2.2	$ 0.2	$ 2.3	$ 4.7
Asset write-down/other costs (selling, general and administrative expenses)	$ 11.1	$ -	$ 3.6	$ 14.7

	For the Three Months Ended November 30, 2006			
	Fiscal 2007 Wine Plan	Vincor Plan	Fiscal 2006 Plan	Total
Accelerated depreciation/inventory write-down (cost of product sold)	$ 1.6	$ 0.2	$ 0.5	$ 2.3
Asset write-down/other costs (selling, general and administrative expenses)	$ 11.1	$ -	$ 0.5	$ 11.6

A summary of restructuring charges and other related costs incurred since inception for each plan, as well as total expected costs for each plan, are presented in the following table:

(in millions)	Fiscal 2007 Wine Plan	Vincor Plan	Fiscal 2006 Plan	Robert Mondavi Plan	Fiscal 2004 Plan
Costs incurred to date					
Restructuring charges:					
Employee termination benefit costs	$ 2.9	$ 0.5	$ 27.5	$ 2.9	$ 10.1
Contract termination costs	17.9	0.7	-	0.5	19.2
Facility consolidation/relocation costs	-	0.1	0.7	0.5	4.4
Total restructuring charges	20.8	1.3	28.2	3.9	33.7
Other related costs:					
Accelerated depreciation/inventory write-down	2.2	0.2	15.8	-	-
Asset write-down/other costs	11.1	-	3.6	-	6.1
Total other related costs	13.3	0.2	19.4	-	6.1
Total costs incurred to date	$ 34.1	$ 1.5	$ 47.6	$ 3.9	$ 39.8
Total expected costs					
Restructuring charges:					
Employee termination benefit costs	$ 2.9	$ 1.1	$ 28.3	$ 2.9	$ 10.1
Contract termination costs	25.4	0.7	5.7	0.6	19.2
Facility consolidation/relocation costs	5.0	2.9	9.1	0.5	4.4
Total restructuring charges	33.3	4.7	43.1	4.0	33.7
Other related costs:					
Accelerated depreciation/inventory write-down	11.3	0.6	18.4	-	-
Asset write-down/other costs	17.8	-	4.5	-	6.1
Total other related costs	29.1	0.6	22.9	-	6.1
Total expected costs	$ 62.4	$ 5.3	$ 66.0	$ 4.0	$ 39.8

In connection with the Company's acquisition of Vincor and Robert Mondavi, the Company accrued $49.0 million and $50.5 million of liabilities for exit costs, respectively, as of the respective acquisition date. As of November 30, 2006, the balances of the Vincor and Robert Mondavi purchase accounting accruals were $33.3 million and $5.6 million, respectively. As of February 28, 2006, the balance of the Robert Mondavi purchase accounting accrual was $8.1 million.

19) ACQUISITION-RELATED INTEGRATION COSTS:

For the nine months ended November 30, 2006, the Company recorded $17.6 million of acquisition-related integration costs associated primarily with the Vincor Plan. Acquisition-related integration costs included $7.4 million of employee-related costs and $10.2 million of facilities and other one-time costs. For the nine months ended November 30, 2005, the Company recorded $15.9 million of acquisition-related integration costs associated with the Robert Mondavi Plan.

For the three months ended November 30, 2006, the Company recorded $9.5 million of acquisition-related integration costs associated primarily with the Vincor Plan. Acquisition-related integration costs included $3.7 million of employee-related costs and $5.8 million of facilities and other one-time costs. For the three months ended November 30, 2005, the Company recorded $1.6 million of acquisition-related integration costs associated with the Robert Mondavi Plan.

20) CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

Subsequent to February 28, 2006, seven subsidiaries of the Company which were previously included as Subsidiary Guarantors (as defined below) became Subsidiary Nonguarantors (as defined below) under the Company's existing indentures. Subsequent to August 31, 2006, six subsidiaries of the Company which were previously included as Subsidiary Nonguarantors became Subsidiary Guarantors under the Company's existing indentures. The following information sets forth the condensed consolidating balance sheets as of November 30, 2006, and February 28, 2006, the condensed consolidating statements of income for the nine months and three months ended November 30, 2006, and November 30, 2005, and the condensed consolidating statements of cash flows for the nine months ended November 30, 2006, and November 30, 2005, for the Company, the parent company, the combined subsidiaries of the Company which guarantee the Company's senior notes and senior subordinated notes ("Subsidiary Guarantors") and the combined subsidiaries of the Company which are not Subsidiary Guarantors (primarily foreign subsidiaries) ("Subsidiary Nonguarantors"), as if the new Subsidiary Nonguarantors and the new Subsidiary Guarantors had been in place as of and for all periods presented. The Subsidiary Guarantors are wholly owned and the guarantees are full, unconditional, joint and several obligations of each of the Subsidiary Guarantors. Separate financial statements for the Subsidiary Guarantors of the Company are not presented because the Company has determined that such financial statements would not be material to investors. The accounting policies of the parent company, the Subsidiary Guarantors and the Subsidiary Nonguarantors are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 to the Company's consolidated financial statements included in the Company's Current Report on Form 8-K dated August 8, 2006, and include the recently adopted accounting pronouncements described in Note 2 herein. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to the Company in the form of cash dividends, loans or advances.

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Balance Sheet at November 30, 2006					
Current assets:					
Cash and cash investments	$ 2.3	$ 3.1	$ 29.3	$ -	$ 34.7
Accounts receivable, net	358.8	191.0	609.8	-	1,159.6
Inventories	40.9	1,226.2	877.7	(5.9)	2,138.9
Prepaid expenses and other	16.0	186.7	100.5	-	303.2
Intercompany receivable (payable)	1,180.0	(738.3)	(441.7)	-	-
Total current assets	1,598.0	868.7	1,175.6	(5.9)	3,636.4
Property, plant and equipment, net	38.5	801.2	866.4	-	1,706.1
Investments in subsidiaries	5,953.2	115.5	-	(6,068.7)	-
Goodwill	-	1,529.7	1,559.4	-	3,089.1
Intangible assets, net	-	580.3	581.0	-	1,161.3
Other assets, net	26.8	83.7	141.9	-	252.4
Total assets	$ 7,616.5	$ 3,979.1	$ 4,324.3	$ (6,074.6)	$ 9,845.3
Current liabilities:					
Notes payable to banks	$ 74.0	$ -	$ 242.8	$ -	$ 316.8
Current maturities of long-term debt	49.7	4.6	5.4	-	59.7
Accounts payable	12.3	283.8	247.3	-	543.4
Accrued excise taxes	13.1	31.2	50.3	-	94.6
Other accrued expenses and liabilities	238.5	235.5	356.6	(1.9)	828.7
Total current liabilities	387.6	555.1	902.4	(1.9)	1,843.2
Long-term debt, less current maturities	3,920.8	12.7	15.9	-	3,949.4
Deferred income taxes	(26.9)	385.7	99.1	-	457.9
Other liabilities	7.1	93.2	166.6	-	266.9
Stockholders' equity:					
Preferred stock	-	9.0	1,013.9	(1,022.9)	-
Class A and Class B common stock	2.5	100.7	281.0	(381.7)	2.5
Additional paid-in capital	1,242.1	1,320.4	1,115.6	(2,436.0)	1,242.1
Retained earnings	1,849.1	1,486.7	296.4	(1,783.1)	1,849.1
Accumulated other comprehensive income	359.4	15.6	433.4	(449.0)	359.4
Treasury stock	(125.2)	-	-	-	(125.2)
Total stockholders' equity	3,327.9	2,932.4	3,140.3	(6,072.7)	3,327.9
Total liabilities and stockholders' equity	$ 7,616.5	$ 3,979.1	$ 4,324.3	$ (6,074.6)	$ 9,845.3
Condensed Consolidating Balance Sheet at February 28, 2006					
Current assets:					
Cash and cash investments	$ 0.9	$ 1.2	$ 8.8	$ -	$ 10.9
Accounts receivable, net	233.0	195.3	343.6	-	771.9
Inventories	38.6	1,032.6	637.8	(4.6)	1,704.4
Prepaid expenses and other	13.6	156.4	39.3	4.4	213.7
Intercompany receivable (payable)	956.1	(1,101.3)	145.2	-	-
Total current assets	1,242.2	284.2	1,174.7	(0.2)	2,700.9
Property, plant and equipment, net	35.6	729.4	660.3	-	1,425.3
Investments in subsidiaries	4,655.8	113.1	-	(4,768.9)	-
Goodwill	-	1,308.8	884.8	-	2,193.6
Intangible assets, net	-	549.6	334.3	-	883.9
Other assets, net	24.9	69.3	102.7	-	196.9
Total assets	$ 5,958.5	$ 3,054.4	$ 3,156.8	$ (4,769.1)	$ 7,400.6

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Current liabilities:					
Notes payable to banks	$ 54.5	$ -	$ 25.4	$ -	$ 79.9
Current maturities of long-term debt	200.1	4.6	9.4	-	214.1
Accounts payable	4.4	123.1	185.3	-	312.8
Accrued excise taxes	15.6	42.9	18.2	-	76.7
Other accrued expenses and liabilities	230.6	146.1	235.1	2.8	614.6
Total current liabilities	505.2	316.7	473.4	2.8	1,298.1
Long-term debt, less current maturities	2,485.5	12.8	17.5	-	2,515.8
Deferred income taxes	(12.8)	356.1	27.9	-	371.2
Other liabilities	5.4	72.1	162.8	-	240.3
Stockholders' equity:					
Preferred stock	-	9.0	938.9	(947.9)	-
Class A and Class B common stock	2.3	6.4	28.3	(34.7)	2.3
Additional paid-in capital	1,159.4	1,034.8	879.8	(1,914.6)	1,159.4
Retained earnings	1,592.3	1,216.0	353.1	(1,569.1)	1,592.3
Accumulated other comprehensive income	247.4	30.5	275.1	(305.6)	247.4
Treasury stock	(26.2)	-	-	-	(26.2)
Total stockholders' equity	2,975.2	2,296.7	2,475.2	(4,771.9)	2,975.2
Total liabilities and stockholders' equity	$ 5,958.5	$ 3,054.4	$ 3,156.8	$ (4,769.1)	$ 7,400.6

Condensed Consolidating Statement of Income for the Nine Months Ended November 30, 2006

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Sales	$ 707.5	$ 2,728.7	$ 2,140.1	$ (597.0)	$ 4,979.3
Less - excise taxes	(103.3)	(372.4)	(429.4)	-	(905.1)
Net sales	604.2	2,356.3	1,710.7	(597.0)	4,074.2
Cost of product sold	(451.1)	(1,643.2)	(1,361.1)	559.8	(2,895.6)
Gross profit	153.1	713.1	349.6	(37.2)	1,178.6
Selling, general and administrative expenses	(159.3)	(235.3)	(218.3)	38.1	(574.8)
Restructuring and related charges	(0.2)	(4.3)	(21.6)	-	(26.1)
Acquisition-related integration costs	(0.4)	(4.6)	(12.6)	-	(17.6)
Operating (loss) income	(6.8)	468.9	97.1	0.9	560.1
Equity in earnings of equity method investees and subsidiaries	342.5	12.5	2.8	(347.1)	10.7
Gain on change in fair value of derivative instrument	-	55.1	-	-	55.1
Interest expense, net	(107.6)	(61.6)	(25.1)	-	(194.3)
Income before income taxes	228.1	474.9	74.8	(346.2)	431.6
Benefit from (provision for) income taxes	33.6	(204.5)	1.4	(0.4)	(169.9)
Net income	261.7	270.4	76.2	(346.6)	261.7
Dividends on preferred stock	(4.9)	-	-	-	(4.9)
Income available to common stockholders	$ 256.8	$ 270.4	$ 76.2	$ (346.6)	$ 256.8

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Income for the Nine Months Ended November 30, 2005					
Sales	$ 905.0	$ 2,334.2	$ 1,826.8	$ (663.1)	$ 4,402.9
Less - excise taxes	(120.5)	(340.8)	(386.0)	-	(847.3)
Net sales	784.5	1,993.4	1,440.8	(663.1)	3,555.6
Cost of product sold	(632.8)	(1,410.8)	(1,135.3)	661.5	(2,517.4)
Gross profit	151.7	582.6	305.5	(1.6)	1,038.2
Selling, general and administrative expenses	(123.1)	(183.8)	(171.6)	-	(478.5)
Restructuring and related charges	-	(4.4)	(4.0)	-	(8.4)
Acquisition-related integration costs	-	(13.8)	(2.1)	-	(15.9)
Operating income	28.6	380.6	127.8	(1.6)	535.4
Equity in earnings of equity method investees and subsidiaries	287.9	15.4	0.2	(297.8)	5.7
Gain on change in fair value of derivative instrument	-	-	-	-	-
Interest (expense) income, net	(59.9)	(125.0)	42.6	-	(142.3)
Income before income taxes	256.6	271.0	170.6	(299.4)	398.8
Benefit from (provision for) income taxes	10.5	(130.3)	(12.4)	0.5	(131.7)
Net income	267.1	140.7	158.2	(298.9)	267.1
Dividends on preferred stock	(7.4)	-	-	-	(7.4)
Income available to common stockholders	$ 259.7	$ 140.7	$ 158.2	$ (298.9)	$ 259.7
Condensed Consolidating Statement of Income for the Three Months Ended November 30, 2006					
Sales	$ 282.1	$ 958.2	$ 737.8	$ (143.9)	$ 1,834.2
Less - excise taxes	(39.9)	(125.6)	(167.9)	-	(333.4)
Net sales	242.2	832.6	569.9	(143.9)	1,500.8
Cost of product sold	(174.7)	(582.4)	(427.4)	128.9	(1,055.6)
Gross profit	67.5	250.2	142.5	(15.0)	445.2
Selling, general and administrative expenses	(52.1)	(79.2)	(82.8)	16.3	(197.8)
Restructuring and related charges	(0.2)	0.4	(2.3)	-	(2.1)
Acquisition-related integration costs	(0.4)	(2.1)	(7.0)	-	(9.5)
Operating income	14.8	169.3	50.4	1.3	235.8
Equity in earnings of equity method investees and subsidiaries	130.0	10.4	1.4	(131.4)	10.4
Gain on change in fair value of derivative instrument	-	-	-	-	-
Interest expense, net	(49.3)	(11.4)	(12.4)	-	(73.1)
Income before income taxes	95.5	168.3	39.4	(130.1)	173.1
Benefit from (provision for) income taxes	12.3	(76.2)	(1.0)	(0.4)	(65.3)
Net income	107.8	92.1	38.4	(130.5)	107.8
Dividends on preferred stock	-	-	-	-	-
Income available to common stockholders	$ 107.8	$ 92.1	$ 38.4	$ (130.5)	$ 107.8

(in millions)

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Income for the Three Months Ended November 30, 2005					
Sales	$ 361.3	$ 819.0	$ 656.8	$ (269.2)	$ 1,567.9
Less - excise taxes	(47.4)	(112.6)	(140.8)	-	(300.8)
Net sales	313.9	706.4	516.0	(269.2)	1,267.1
Cost of product sold	(253.9)	(498.6)	(399.6)	269.2	(882.9)
Gross profit	60.0	207.8	116.4	-	384.2
Selling, general and administrative expenses	(39.9)	(59.4)	(57.6)	-	(156.9)
Restructuring and related charges	-	(1.7)	(2.6)	-	(4.3)
Acquisition-related integration costs	-	(1.7)	0.1	-	(1.6)
Operating income	20.1	145.0	56.3	-	221.4
Equity in earnings of equity method investees and subsidiaries	106.2	10.0	0.8	(110.5)	6.5
Gain on change in fair value of derivative instrument	-	-	-	-	-
Interest expense, net	(15.6)	(30.0)	(2.5)	-	(48.1)
Income before income taxes	110.7	125.0	54.6	(110.5)	179.8
Provision for income taxes	(1.7)	(60.8)	(8.3)	-	(70.8)
Net income	109.0	64.2	46.3	(110.5)	109.0
Dividends on preferred stock	(2.5)	-	-	-	(2.5)
Income available to common stockholders	$ 106.5	$ 64.2	$ 46.3	$ (110.5)	$ 106.5

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Cash Flows for the Nine Months Ended November 30, 2006					
Net cash (used in) provided by operating activities	$ (212.3)	$ 407.5	$ (77.1)	$ -	$ 118.1
Cash flows from investing activities:					
Purchase of business, net of cash acquired	-	(2.1)	(1,091.6)	-	(1,093.7)
Purchases of property, plant and equipment	(2.7)	(58.5)	(74.4)	-	(135.6)
Payment of accrued earn-out amount	-	(3.7)	-	-	(3.7)
Proceeds from maturity of derivative instrument	-	55.1	-	-	55.1
Proceeds from sales of businesses	-	-	28.4	-	28.4
Proceeds from sales of assets	-	-	8.8	-	8.8
Proceeds from sales of equity method investments	-	-	-	-	-
Investment in equity method investee	-	-	-	-	-
Other investing activities	-	-	(0.4)	-	(0.4)
Net cash used in investing activities	(2.7)	(9.2)	(1,129.2)	-	(1,141.1)

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Cash flows from financing activities:					
Intercompany financings, net	(991.0)	(316.9)	1,307.9	-	-
Proceeds from issuance of long-term debt	3,693.1	1.9	-	-	3,695.0
Net proceeds from notes payable	19.5	-	191.0	-	210.5
Exercise of employee stock options	51.3	-	-	-	51.3
Excess tax benefits from share-based payment awards	12.0	-	-	-	12.0
Proceeds from employee stock purchases	3.3	-	-	-	3.3
Principal payments of long-term debt	(2,444.3)	(81.4)	(254.6)	-	(2,780.3)
Purchases of treasury stock	(100.0)	-	-	-	(100.0)
Payment of issuance costs of long-term debt	(20.2)	-	-	-	(20.2)
Payment of preferred stock dividends	(7.3)	-	-	-	(7.3)
Net cash provided by (used in) financing activities	216.4	(396.4)	1,244.3	-	1,064.3
Effect of exchange rate changes on cash and cash investments	-	-	(17.5)	-	(17.5)
Net increase in cash and cash investments	1.4	1.9	20.5	-	23.8
Cash and cash investments, beginning of period	0.9	1.2	8.8	-	10.9
Cash and cash investments, end of period	$ 2.3	$ 3.1	$ 29.3	$ -	$ 34.7

Condensed Consolidating Statement of Cash Flows for the Nine Months Ended November 30, 2005

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (1.2)	$ 297.1	$ (13.6)	$ -	$ 282.3
Cash flows from investing activities:					
Purchase of business, net of cash acquired	-	(45.8)	-	-	(45.8)
Purchases of property, plant and equipment	(4.0)	(35.5)	(52.1)	-	(91.6)
Payment of accrued earn-out amount	-	(3.1)	-	-	(3.1)
Proceeds from maturity of derivative instrument	-	-	-	-	-
Proceeds from sales of businesses	-	17.8	-	-	17.8
Proceeds from sales of assets	-	118.1	1.0	-	119.1
Proceeds from sales of equity method investments	-	36.0	-	-	36.0
Investment in equity method investee	-	-	(2.7)	-	(2.7)
Other investing activities	-	(5.0)	0.1	-	(4.9)
Net cash (used in) provided by investing activities	(4.0)	82.5	(53.7)	-	24.8

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Cash flows from financing activities:					
Intercompany financings, net	314.0	(377.1)	63.1	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-
Net proceeds from notes payable	94.0	-	17.1	-	111.1
Exercise of employee stock options	21.0	-	-	-	21.0
Excess tax benefits from share-based payment awards	-	-	-	-	-
Proceeds from employee stock purchases	3.1	-	-	-	3.1
Principal payments of long-term debt	(416.6)	(6.0)	(2.7)	-	(425.3)
Purchases of treasury stock	-	-	-	-	-
Payment of issuance costs of long-term debt	-	-	-	-	-
Payment of preferred stock dividends	(7.4)	-	-	-	(7.4)
Net cash provided by (used in) financing activities	8.1	(383.1)	77.5	-	(297.5)
Effect of exchange rate changes on cash and cash investments	-	-	(0.8)	-	(0.8)
Net increase (decrease) in cash and cash investments	2.9	(3.5)	9.4	-	8.8
Cash and cash investments, beginning of period	-	9.3	8.3	-	17.6
Cash and cash investments, end of period	$ 2.9	$ 5.8	$ 17.7	$ -	$ 26.4

21) BUSINESS SEGMENT INFORMATION:

The Company reports its operating results in three segments: Constellation Wines (branded wine, and U.K. wholesale and other), Constellation Beers and Spirits (imported beers and distilled spirits) and Corporate Operations and Other. Amounts included in the Corporate Operations and Other segment consist of general corporate administration and finance expenses. These amounts include costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal and public relations. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief operating decision maker's evaluation of the operating income performance of the other operating segments.

The business segments reflect how the Company's operations are being managed, how operating performance within the Company is being evaluated by senior management and the structure of its internal financial reporting. In addition, the Company excludes acquisition-related integration costs, restructuring and related charges and unusual items that affect comparability from its definition of operating income for segment purposes.

For the nine months ended November 30, 2006, acquisition-related integration costs, restructuring and related charges and unusual costs consist of restructuring and related charges of $26.1 million associated primarily with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; the flow through of inventory step-up of $24.4 million associated primarily with the Company’s acquisition of Vincor; acquisition-related integration costs of $17.6 million associated primarily with the Vincor Plan; other charges of $14.7 million associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan included within selling, general and administrative expenses; loss on the sale of the branded bottled water business of $13.4 million; financing costs of $11.8 million related to the Company’s new senior credit facility entered into in connection with the Vincor acquisition; foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the Vincor acquisition; the flow through of adverse grape cost of $3.0 million associated with the acquisition of Robert Mondavi; and accelerated depreciation costs and the write-down of certain inventory of $4.2 million and $0.5 million, respectively, associated primarily with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan. Adverse grape cost represents the amount of historical inventory cost on Robert Mondavi’s balance sheet that exceeds the Company’s estimated ongoing grape cost and is primarily due to the purchase of grapes by Robert Mondavi prior to the acquisition date at above-market prices as required under the terms of their then existing grape purchase contracts. For the nine months ended November 30, 2005, acquisition-related integration costs, restructuring and related charges and unusual costs consist of the flow through of adverse grape cost, acquisition-related integration costs, and the flow through of inventory step-up associated primarily with the Company's acquisition of Robert Mondavi of $20.2 million, $15.9 million, and $6.6 million, respectively; restructuring and related charges of $8.4 million associated primarily with the Fiscal 2006 Plan and the Robert Mondavi Plan; accelerated depreciation costs of $7.2 million associated with the Fiscal 2006 Plan; and costs associated with professional service fees incurred for due diligence in connection with the Company’s evaluation of a potential offer for Allied Domecq of $3.4 million.

For the three months ended November 30, 2006, acquisition-related integration costs, restructuring and related charges and unusual costs consist of the flow through of inventory step-up of $17.9 million associated primarily with the Company’s acquisition of Vincor; other charges of $11.6 million associated primarily with the Fiscal 2007 Wine Plan included in selling, general and administrative expenses; acquisition-related integration costs of $9.5 million associated primarily with the Vincor Plan; restructuring and related charges of $2.1 million associated primarily with the Fiscal 2007 Wine Plan; accelerated depreciation costs of $1.8 million associated primarily with the Fiscal 2007 Wine Plan; the flow through of adverse grape cost of $0.6 million associated with the acquisition of Robert Mondavi; and the write-down of certain inventory of $0.5 million associated with the Fiscal 2006 Plan and the Vincor Plan; partially offset by a reduction in the loss on the sale of the Company’s branded bottled water business of $0.8 million. For the three months ended November 30, 2005, acquisition-related integration costs, restructuring and related charges and unusual costs consist of accelerated depreciation costs and restructuring and related charges associated primarily with the Fiscal 2006 Plan of $7.2 million and $4.3 million, respectively; the flow through of adverse grape cost, the flow through of inventory step-up, and acquisition-related integration costs associated primarily with the Company's acquisition of Robert Mondavi of $6.3 million, $2.0 million, and $1.6 million, respectively; and reimbursement of costs associated with professional service fees incurred for due diligence in connection with the Company’s evaluation of a potential offer for Allied Domecq of $0.4 million.

The Company evaluates performance based on operating income of the respective business units. The accounting policies of the segments are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 to the Company’s consolidated financial statements included in the Company’s Current Report on Form 8-K dated August 8, 2006, and include the recently adopted accounting pronouncements described in Note 2 herein. Transactions between segments consist mainly of sales of products and are accounted for at cost plus an applicable margin.

Segment information is as follows:

	For the Nine Months Ended November 30,		For the Three Months Ended November 30,	
	2006	2005	2006	2005
(in millions)				
Constellation Wines:				
Net sales:				
Branded wine	$ 2,049.6	$ 1,724.6	$ 815.9	$ 672.2
Wholesale and other	814.4	743.9	291.3	245.5
Net sales	$ 2,864.0	$ 2,468.5	$ 1,107.2	$ 917.7
Segment operating income	$ 474.3	$ 404.1	$ 214.3	$ 184.4
Equity in earnings of equity method investees	$ 10.7	$ 5.7	$ 10.4	$ 6.5
Long-lived assets	$ 1,575.6	$ 1,314.5	$ 1,575.6	$ 1,314.5
Investment in equity method investees	$ 171.5	$ 163.1	$ 171.5	$ 163.1
Total assets	$ 8,837.5	$ 6,811.3	$ 8,837.5	$ 6,811.3
Capital expenditures	$ 109.2	$ 84.3	$ 29.2	$ 26.4
Depreciation and amortization	$ 83.9	$ 78.6	$ 30.8	$ 29.7
Constellation Beers and Spirits:				
Net sales:				
Imported beers	$ 953.5	$ 837.4	$ 303.8	$ 262.8
Spirits	256.7	249.7	89.8	86.6
Net sales	$ 1,210.2	$ 1,087.1	$ 393.6	$ 349.4
Segment operating income	$ 251.7	$ 236.9	$ 77.3	$ 73.3
Long-lived assets	$ 96.4	$ 84.2	$ 96.4	$ 84.2
Total assets	$ 916.5	$ 832.5	$ 916.5	$ 832.5
Capital expenditures	$ 8.2	$ 5.5	$ 3.8	$ 1.8
Depreciation and amortization	$ 8.8	$ 8.0	$ 3.0	$ 2.8
Corporate Operations and Other:				
Net sales	$ -	$ -	$ -	$ -
Segment operating loss	$ (44.8)	$ (43.9)	$ (12.6)	$ (15.3)
Long-lived assets	$ 34.1	$ 15.4	$ 34.1	$ 15.4
Total assets	$ 91.3	$ 58.7	$ 91.3	$ 58.7
Capital expenditures	$ 18.2	$ 1.8	$ (0.5)	$ 0.4
Depreciation and amortization	$ 5.5	$ 5.7	$ 2.2	$ 1.7
Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs:				
Operating loss	$ (121.1)	$ (61.7)	$ (43.2)	$ (21.0)
Consolidated:				
Net sales	$ 4,074.2	$ 3,555.6	$ 1,500.8	$ 1,267.1
Operating income	$ 560.1	$ 535.4	$ 235.8	$ 221.4
Equity in earnings of equity method investees	$ 10.7	$ 5.7	$ 10.4	$ 6.5
Long-lived assets	$ 1,706.1	$ 1,414.1	$ 1,706.1	$ 1,414.1
Investment in equity method investees	$ 171.5	$ 163.1	$ 171.5	$ 163.1
Total assets	$ 9,845.3	$ 7,702.5	$ 9,845.3	$ 7,702.5
Capital expenditures	$ 135.6	$ 91.6	$ 32.5	$ 28.6
Depreciation and amortization	$ 98.2	$ 92.3	$ 36.0	$ 34.2

22) ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED:

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. ("FIN No. 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN No. 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is required to adopt FIN No. 48 for fiscal years beginning March 1, 2007, with the cumulative effect of applying the provisions of FIN No. 48 reported as an adjustment to opening retained earnings. The Company is currently assessing the financial impact of FIN No. 48 on its consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 ("SAB No. 108"), "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. The Company is required to adopt SAB No. 108 for its annual financial statements for the fiscal year ending February 28, 2007. The Company does not expect the initial adoption of SAB No. 108 to have a material impact on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability. The Company is required to adopt SFAS No. 157 for fiscal years and interim periods beginning March 1, 2008. The Company is currently assessing the financial impact of SFAS No. 157 on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158 ("SFAS No. 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS No. 158 requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Company is required to adopt this provision of SFAS No. 158 and to provide the required disclosures as of February 28, 2007. SFAS No. 158 also requires companies to measure the funded status of a plan as of the date of the company's fiscal year-end (with limited exceptions), which provision the Company is required to adopt as of February 28, 2009. The Company does not expect the adoption of the required provision of SFAS No. 158 as of February 28, 2007, to have a material impact on its consolidated financial statements.

23) SUBSEQUENT EVENT:

On July 17, 2006, Barton Beers, Ltd. ("Barton"), an indirect wholly-owned subsidiary of the Company, entered into an Agreement to Establish Joint Venture (the "Joint Venture Agreement") with Diblo, S.A. de C.V. ("Diblo"), an entity owned 76.75% by Grupo Modelo, S.A. de C.V. ("Modelo") and 23.25% by Anheuser-Busch, Inc., pursuant to which Modelo's Mexican beer portfolio (the "Modelo Brands") will be sold and imported in the 50 states of the United States of America, the District of Columbia and Guam. Also, the owner of the Tsingtao brand has transferred importing and selling rights with respect to that brand to the joint venture. In addition, the owner of the St. Pauli Girl brand has indicated that it intends to transfer importing and selling rights to that brand to the joint venture, and has authorized the joint venture to commence importation and sales of the St. Pauli Girl brand in the meantime. On January 2, 2007, the parties completed the closing (the "Closing") of the transactions contemplated in the Joint Venture Agreement, as amended at Closing.

Pursuant to the Joint Venture Agreement, Barton established Crown Imports LLC, a wholly-owned subsidiary formed as a Delaware limited liability company ("Crown"). On January 2, 2007, pursuant to a Barton Contribution Agreement, dated July 17, 2006, among Barton, Diblo and Crown (the "Barton Contribution Agreement"), Barton transferred to Crown substantially all of its assets relating to importing, marketing and selling beer under the Corona Extra, Corona Light, Coronita, Modelo Especial, Negra Modelo, Pacifico, St. Pauli Girl and Tsingtao brands and the liabilities associated therewith (the "Barton Contributed Net Assets"). At the Closing, GModelo Corporation, a Delaware corporation (the "Diblo Subsidiary"), a subsidiary of Diblo joined Barton as a member of Crown, and, in exchange for a 50% membership interest in Crown, contributed cash in an amount equal to the Barton Contributed Net Assets, subject to specified adjustments.

Also on January 2, 2007, Crown and Extrade II S.A. de C.V. ("Extrade II"), an affiliate of Modelo, entered into an Importer Agreement (the "Importer Agreement"), pursuant to which Extrade II granted to Crown the exclusive right to sell the Modelo Brands in the territories mentioned above, and Crown and Marcas Modelo, S.A. de C.V. ("Marcas Modelo"), entered into a Sub-license Agreement (the "Sub-license Agreement"), pursuant to which Marcas Modelo granted Crown an exclusive sub-license to use certain trademarks related to the Modelo Brands within this territory.

As a result of these transactions, Barton and Diblo each have, directly or indirectly, equal interests in Crown and each of Barton and Diblo have appointed an equal number of directors to the Board of Directors of Crown.

The Importer Agreement sets forth an immediate increase in the price of the products sold to Crown of $0.25 per case, subject to adjustment by the parties. Such initial price increase is not intended to be reflected in an automatic corresponding price increase charged to Crown customers. It is designed to reflect the relative values of the importation rights for the Western United States previously held by Barton and the importation rights for the rest of the United States. The importer agreement that previously gave Barton the right to import and sell the Modelo Brands primarily west of the Mississippi River was superseded by the transactions contemplated by the Joint Venture Agreement, as amended. The contribution by Diblo Subsidiary in exchange for a 50% membership interest in Crown does not constitute the acquisition of a business by the Company.

The joint venture and the related importation arrangements provide that the joint venture will continue for an initial term of 10 years, and renew in 10-year periods unless Diblo Subsidiary gives notice prior to the end of year seven of any term. Upon consummation of the transactions, the Company discontinued consolidation of the imported beer business and accounts for the investment in the joint venture under the equity method. Accordingly, the results of operations of the joint venture will be included in the equity in earnings of equity method investees line in the Company's Consolidated Statements of Income from the date of investment.

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

Overview

The Company is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. The Company has the largest wine business in the world and is the largest multi-category (wine, spirits and imported beer) supplier of beverage alcohol in the United States ("U.S."); a leading producer and exporter of wine from Australia and New Zealand; and both a major producer and independent drinks wholesaler in the United Kingdom ("U.K."). In addition, with the acquisition of Vincor (as defined below), the Company is the largest producer and marketer of wine in Canada. As of January 2, 2007, the Company will continue to supply imported beer in the U.S. thorough its investment in Crown Imports LLC (see "Recent Development" section below).

The Company reports its operating results in three segments: Constellation Wines (branded wines, and U.K. wholesale and other), Constellation Beers and Spirits (imported beers and distilled spirits) and Corporate Operations and Other. Amounts included in the Corporate Operations and Other segment consist of general corporate administration and finance expenses. These amounts include costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations, global information technology and global strategic sourcing. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief operating decision maker's evaluation of the operating income performance of the other operating segments. The business segments reflect how the Company's operations are being managed, how operating performance within the Company is being evaluated by senior management and the structure of its internal financial reporting. In addition, the Company excludes acquisition-related integration costs, restructuring and related charges and unusual items that affect comparability from its definition of operating income for segment purposes.

The Company's business strategy is to remain focused across the beverage alcohol industry by offering a broad range of products in each of the Company's three major categories: wine, spirits and imported beer. The Company intends to keep its portfolio positioned for superior top-line growth while maximizing the profitability of its brands. In addition, the Company seeks to increase its relative importance to key customers in major markets by increasing its share of their overall purchasing, which is increasingly important in a consolidating industry. The Company's strategy of breadth across categories and geographies is designed to deliver long-term profitable growth. This strategy allows the Company more investment choices, provides flexibility to address changing market conditions and creates stronger routes-to-market.

Marketing, sales and distribution of the Company's products, particularly the Constellation Wines segment's products, are managed on a geographic basis in order to fully leverage leading market positions within each core market. Market dynamics and consumer trends vary significantly across the Company's five core markets (U.S., Canada, U.K., Australia and New Zealand) within the Company's three geographic regions (North America, Europe and Australia/New Zealand). Within North America, the Company offers a wide range of beverage alcohol products across the branded wine, spirits and imported beer categories in the U.S. and is the largest producer and marketer of branded wines in Canada. In Europe, the Company leverages its position as the largest wine supplier in the U.K. In addition, the Company leverages its U.K. wholesale business as a strategic route-to-market for its imported wine portfolio and as a key supplier of a full range of beverage alcohol products primarily to the on-premise business. Within Australia/New Zealand, where consumer trends favor domestic wine products, the Company leverages its position as one of the largest producers of wine in Australia and New Zealand.

The Company remains committed to its long-term financial model of growing sales (both organically and through acquisitions), expanding margins and increasing cash flow to achieve superior earnings per share growth and improve return on invested capital.

The environment for the Company's products is competitive in each of the Company's core markets, due, in part, to industry and retail consolidation. In particular, the U.K. and Australian markets have grown increasingly competitive, as further described below. Competition in the U.S. beer and spirits markets is normally intense, with domestic and imported beer producers increasing brand spending in an effort to gain market share.

The U.K. wine market is primarily an import market, with Australian wines comprising nearly one-quarter of all wine sales in the U.K. off-premise business. The Australian wine market is primarily a domestic market. The Company has leading share positions in the Australian wine category in both the U.K. and Australian markets.

In the U.K., significant consolidation at the retail level has resulted in a limited number of large retailers controlling a significant portion of the off-premise wine business. A surplus of Australian wine has made very low cost bulk wine available to retailers which has allowed certain of these large retailers to quickly create and build private label brands in the Australian wine category. With growth in the U.K. wine market moderating and significant growth in private label brands, the Company has experienced declines in both volume and pricing. These markets have become increasingly competitive resulting in the Company's difficulty to recover certain cost increases, in particular, the duty increases in the U.K. which have been imposed annually for the past several years. In Australia, the domestic market remains competitive due to the surplus of Australian bulk wine, resulting in pricing pressures on the Company's products, in particular on the box wine category. These conditions are expected to persist at least until the Australian bulk wine market firms. These factors have resulted in a decrease in the Company's net sales for the U.K. and a decrease in gross profit associated with the Company's Australian portfolio sold in the U.K.

Two years of record Australian grape harvests in calendar 2004 and 2005 have contributed to the surplus of Australian bulk wine. The calendar 2006 Australian grape harvest was slightly lower than the prior year's harvest. However, this has not had a significant impact on the current surplus. The calendar 2007 Australian grape harvest is expected to be significantly lower than the calendar 2006 Australian grape harvest as a result of an ongoing drought and late spring frosts in several regions. The effects of the ongoing drought conditions are also expected by many industry projections to impact the size of the calendar 2008 Australian grape harvest. Significant reductions in the calendar 2007 and 2008 Australian grape harvests could have a substantial impact on the current surplus and may result in higher pricing for Australian bulk wine. In the U.S., the smaller than average calendar 2006 California grape harvest which followed a larger than average calendar 2005 California grape harvest should result in overall supply remaining generally in balance with demand.

For the three months ended November 30, 2006 ("Third Quarter 2007"), the Company's net sales increased 18% over the three months ended November 30, 2005 ("Third Quarter 2006"), primarily from net sales of products acquired in the Vincor acquisition and increases in imported beer net sales. Operating income increased 7% over the comparable prior year period resulting from the increased sales discussed above, partially offset by increased "acquisition-related integration costs, restructuring and related charges and unusual costs" and the competitive market conditions in the U.K. The competitive market conditions have prevented the Company from recovering the increases in U.K. duty costs and unfavorably impacted Australian fixed cost absorption resulting from the lower U.K. sales. Net income decreased 1% over the comparable prior year period primarily as a result of increased interest expense partially offset by the increase in operating income.

For the nine months ended November 30, 2006 (“Nine Months 2007”), the Company’s net sales increased 15% over the nine months ended November 30, 2005 (“Nine Months 2006”), primarily from net sales of products acquired in the Vincor acquisition and increases in imported beer net sales and base branded wine net sales. (References to base branded wine net sales exclude the net sales of branded wine acquired in the acquisition of Vincor.) Operating income increased 5% over the comparable prior year period resulting from the increased sales discussed above, partially offset by increased “acquisition-related integration costs, restructuring and related charges and unusual costs,” the recognition of stock-based compensation expense due to the Company’s March 1, 2006, adoption of Statement of Financial Accounting Standards No. 123 (revised 2004) (“SFAS No. 123(R)”), “Share-Based Payment,” and the competitive market conditions in the U.K. Net income decreased 2% over the comparable prior year period primarily due to increased interest expense combined with an increased provision for income taxes, partially offset by a gain on change in fair value of derivative instrument entered into in connection with the acquisition of Vincor and the increase in operating income.

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for Third Quarter 2007 compared to Third Quarter 2006 and for Nine Months 2007 compared to Nine Months 2006, and (ii) financial liquidity and capital resources for Nine Months 2007. This discussion and analysis also identifies certain acquisition-related integration costs, restructuring and related charges and unusual items expected to affect consolidated results of operations of the Company for the year ending February 28, 2007 (“Fiscal 2007”). This discussion and analysis should be read in conjunction with the Company’s consolidated financial statements and notes thereto included herein and in the Company’s Current Report on Form 8-K dated August 8, 2006.

Recent Development

Imported Beer Joint Venture

On July 17, 2006, Barton Beers, Ltd. (“Barton”), an indirect wholly-owned subsidiary of the Company, entered into an Agreement to Establish Joint Venture (the “Joint Venture Agreement”) with Diblo, S.A. de C.V. (“Diblo”), an entity owned 76.75% by Grupo Modelo, S.A. de C.V. (“Modelo”) and 23.25% by Anheuser-Busch, Inc., pursuant to which Modelo’s Mexican beer portfolio (the “Modelo Brands”) will be sold and imported in the 50 states of the United States of America, the District of Columbia and Guam. Also, the owner of the Tsingtao brand has transferred importing and selling rights with respect to that brand to the joint venture. In addition, the owner of the St. Pauli Girl brand has indicated that it intends to transfer importing and selling rights to that brand to the joint venture, and has authorized the joint venture to commence importation and sales of the St. Pauli Girl brand in the meantime. On January 2, 2007, the parties completed the closing (the "Closing") of the transactions contemplated in the Joint Venture Agreement, as amended at Closing.

Pursuant to the Joint Venture Agreement, Barton established Crown Imports LLC, a wholly-owned subsidiary formed as a Delaware limited liability company (“Crown”). On January 2, 2007, pursuant to a Barton Contribution Agreement, dated July 17, 2006, among Barton, Diblo and Crown, (the Barton Contibution Agreement"), Barton transferred to Crown substantially all of its assets relating to importing, marketing and selling beer under the Corona Extra, Corona Light, Coronita, Modelo Especial, Negra Modelo, Pacifico, St. Pauli Girl and Tsingtao brands and the liabilities associated therewith (the "Barton Contributed Net Assets"). At the Closing, GModelo Corporation, a Delaware corporation (the “Diblo Subsidiary”), a subsidiary of Diblo joined Barton as a member of Crown, and, in exchange for a 50% membership interest in Crown, contributed cash in an amount equal to the Barton Contributed Net Assets, subject to specified adjustments.

Also on January 2, 2007, Crown and Extrade II S.A. de C.V. ("Extrade II"), an affiliate of Modelo, entered into an Importer Agreement (the "Importer Agreement"), pursuant to which Extrade II granted to Crown the exclusive right to sell the Modelo Brands in the territories mentioned above, and Crown and Marcas Modelo, S.A. de C.V. ("Marcas Modelo"), entered into a Sub-license Agreement (the "Sub-license Agreement"), pursuant to which Marcas Modelo granted Crown an exclusive sub-license to use certain trademarks related to the Modelo Brands within this territory.

As a result of these transactions, Barton and Diblo each have, directly or indirectly, equal interests in Crown and each of Barton and Diblo have appointed an equal number of directors to the Board of Directors of Crown.

The Importer Agreement sets forth an immediate increase in the price of the products sold to Crown of $0.25 per case, subject to adjustment by the parties. Such initial price increase is not intended to be reflected in an automatic corresponding price increase charged to Crown customers. It is designed to reflect the relative values of the importation rights for the Western United States previously held by Barton and the importation rights for the rest of the United States. The importer agreement that previously gave Barton the right to import and sell the Modelo Brands primarily west of the Mississippi River was superseded by the transactions contemplated by the Joint Venture Agreement, as amended. The contribution by Diblo Subsidiary in exchange for a 50% membership interest in Crown does not constitute the acquisition of a business by the Company.

The joint venture and the related importation arrangements provide that the joint venture will continue for an initial term of 10 years, and renew in 10-year periods unless Diblo Subsidiary gives notice prior to the end of year seven of any term. Upon consummation of the transactions, the Company discontinued consolidation of the imported beer business and accounts for the investment in the joint venture under the equity method. Accordingly, the results of operations of the joint venture are included in the equity in earnings of equity method investees line in the Company's Consolidated Statements of Income from the date of investment.

For further information about the agreements and arrangements relating to the joint venture, please refer to Item 1.01 of the Company's Current Report on Form 8-K dated January 2, 2007, and filed January 3, 2007, which Item 1.01 is incorporated herein by reference in its entirety.

Acquisition in Fiscal 2007

Acquisition of Vincor

On June 5, 2006, the Company acquired all of the issued and outstanding common shares of Vincor International Inc. ("Vincor"), Canada's premier wine company. Vincor is Canada's largest producer and marketer of wine. At the time of the acquisition, Vincor was the world's eighth largest producer and distributor of wine and related products by revenue and was also one of the largest wine importers, marketers and distributors in the U.K. Through this transaction, the Company acquired various additional winery and vineyard interests used in the production of premium, super-premium and fine wines from Canada, California, Washington State, Western Australia and New Zealand. In addition, as a result of the acquisition, the Company sources, markets and sells premium wines from South Africa. Well-known premium brands acquired in the Vincor acquisition include Inniskillin, Jackson-Triggs, Sumac Ridge, Hawthorne Mountain, R.H. Phillips, Toasted Head, Hogue, Kim Crawford and Kumala.

The acquisition of Vincor supports the Company's strategy of strengthening the breadth of its portfolio across price segments and geographic regions to capitalize on the overall growth in the wine industry. In addition to complementing the Company's current operations in the U.S., U.K., Australia and New Zealand, the acquisition of Vincor increases the Company's global presence by adding Canada as another core market and provides the Company with the ability to capitalize on broader geographic distribution in strategic international markets. In addition, the acquisition of Vincor makes the Company the largest wine company in Canada and strengthens the Company's position as the largest wine company in the world and the largest premium wine company in the U.S.

Total consideration paid in cash to the Vincor shareholders was $1,115.8 million. In addition, the Company expects to incur direct acquisition costs of approximately $11.5 million. At closing, the Company also assumed outstanding indebtedness of Vincor, net of cash acquired, of $308.2 million, resulting in a total transaction value of $1,435.5 million. The purchase price was financed with borrowings under the Company's 2006 Credit Agreement (as defined below).

The results of operations of the Vincor business are reported in the Constellation Wines segment and are included in the consolidated results of operations of the Company from the date of acquisition. The acquisition of Vincor is significant and the Company expects it to have a material impact on the Company's future results of operations, financial position and cash flows. In particular, the Company expects its future results of operations to be significantly impacted by, among other things, the flow through of inventory step-up, restructuring, integration and related charges, and interest expense associated with the 2006 Credit Agreement.

Results of Operations

Third Quarter 2007 Compared to Third Quarter 2006

Net Sales

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Third Quarter 2007 and Third Quarter 2006.

	Third Quarter 2007 Compared to Third Quarter 2006		
	Net Sales		
	2007	2006	% Increase
Constellation Wines:			
Branded wine	$ 815.9	$ 672.2	21%
Wholesale and other	291.3	245.5	19%
Constellation Wines net sales	$ 1,107.2	$ 917.7	21%
Constellation Beers and Spirits:			
Imported beers	$ 303.8	$ 262.8	16%
Spirits	89.8	86.6	4%
Constellation Beers and Spirits net sales	$ 393.6	$ 349.4	13%
Consolidated Net Sales	$ 1,500.8	$ 1,267.1	18%

Net sales for Third Quarter 2007 increased to $1,500.8 million from $1,267.1 million for Third Quarter 2006, an increase of $233.7 million, or 18%. This increase was due primarily to $151.4 million of net sales of products acquired in the Vincor acquisition, an increase in imported beer net sales of $41.0 million and a favorable foreign currency impact of $30.4 million.

Constellation Wines

Net sales for Constellation Wines increased to $1,107.2 million for Third Quarter 2007 from $917.7 million in Third Quarter 2006, an increase of $189.5 million, or 21%. Branded wine net sales increased $143.7 million primarily due to $140.9 million of net sales of branded wine acquired in the Vincor acquisition, an increase in base branded wine net sales for North America (primarily the U.S.) and a favorable foreign currency impact of $9.4 million, partially offset by a decrease in base branded wine net sales for Europe (primarily the U.K.). The increase in base branded wine net sales for the U.S. was driven primarily by higher average selling prices as the consumer continues to trade up to higher priced premium wines. The decrease in base branded wine net sales for the U.K. was driven by both lower volumes and pricing due to the highly competitive pricing market for private label and branded wine resulting from the significant oversupply of Australian wine. Wholesale and other net sales increased $45.8 million primarily due to a favorable foreign currency impact of $21.0 million and a favorable product mix shift in the Company's U.K. wholesale business.

Constellation Beers and Spirits

Net sales for Constellation Beers and Spirits increased to $393.6 million for Third Quarter 2007 from $349.4 million for Third Quarter 2006, an increase of $44.2 million, or 13%. This increase resulted primarily from an increase in imported beers net sales of $41.0 million, which is due primarily to volume growth in the Company's Mexican beer portfolio.

Gross Profit

The Company's gross profit increased to $445.2 million for Third Quarter 2007 from $384.2 million for Third Quarter 2006, an increase of $61.0 million, or 16%. The Constellation Wines segment's gross profit increased $58.3 million primarily from gross profit of $65.1 million due to the Vincor acquisition partially offset by increased competition and promotional activities among suppliers in the U.K. and Australia, reflecting, in part, the effects of the oversupply of Australian wine and the retailer consolidation in the U.K., plus a late March 2006 increase in duty costs in the U.K. The Constellation Beers and Spirits segment's gross profit increased $8.0 million primarily due to the volume growth in the Company's Mexican beer portfolio partially offset by higher Mexican beer transportation costs and higher spirits material costs. In addition, unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, were higher by $5.3 million in Third Quarter 2007 versus Third Quarter 2006. This increase resulted primarily from increased flow through of inventory step-up of $15.8 million associated primarily with the Vincor acquisition and the write-down of certain inventory of $0.5 million associated with the Fiscal 2006 Plan and the Vincor Plan (as each of those terms is defined below in Restructuring and Related Charges) partially offset by decreased flow through of adverse grape cost associated with the acquisition of The Robert Mondavi Corporation ("Robert Mondavi") of $5.7 million and decreased accelerated depreciation costs associated with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan (as defined below in Restructuring and Related Charges) of $5.5 million. Gross profit as a percent of net sales decreased to 29.7% for Third Quarter 2007 from 30.3% for Third Quarter 2006 primarily as a result of the factors discussed above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $197.8 million for Third Quarter 2007 from $156.9 million for Third Quarter 2006, an increase of $40.9 million, or 26%. The Constellation Wines segment's selling, general and administrative expenses increased $28.4 million due primarily to increased advertising expenses, selling expenses and general and administrative expenses resulting from the Vincor acquisition. The Constellation Beers and Spirits segment's selling, general and administrative expenses increased $4.0 million primarily due to increased advertising behind the growth in the segment's net sales. The Corporate Operations and Other segment's selling, general and administrative expenses decreased $2.7 million primarily due to lower annual management incentive compensation expense. Lastly, unusual items increased $11.2 million for Third Quarter 2007 as compared to Third Quarter 2006, primarily due to the write-down of an Australian winery and certain Australian vineyards to fair value less cost to sell in connection with the Fiscal 2007 Wine Plan. Selling, general and administrative expenses as a percent of net sales increased to 13.2% for Third Quarter 2007 as compared to 12.4% for Third Quarter 2006 primarily due to the increased unusual items discussed above as well as the recognition of stock-based compensation expense for Third Quarter 2007 of $4.4 million.

Restructuring and Related Charges

The Company recorded $2.1 million of restructuring and related charges for Third Quarter 2007 associated primarily with the Company's plan to invest in new distribution and bottling facilities in the U.K. and to streamline certain Australian wine operations (collectively, the "Fiscal 2007 Wine Plan") within the Constellation Wines segment. Restructuring and related charges included a net credit of $0.3 million of employee termination benefit costs (net of reversal of prior accruals of $0.6 million), $1.9 million of contract termination costs and $0.5 million of facility consolidation/relocation costs (net of reversal of prior accruals of $0.3 million). In addition, in connection with the Company's worldwide wine reorganizations announced during the year ended February 28, 2006 ("Fiscal 2006") and the Company's program to consolidate certain west coast production processes in the U.S. (collectively, the "Fiscal 2006 Plan"), the Company's plan to restructure and integrate the operations of Vincor (the "Vincor Plan") and the Fiscal 2007 Wine Plan, the Company recorded (i) $1.8 million of accelerated depreciation charges and $0.5 million of inventory write-downs and (ii) $11.6 million of other charges in the cost of product sold line and the selling, general and administrative expenses line, respectively, within the Company's Consolidated Statements of Income. The Company recorded $4.3 million of restructuring and related charges for Third Quarter 2006 associated primarily with the Fiscal 2006 Plan and the Company's plan to restructure and integrate the operations of Robert Mondavi (the "Robert Mondavi Plan").

For Fiscal 2007, the Company expects to incur total restructuring and related charges of $36.5 million associated primarily with the Fiscal 2007 Wine Plan, the Fiscal 2006 Plan, and the Vincor Plan. In addition, with respect to these plans, the Company expects to incur total accelerated depreciation charges, inventory write-downs and other charges for Fiscal 2007 of $6.7 million, $0.9 million and $16.3 million, respectively.

Acquisition-Related Integration Costs

Acquisition-related integration costs increased to $9.5 million for Third Quarter 2007 from $1.6 million for Third Quarter 2006, an increase of $7.9 million. For Third Quarter 2007, acquisition-related integration costs consist of costs recorded primarily in connection with the Vincor Plan. For Third Quarter 2006, acquisition-related integration costs consist of costs recorded in connection with the Robert Mondavi Plan.

For Fiscal 2007, the Company expects to incur total acquisition-related integration costs of $25.4 million and $1.0 million in connection with the Vincor Plan and the Robert Mondavi Plan, respectively.

Operating Income

The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Third Quarter 2007 and Third Quarter 2006.

	Third Quarter 2007 Compared to Third Quarter 2006		
	Operating Income (Loss)		
	2007	2006	% Increase (Decrease)
Constellation Wines	$ 214.3	$ 184.4	16%
Constellation Beers and Spirits	77.3	73.3	5%
Corporate Operations and Other	(12.6)	(15.3)	(18%)
Total Reportable Segments	279.0	242.4	15%
Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs	(43.2)	(21.0)	106%
Consolidated Operating Income	$ 235.8	$ 221.4	7%

As a result of the factors discussed above, consolidated operating income increased to $235.8 million for Third Quarter 2007 from $221.4 million for Third Quarter 2006, an increase of $14.4 million, or 7%. Acquisition-related integration costs, restructuring and related charges and unusual costs of $43.2 million for Third Quarter 2007 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs represent the flow through of inventory step-up of $17.9 million associated primarily with the Company’s acquisition of Vincor; other charges of $11.6 million associated primarily with the Fiscal 2007 Wine Plan included in selling, general and administrative expenses; acquisition-related integration costs of $9.5 million associated primarily with the Vincor Plan; restructuring and related charges of $2.1 million associated primarily with the Fiscal 2007 Wine Plan; accelerated depreciation costs of $1.8 million associated primarily with the Fiscal 2007 Wine Plan; the flow through of adverse grape cost of $0.6 million associated with the acquisition of Robert Mondavi; and the write-down of certain inventory of $0.5 million associated with the Fiscal 2006 Plan and the Vincor Plan; partially offset by a reduction in the loss on the sale of the Company’s branded bottled water business of $0.8 million. Acquisition-related integration costs, restructuring and related charges and unusual costs of $21.0 million for Third Quarter 2006 represent accelerated depreciation costs and restructuring and related charges associated primarily with the Fiscal 2006 Plan of $7.2 million and $4.3 million, respectively; the flow through of adverse grape cost, the flow through of inventory step-up, and acquisition-related integration costs associated primarily with the Company’s acquisition of Robert Mondavi of $6.3 million, $2.0 million, and $1.6 million, respectively; and reimbursement of costs associated with professional service fees incurred for due diligence in connection with the Company’s evaluation of a potential offer for Allied Domecq of $0.4 million.

Equity in Earnings of Equity Method Investees

The Company’s equity in earnings of equity method investees increased to $10.4 million in Third Quarter 2007 from $6.5 million in Third Quarter 2006, an increase of $3.9 million due primarily to the increased earnings of Opus One. Opus One's earnings are very seasonal with most of their annual earnings recognized upon the release of the latest year's vintage, which is typically done just prior to the annual fall grape harvest. Opus One's 2003 vintage was released for retail distribution during Third Quarter 2007.

Interest Expense, Net

Interest expense, net of interest income of $1.5 million and $1.0 million for Third Quarter 2007 and Third Quarter 2006, respectively, increased to $73.1 million for Third Quarter 2007 from $48.1 million for Third Quarter 2006, an increase of $25.0 million, or 52%. The increase resulted from both higher average borrowings in Third Quarter 2007 primarily as a result of the financing of the Vincor acquisition and higher average interest rates.

Provision for Income Taxes

The Company's effective tax rate decreased to 37.7% for Third Quarter 2007 from 39.4% for Third Quarter 2006, a decrease of 1.7%. The decrease in the Company's effective tax rate for Third Quarter 2007 was due primarily to a decrease in the amount of assumed distributions of foreign earnings for Fiscal 2007 as compared to Fiscal 2006.

Net Income

As a result of the above factors, net income decreased to $107.8 million for Third Quarter 2007 from $109.0 million for Third Quarter 2006, a decrease of $1.2 million, or (1%).

Nine Months 2007 Compared to Nine Months 2006

Net Sales

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Nine Months 2007 and Nine Months 2006.

	Nine Months 2007 Compared to Nine Months 2006		
	Net Sales		
	2007	2006	% Increase
Constellation Wines:			
Branded wine	$ 2,049.6	$ 1,724.6	19%
Wholesale and other	814.4	743.9	9%
Constellation Wines net sales	$ 2,864.0	$ 2,468.5	16%
Constellation Beers and Spirits:			
Imported beers	$ 953.5	$ 837.4	14%
Spirits	256.7	249.7	3%
Constellation Beers and Spirits net sales	$ 1,210.2	$ 1,087.1	11%
Consolidated Net Sales	$ 4,074.2	$ 3,555.6	15%

Net sales for Nine Months 2007 increased to $4,074.2 million from $3,555.6 million for Nine Months 2006, an increase of $518.6 million, or 15%. This increase was due primarily to $280.3 million of net sales of products acquired in the Vincor acquisition, an increase in imported beers net sales of $116.1 million and an increase in base branded wine net sales of $59.9 million.

Constellation Wines

Net sales for Constellation Wines increased to $2,864.0 million for Nine Months 2007 from $2,468.5 million in Nine Months 2006, an increase of $395.5 million, or 16%. Branded wine net sales increased $325.0 million primarily due to $262.1 million of net sales of branded wine acquired in the Vincor acquisition and increased base branded wine net sales for North America (primarily the U.S.), partially offset by decreased base branded wine net sales for Europe (primarily the U.K.). The increase in base branded wine net sales for the U.S. was driven by both higher average selling prices as the consumer continues to trade up to higher priced premium wines and volume gains. The decrease in base branded wine net sales for the U.K. was driven by both lower pricing and volumes due to the highly competitive pricing market for private label and branded wine resulting from the significant oversupply of Australian wine, and the reduction in retailer inventory levels during the first quarter of fiscal 2007 in the U.K.. Wholesale and other net sales increased $70.5 million primarily due to a favorable product mix shift in the Company's U.K. wholesale business, a favorable foreign currency impact of $20.2 million and $18.2 million of net sales of products acquired in the Vincor acquisition.

Constellation Beers and Spirits

Net sales for Constellation Beers and Spirits increased to $1,210.2 million for Nine Months 2007 from $1,087.1 million for Nine Months 2006, an increase of $123.1 million, or 11%. This increase resulted primarily from an increase in imported beers net sales of $116.1 million, which is due primarily to volume growth in the Company's Mexican beer portfolio.

Gross Profit

The Company's gross profit increased to $1,178.6 million for Nine Months 2007 from $1,038.2 million for Nine Months 2006, an increase of $140.4 million, or 14%. The Constellation Wines segment's gross profit increased $117.4 million primarily from gross profit of $114.7 million due to the Vincor acquisition partially offset by increased competition and promotional activities among suppliers in the U.K. and Australia, reflecting, in part, the effects of the oversupply of Australian wine and the retailer consolidation in the U.K., plus a late March 2006 increase in duty costs in the U.K. The Constellation Beers and Spirits segment's gross profit increased $21.2 million primarily due to the volume growth in the Company's Mexican beer portfolio partially offset by higher Mexican beer product and transportation costs. However, in connection with certain supply arrangements, the higher Mexican beer product costs were offset by a corresponding decrease in advertising expenses resulting in no impact to operating income. In addition, unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, were lower by $1.8 million in Nine Months 2007 versus Nine Months 2006. This decrease resulted primarily from decreased flow through of adverse grape cost associated with the acquisition of Robert Mondavi of $17.2 million and decreased accelerated depreciation costs of $3.0 million associated with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan, partially offset by increased flow through of inventory step-up of $17.7 million associated primarily with the Vincor acquisition. Gross profit as a percent of net sales decreased to 28.9% for Nine Months 2007 from 29.2% for Nine Months 2006 primarily as a result of the factors discussed above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $574.8 million for Nine Months 2007 from $478.5 million for Nine Months 2006, an increase of $96.3 million, or 20%. This increase is due primarily to a $41.9 million increase in unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment, and an increase in the Constellation Wines segment's selling, general and administrative expenses of $47.3 million. The increase in the Constellation Wines segment's selling, general and administrative expenses is primarily due to increased advertising expenses, selling expenses and general and administrative expenses resulting from the Vincor acquisition, and the recognition of stock-based compensation expense. The Constellation Beers and Spirits segment's selling, general and administrative expenses increased $6.4 million primarily due to increased general and administrative expenses resulting primarily from the recognition of stock-based compensation expense and expenses associated with the formation of the imported beer joint venture. The Corporate Operations and Other segment's selling, general and administrative expenses were also up slightly, primarily due to the recognition of stock-based compensation expense and expenses associated with the formation of the imported beer joint venture, partially offset by lower annual management incentive compensation expense. The increase in unusual costs was primarily due to the recognition of (i) $14.7 million of other charges associated with the Fiscal 2007 Wine Plan (primarily from the write-down of an Australian winery and certain Australian vineyards to fair value less cost to sell) and the Fiscal 2006 Plan, (ii) a $13.4 million loss on the sale of the Company's branded bottled water business resulting from the write-off of $27.7 million of non-deductible intangible assets, primarily goodwill, (iii) financing costs of $11.8 million related to the Company's new senior credit facility entered into in connection with the Vincor acquisition; and (iv) foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the Vincor acquisition. Selling, general and administrative expenses as a percent of net sales increased to 14.1% for Nine Months 2007 as compared to 13.5% for Nine Months 2006 primarily due to the increase in unusual costs and the recognition of stock-based compensation expense of $12.1 million.

Restructuring and Related Charges

The Company recorded $26.1 million of restructuring and related charges for Nine Months 2007 associated primarily with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan. Restructuring and related charges included $6.8 million of employee termination benefit costs (net of reversal of prior accruals of $0.6 million), $18.4 million of contract termination costs and $0.9 million of facility consolidation/relocation costs (net of reversal of prior accruals of $0.3 million). In addition, in connection with the Fiscal 2006 Plan, the Fiscal 2007 Wine Plan and the Vincor Plan, the Company recorded (i) $4.2 million of accelerated depreciation charges and $0.5 million of inventory write-downs and (ii) $14.7 million of other related costs which were recorded in the cost of product sold line and selling, general and administrative expenses line, respectively, within the Company's Consolidated Statements of Income. The Company recorded $8.4 million of restructuring and related charges for Nine Months 2006 associated primarily with the Fiscal 2006 Plan and the Robert Mondavi Plan.

For Fiscal 2007, the Company expects to incur total restructuring and related charges of $36.5 million associated primarily with the Fiscal 2007 Wine Plan, the Fiscal 2006 Plan, and the Vincor Plan. In addition, with respect to these plans, the Company expects to incur total accelerated depreciation charges, inventory write-downs and other charges for Fiscal 2007 of $6.7 million, $0.9 million and $16.3 million, respectively.

Acquisition-Related Integration Costs

Acquisition-related integration costs increased to $17.6 million for Nine Months 2007 from $15.9 million for Nine Months 2006, an increase of $1.7 million, or 11%. Acquisition-related integration costs consist of costs recorded in connection with the Vincor Plan and the Robert Mondavi Plan of $16.7 million and $0.9 million, respectively.

For Fiscal 2007, the Company expects to incur total acquisition-related integration costs of $25.4 million and $1.0 million in connection with the Vincor Plan and the Robert Mondavi Plan, respectively.

Operating Income

The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Nine Months 2007 and Nine Months 2006.

	Nine Months 2007 Compared to Nine Months 2006		
	Operating Income (Loss)		
	2007	2006	% Increase
Constellation Wines	$ 474.3	$ 404.1	17%
Constellation Beers and Spirits	251.7	236.9	6%
Corporate Operations and Other	(44.8)	(43.9)	2%
Total Reportable Segments	681.2	597.1	14%
Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs	(121.1)	(61.7)	96%
Consolidated Operating Income	$ 560.1	$ 535.4	5%

As a result of the factors discussed above, consolidated operating income increased to $560.1 million for Nine Months 2007 from $535.4 million for Nine Months 2006, an increase of $24.7 million, or 5%. Acquisition-related integration costs, restructuring and related charges and unusual costs of $121.1 million for Nine Months 2007 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs represent restructuring and related charges of $26.1 million associated primarily with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; the flow through of inventory step-up of $24.4 million associated primarily with the Company's acquisition of Vincor; acquisition-related integration costs of $17.6 million associated primarily with the Vincor Plan; other charges of $14.7 million associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan included within selling, general and administrative expenses; loss on the sale of the branded bottled water business of $13.4 million; financing costs of $11.8 million related to the Company's new senior credit facility entered into in connection with the Vincor acquisition; foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the Vincor acquisition; the flow through of adverse grape cost of $3.0 million associated with the acquisition of Robert Mondavi; and accelerated depreciation costs and the write-down of certain inventory of $4.2 million and $0.5 million, respectively, associated primarily with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan. Acquisition-related integration costs, restructuring and related charges and unusual costs of $61.7 million for Nine Months 2006 represent the flow through of adverse grape cost, acquisition-related integration costs, and the flow through of inventory step-up associated primarily with the Company's acquisition of Robert Mondavi of $20.2 million, $15.9 million, and $6.6 million, respectively; restructuring and related charges of $8.4 million associated primarily with the Fiscal 2006 Plan and the Robert Mondavi Plan; accelerated depreciation costs of $7.2 million associated with the Fiscal 2006 Plan; and costs associated with professional service fees incurred for due diligence in connection with the Company's evaluation of a potential offer for Allied Domecq of $3.4 million.

Equity in Earnings of Equity Method Investees

The Company's equity in earnings of equity method investees increased to $10.7 million in Nine Months 2007 from $5.7 million in Nine Months 2006, an increase of $5.0 million. This increase is due equally to the increased earnings of Ruffino S.r.l. and Opus One. Opus One's earnings are very seasonal with most of their annual earnings recognized upon the release of the latest year's vintage, which is typically done just prior to the annual fall grape harvest. Opus One's 2003 vintage was released for retail distribution during Third Quarter 2007.

Gain on Change in Fair Value of Derivative Instrument

In April 2006, the Company entered into a foreign currency forward contract in connection with the acquisition of Vincor to fix the U.S. dollar cost of the acquisition and the payment of certain outstanding indebtedness. For Nine Months 2007, the Company recorded a gain of $55.1 million in connection with this derivative instrument. Under SFAS No. 133, a transaction that involves a business combination is not eligible for hedge accounting treatment. As such, the gain was recognized separately on the Company's Consolidated Statements of Income.

Interest Expense, Net

Interest expense, net of interest income of $4.0 million and $2.7 million for Nine Months 2007 and Nine Months 2006, respectively, increased to $194.3 million for Nine Months 2007 from $142.3 million for Nine Months 2006, an increase of $52.0 million, or 37%. The increase resulted from both higher average borrowings in Nine Months 2007 primarily as a result of the financing of the Vincor acquisition and higher average interest rates.

Provision for Income Taxes

The Company's effective tax rate increased to 39.4% for Nine Months 2007 from 33.0% for Nine Months 2006, an increase of 6.4%. In Nine Months 2007, the Company sold its branded bottled water business that resulted in the write-off of $27.7 million of non-deductible intangible assets, primarily goodwill. The provision for income taxes on the sale of the branded bottled water business increased the Company's effective tax rate for Nine Months 2007. In addition, the effective tax rate for Nine Months 2006 reflected the benefits recorded for adjustments to income tax accruals of $16.2 million in connection with the completion of various income tax examinations as well as the preliminary conclusion regarding the impact of the American Jobs Creation Act of 2004 on planned distributions of certain foreign earnings.

Net Income

As a result of the above factors, net income decreased to $261.7 million for Nine Months 2007 from $267.1 million for Nine Months 2006, a decrease of $5.4 million, or (2%).

Financial Liquidity and Capital Resources

General

The Company's principal use of cash in its operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. The Company's primary source of liquidity has historically been cash flow from operations, except during annual grape harvests when the Company has relied on short-term borrowings. In the northern hemisphere, the annual grape crush normally begins in August and runs through October. In the southern hemisphere, the annual grape crush normally begins in February and runs through May. The Company generally begins taking delivery of grapes at the beginning of the crush season with payments for such grapes beginning to come due one month later. The Company's short-term borrowings to support such purchases generally reach their highest levels one to two months after the crush season has ended. Historically, the Company has used cash flow from operating activities to repay its short-term borrowings and fund capital expenditures. The Company will continue to use its short-term borrowings to support its working capital requirements. The Company believes that cash provided by operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, scheduled principal and interest payments on debt, and anticipated capital expenditure requirements for both its short-term and long-term capital needs. In addition, the Company has used cash provided by financing activities to repurchase shares under the Company's share repurchase program (see below) during Nine Months 2007.

Nine Months 2007 Cash Flows

Operating Activities

Net cash provided by operating activities for Nine Months 2007 was $118.1 million, which resulted from $261.7 million of net income, plus $170.5 million of net non-cash items charged to the Consolidated Statement of Income, less $259.0 million representing the net change in the Company's operating assets and liabilities and $55.1 million of proceeds from maturity of derivative instrument reflected in investing activities.

The net non-cash items consisted primarily of depreciation of property, plant and equipment, the deferred tax provision, and the loss on the sale of the branded bottled water business. The net change in operating assets and liabilities resulted primarily from seasonal increases in accounts receivable and inventories, partially offset by an increase in accounts payable.

Investing Activities

Net cash used in investing activities for Nine Months 2007 was $1,141.1 million, which resulted primarily from $1,093.7 million for the purchase of a business and $135.6 million of capital expenditures, partially offset by $55.1 million of proceeds from maturity of derivative instrument entered into to fix the U.S. dollar cost of the acquisition of Vincor.

Financing Activities

Net cash provided by financing activities for Nine Months 2007 was $1,064.3 million resulting primarily from proceeds from issuance of long-term debt of $3,695.0 million and net proceeds of $210.5 million from notes payable partially offset by principal payments of long-term debt of $2,780.3 million and purchases of treasury stock of $100.0 million.

Share Repurchase Program

In February 2006, the Company's Board of Directors replenished the June 1998 authorization to repurchase up to $100.0 million of the Company's Class A Common Stock and Class B Common Stock. During Nine Months 2007, the Company purchased 3,894,978 shares of Class A Common Stock at an aggregate cost of $100.0 million, or at an average cost of $25.67 per share. The Company will evaluate future stock repurchase programs with an objective to mitigate the dilutive effect of stock option exercises.

Debt

Total debt outstanding as of November 30, 2006, amounted to $4,325.9 million, an increase of $1,516.1 million from February 28, 2006. The ratio of total debt to total capitalization increased to 56.5% as of November 30, 2006, from 48.6% as of February 28, 2006, primarily as a result of the additional borrowings in the second quarter of fiscal 2007 to finance the acquisition of Vincor.

Senior Credit Facility

In connection with the acquisition of Vincor, on June 5, 2006, the Company and certain of its U.S. subsidiaries, JPMorgan Chase Bank, N.A. as a lender and administrative agent, and certain other agents, lenders, and financial institutions entered into a new credit agreement (the "2006 Credit Agreement"). The 2006 Credit Agreement provides for aggregate credit facilities of $3.5 billion, consisting of a $1.2 billion tranche A term loan facility due in June 2011, a $1.8 billion tranche B term loan facility due in June 2013, and a $500 million revolving credit facility (including a sub-facility for letters of credit of up to $200 million) which terminates in June 2011. Proceeds of the 2006 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the acquisition of Vincor and to repay certain indebtedness of Vincor. The Company uses its revolving credit facility under the 2006 Credit Agreement for general corporate purposes, including working capital, on an as needed basis.

The tranche A term loan facility and the tranche B term loan facility were fully drawn on June 5, 2006. In August 2006, the Company used proceeds from the August 2006 Senior Notes (as defined below) to repay $180.0 million of the tranche A term loan and $200.0 million of the tranche B term loan. In addition, the Company prepaid an additional $100.0 million on the tranche B term loan in August 2006. As of November 30, 2006, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining three months of fiscal 2007 and for each of the five succeeding fiscal years and thereafter are as follows:

(in millions)	Tranche A Term Loan	Tranche B Term Loan	Total
2007	$ -	$ -	$ -
2008	90.0	7.6	97.6
2009	210.0	15.2	225.2
2010	270.0	15.2	285.2
2011	300.0	15.2	315.2
2012	150.0	15.2	165.2
Thereafter	-	1,431.6	1,431.6
	$ 1,020.0	$ 1,500.0	$ 2,520.0

The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) and, with respect to LIBOR borrowings, ranges between 1.00% and 1.50%. The initial LIBOR margin for the revolving credit facility and the tranche A term loan facility is 1.25%, while the LIBOR margin on the tranche B term loan facility is 1.50%.

The Company's obligations are guaranteed by certain of its U.S. subsidiaries. These obligations are also secured by a pledge of (i) 100% of the ownership interests in certain of the Company's U.S. subsidiaries and (ii) 65% of the voting capital stock of certain of the Company's foreign subsidiaries.

The Company and its subsidiaries are also subject to covenants that are contained in the 2006 Credit Agreement, including those restricting the incurrence of additional indebtedness (including guarantees of indebtedness), additional liens, mergers and consolidations, disposition or acquisition of property, the payment of dividends, transactions with affiliates and the making of certain investments, in each case subject to numerous conditions, exceptions and thresholds. The financial covenants are limited to maximum total debt and senior debt coverage ratios and minimum interest and fixed charge coverage ratios.

As of November 30, 2006, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $1.0 billion bearing an interest rate of 6.7%, tranche B term loans of $1.5 billion bearing an interest rate of 6.9%, revolving loans of $74.0 million bearing an interest rate of 6.5%, outstanding letters of credit of $57.6 million, and $368.4 million in revolving loans available to be drawn.

As of November 30, 2006, the Company had outstanding interest rate swap agreements which fixed LIBOR interest rates on $1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. For Nine Months 2007 and Nine Months 2006, the Company reclassified $4.1 million, net of tax effect of $2.7 million, and $2.7 million, net of tax effect of $1.7 million, respectively, from Accumulated Other Comprehensive Income (Loss) ("AOCI") to Interest Expense, net in the Company's Consolidated Statements of Income. For the Third Quarter 2007 and Third Quarter 2006, the Company reclassified $1.8 million, net of tax effect of $1.2 million, and $1.0 million, net of tax effect of $0.6 million, respectively, from AOCI to Interest Expense, net in the Company's Consolidated Statements of Income. This non-cash operating activity is included on the Other, net line in the Company's Consolidated Statements of Cash Flows.

Foreign Subsidiary Facilities

The Company has additional credit arrangements available totaling $400.7 million as of November 30, 2006. These arrangements support the financing needs of certain of the Company's foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of November 30, 2006, amounts outstanding under the foreign subsidiary credit arrangements were $264.1 million.

Senior Notes

On August 4, 1999, the Company issued $200.0 million aggregate principal amount of 8 5/8% Senior Notes due August 2006 (the "August 1999 Senior Notes"). On August 1, 2006, the Company repaid the August 1999 Senior Notes with proceeds from its revolving credit facility under the 2006 Credit Agreement.

On August 15, 2006, the Company issued $700.0 million aggregate principal amount of 7 1/4% Senior Notes due September 2016 at an issuance price of $693.1 million (net of $6.9 million unamortized discount, with an effective interest rate of 7.4%) (the “August 2006 Senior Notes”). The net proceeds of the offering ($685.3 million) were used to reduce a corresponding amount of borrowings under the Company’s 2006 Credit Agreement. Interest on the August 2006 Senior Notes is payable semiannually on March 1 and September 1 of each year, beginning March 1, 2007. The August 2006 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount and a make whole payment based on the present value of the future payments at the adjusted Treasury rate plus 50 basis points. The August 2006 Senior Notes are senior unsecured obligations and rank equally in right of payment to all existing and future senior unsecured indebtedness of the Company. Certain of the Company’s significant operating subsidiaries guarantee the August 2006 Senior Notes, on a senior basis. As of November 30, 2006, the Company had outstanding $693.3 million (net of $6.7 million unamortized discount) of the August 2006 Senior Notes.

As of November 30, 2006, the Company had outstanding £1.0 million ($2.0 million) aggregate principal amount of 8 1/2% Series B Senior Notes due November 2009 (the “Sterling Series B Senior Notes”). In addition, as of November 30, 2006, the Company had outstanding £154.0 million ($302.5 million, net of $0.3 million unamortized discount) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 (the “Sterling Series C Senior Notes”). The Sterling Series B Senior Notes and Sterling Series C Senior Notes are currently redeemable, in whole or in part, at the option of the Company.

Also, as of November 30, 2006, the Company had outstanding $200.0 million aggregate principal amount of 8% Senior Notes due February 2008 (the “February 2001 Senior Notes”). The February 2001 Senior Notes are currently redeemable, in whole or in part, at the option of the Company.

Senior Subordinated Notes

As of November 30, 2006, the Company had outstanding $250.0 million aggregate principal amount of 8 1/8% Senior Subordinated Notes due January 2012 (the “January 2002 Senior Subordinated Notes”). The January 2002 Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 2007.

Accounting Pronouncements Not Yet Adopted

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. (“FIN No. 48”), “Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109.” FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statement No. 109. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN No. 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company is required to adopt FIN No. 48 for fiscal years beginning March 1, 2007, with the cumulative effect of applying the provisions of FIN No. 48 reported as an adjustment to opening retained earnings. The Company is currently assessing the financial impact of FIN No. 48 on its consolidated financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108 ("SAB No. 108"), "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. The Company is required to adopt SAB No. 108 for its annual financial statements for the fiscal year ending February 28, 2007. The Company does not expect the initial adoption of SAB No. 108 to have a material impact on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not a n entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability. The Company is required to adopt SFAS No. 157 for fiscal years and interim periods beginning March 1, 2008. The Company is currently assessing the financial impact of SFAS No. 157 on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158 ("SFAS No. 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS No. 158 requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Company is required to adopt this provision of SFAS No. 158 and to provide the required disclosures as of February 28, 2007. SFAS No. 158 also requires companies to measure the funded status of a plan as of the date of the company's fiscal year-end (with limited exceptions), which provision the Company is required to adopt as of February 28, 2009. The Company does not expect the adoption of the required provision of SFAS No. 158 as of February 28, 2007, to have a material impact on its consolidated financial statements.

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control, that 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 facts included in this Quarterly Report on Form 10-Q, including without limitation statements under Part I - Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s expected restructuring and related charges, accelerated depreciation charges, acquisition-related integration costs, and other related charges, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations, the forward-looking statements of the Company contained in this Quarterly Report on Form 10-Q are also subject to risks and uncertainties discussed in “Risk Factors” under Part II - Item 1A of this Quarterly Report on Form 10-Q and the risk and uncertainty that the Company’s restructuring and related charges, accelerated depreciation charges, acquisition-related integration costs, and other related charges may exceed current expectations due to, among other reasons, variations in anticipated headcount reductions, contract terminations or greater than anticipated implementation costs. For additional information about risks and uncertainties that could adversely affect the Company’s forward-looking statements, please refer to Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign currency forward contracts are or may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales both to third parties as well as intercompany sales, intercompany principal and interest payments, and in connection with acquisitions or joint venture investments outside the U.S. As of November 30, 2006, the Company had exposures to foreign currency risk primarily related to the Australian dollar, euro, New Zealand dollar, British pound sterling, Canadian dollar and Mexican peso.

As of November 30, 2006, and November 30, 2005, the Company had outstanding foreign exchange derivative instruments with a notional value of $2,302.1 million and $726.7 million, respectively. Approximately 60% of the Company's total exposures were hedged as of November 30, 2006. Using a sensitivity analysis based on estimated fair value of open contracts using forward rates, if the contract base currency had been 10% weaker as of November 30, 2006, and November 30, 2005, the fair value of open foreign exchange contracts would have been decreased by $177.3 million and $70.7 million, respectively. Losses or gains from the revaluation or settlement of the related underlying positions would substantially offset such gains or losses on the derivative instruments.

The fair value of fixed rate debt is subject to interest rate risk, credit risk and foreign currency risk. The estimated fair value of the Company's total fixed rate debt, including current maturities, was $1,564.2 million and $1,002.8 million as of November 30, 2006, and November 30, 2005, respectively. A hypothetical 1% increase from prevailing interest rates as of November 30, 2006, and November 30, 2005, would have resulted in a decrease in fair value of fixed interest rate long-term debt by $72.2 million and $28.4 million, respectively.

As of November 30, 2006, and November 30, 2005, the Company had outstanding interest rate swap agreements to minimize interest rate volatility. The swap agreements fix LIBOR interest rates on $1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. A hypothetical 1% increase from prevailing interest rates as of November 30, 2006, and November 30, 2005, would have increased the fair value of the interest rate swaps by $39.3 million and $43.5 million, respectively.

In addition to the $1,564.2 million and $1,002.8 million estimated fair value of fixed rate debt outstanding as of November 30, 2006, and November 30, 2005, respectively, the Company also had variable rate debt outstanding (primarily LIBOR based) as of November 30, 2006, and November 30, 2005, of $2,842.3 million and $2,003.6 million, respectively. Using a sensitivity analysis based on a hypothetical 1% increase in prevailing interest rates over a 12-month period, the approximate increase in cash required for interest as of November 30, 2006, and November 30, 2005, is $28.4 million and $20.0 million, respectively.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

There has been no change in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's fiscal quarter ended November 30, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors

On July 17, 2006, Barton entered into an agreement to establish a joint venture with Diblo pursuant to which Corona Extra and the other Modelo Brands will be imported, marketed and sold in the United States of America and Guam. The joint venture transaction closed on January 2, 2007. Certain of the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 28, 2006, are modified to reflect the joint venture as follows:

Our acquisition and joint venture strategies may not be successful.

We have made a number of acquisitions, including our recent acquisition of Vincor International Inc., and we anticipate that we may, from time to time, acquire additional businesses, assets or securities of companies that we believe would provide a strategic fit with our business. We will need to integrate acquired businesses with our existing operations. We cannot assure you that we will effectively assimilate the business or product offerings of acquired companies into our business or product offerings. Integrating the operations and personnel of acquired companies into our existing operations may result in difficulties and expense, disrupt our business or divert management's time and attention. Acquisitions involve numerous other risks, including potential exposure to unknown liabilities of acquired companies and the possible loss of key employees and customers of the acquired business. In connection with acquisitions or joint venture investments outside the United States, we may enter into derivative contracts to purchase foreign currency in order to hedge against the risk of foreign currency fluctuations in connection with such acquisitions or joint venture investments, which subjects us to the risk of foreign currency fluctuations associated with such derivative contracts.

We have entered into joint ventures, including our recently established joint venture with Modelo and may enter into additional joint ventures. We share control of our joint ventures. Our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our goals or the goals of the joint venture. In addition, our joint venture partners may be unable to meet their economic or other obligations and we may be required to fulfill those obligations alone. Our failure or the failure of an entity in which we have a joint venture interest to adequately manage the risks associated with any acquisitions or joint ventures could have a material adverse effect on our financial condition or results of operations. We cannot assure you that any of our acquisitions or joint ventures will be profitable. In particular, risks and uncertainties associated with our recently established joint venture with Modelo include, among others, the joint venture's ability to operate its business successfully, the joint venture's ability to develop appropriate standards, controls, procedures and policies for the growth and management of the joint venture and the strength of the joint venture's relationships with its employees, suppliers and customers.

The termination of our joint venture with Modelo relating to importing, marketing and selling imported beer could have a material adverse effect on our business.

On January 2, 2007, we participated in establishing and commmencing operations of a joint venture with Modelo, pursuant to which Corona Extra and the other Modelo Brands are imported, marketed and sold by the joint venture in the United States of America and Guam along with certain other imported beer brands in their respective territories. Pursuant to the joint venture and related importation arrangements, the joint venture will continue for an initial term of 10 years, and renew in 10-year periods unless Diblo Subsidiary gives notice prior to the end of year seven of any term of its intention to purchase Barton's interest. The joint venture may also terminate under other circumstances involving action by governmental authorities, certain changes in control of us or Barton as well as in connection with certain breaches of the importation and related sub-license agreements, after notice and cure periods.

The termination of the joint venture by acquisition of Barton's interest or for other reasons noted above could have a material adverse effect on our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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)
September 1 - 30, 2006	-	$ -	-	$ 18,027,530
October 1 - 31, 2006	651,960	27.65	651,960	111
November 1 - 30, 2006	-	-	-	111
Total	651,960	$ 27.65	651,960	$ 111

(1) In June 1998, the Company's Board of Directors authorized the repurchase from time to time of up to $100.0 million of the Company's Class A and Class B Common Stock. During February 2006, the Company announced that its Board of Directors had replenished the June 1998 authorization to repurchase up to $100.0 million of the Company's Class A and Class B Common Stock. The program does not have a specified expiration date.

Item 6. Exhibits

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

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits located on page 59 of this report. The Index to Exhibits is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSTELLATION BRANDS, INC.

Dated: January 9, 2007

By: /s/ Thomas F. Howe
Thomas F. Howe, Senior Vice President, Controller

Dated: January 9, 2007

By: /s/ Thomas S. Summer
Thomas S. Summer, Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)

INDEX TO EXHIBITS

Exhibit No.

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession.

2.1 Agreement and Plan of Merger, dated as of November 3, 2004, by and among Constellation Brands, Inc., a Delaware corporation, RMD Acquisition Corp., a California corporation and a wholly-owned subsidiary of Constellation Brands, Inc., and The Robert Mondavi Corporation, a California corporation (filed as Exhibit 2.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).

2.2 Support Agreement, dated as of November 3, 2004, by and among Constellation Brands, Inc., a Delaware corporation and certain shareholders of The Robert Mondavi Corporation (filed as Exhibit 2.7 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).

2.3 Arrangement Agreement, dated April 2, 2006 by and among Constellation Brands, Inc., Constellation Canada Holdings Limited, and Vincor International Inc. (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated April 2, 2006 and incorporated herein by reference).

2.4 Amending Agreement, dated as of April 21, 2006 by and among Constellation Brands, Inc., Constellation Canada Holdings Limited, and Vincor International Inc. (filed as Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2006 and incorporated herein by reference).

2.5 Agreement to Establish Joint Venture, dated July 17, 2006, between Barton Beers, Ltd. and Diblo, S.A. de C.V. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated July 17, 2006, filed July 18, 2006 and incorporated herein by reference). (3)

2.6 Amendment No. 1, dated as of January 2, 2007 to the Agreement to Establish Joint Venture, dated July 17, 2006, between Barton Beers, Ltd. and Diblo, S.A. de C.V. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference). (3)

2.7 Barton Contribution Agreement, dated July 17, 2006, among Barton Beers, Ltd., Diblo, S.A. de C.V. and Company (a Delaware limited liability company to be formed) (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K dated July 17, 2006, filed July 18, 2006 and incorporated herein by reference). (3)

(3) Articles of Incorporation and By-Laws.

3.1 Restated Certificate of Incorporation of the Company (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated October 11, 2006, filed October 12, 2006 and incorporated herein by reference).

3.2 By-Laws of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2002 and incorporated herein by reference). [1]

(4) Instruments defining the rights of security holders, including indentures.

4.1 Indenture, dated as of February 25, 1999, among the Company, as issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 25, 1999 and incorporated herein by reference). [1]

4.2 Supplemental Indenture No. 3, dated as of August 6, 1999, by and among the Company, Canandaigua B.V., Barton Canada, Ltd., Simi Winery, Inc., Franciscan Vineyards, Inc., Allberry, Inc., M.J. Lewis Corp., Cloud Peak Corporation, Mt. Veeder Corporation, SCV-EPI Vineyards, Inc., and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference). [1]

4.3 Supplemental Indenture No. 4, with respect to 8 1/2% Senior Notes due 2009, dated as of May 15, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.17 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2000 and incorporated herein by reference). [1]

4.4 Supplemental Indenture No. 5, dated as of September 14, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to The Bank of New York), as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference). [1]

4.5 Supplemental Indenture No. 6, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company (successor trustee to Harris Trust and Savings Bank and The Bank of New York, as applicable), as Trustee (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-3 (Pre-effective Amendment No. 1) (Registration No. 333-63480) and incorporated herein by reference).

4.6 Supplemental Indenture No. 7, dated as of January 23, 2002, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 17, 2002 and incorporated herein by reference). [1]

4.7 Supplemental Indenture No. 9, dated as of July 8, 2004, by and among the Company, BRL Hardy Investments (USA) Inc., BRL Hardy (USA) Inc., Pacific Wine Partners LLC, Nobilo Holdings, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).

4.8 Supplemental Indenture No. 10, dated as of September 13, 2004, by and among the Company, Constellation Trading, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.11 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).

4.9 Supplemental Indenture No. 11, dated as of December 22, 2004, by and among the Company, The Robert Mondavi Corporation, R.M.E. Inc., Robert Mondavi Winery, Robert Mondavi Investments, Robert Mondavi Affilates d/b/a Vichon Winery and Robert Mondavi Properties, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).

4.10 Supplemental Indenture No. 12, dated as of August 11, 2006, by and among the Company, Constellation Leasing, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).

4.11 Supplemental Indenture No. 13, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed herewith).

4.12 Indenture, with respect to 8 1/2% Senior Notes due 2009, dated as of November 17, 1999, among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-4 (Registration No. 333-94369) and incorporated herein by reference).

4.13 Supplemental Indenture No. 1, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference). (1)

4.14 Supplemental Indenture No. 3, dated as of July 8, 2004, by and among the Company, BRL Hardy Investments (USA) Inc., BRL Hardy (USA) Inc., Pacific Wine Partners LLC, Nobilo Holdings, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.15 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).

4.15 Supplemental Indenture No. 4, dated as of September 13, 2004, by and among the Company, Constellation Trading, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.16 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).

4.16 Supplemental Indenture No. 5, dated as of December 22, 2004, by and among the Company, The Robert Mondavi Corporation, R.M.E. Inc., Robert Mondavi Winery, Robert Mondavi Investments, Robert Mondavi Affilates d/b/a Vichon Winery and Robert Mondavi Properties, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.18 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).

4.17 Supplemental Indenture No. 6, dated as of August 11, 2006, by and among the Company, Constellation Leasing, LLC, and BNY Midwest Trust Company, as (filed as Exhibit 4.19 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).

4.18 Supplemental Indenture No. 7, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed herewith).

4.19 Indenture, with respect to 8% Senior Notes due 2008, dated as of February 21, 2001, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Registration Statement filed on Form S-4 (Registration No. 333-60720) and incorporated herein by reference).

4.20 Supplemental Indenture No. 1, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.7 to the Company's Pre-effective Amendment No. 1 to its Registration Statement on Form S-3 (Registration No. 333-63480) and incorporated herein by reference).

4.21 Supplemental Indenture No. 3, dated as of July 8, 2004, by and among the Company, BRL Hardy Investments (USA) Inc., BRL Hardy (USA) Inc., Pacific Wine Partners LLC, Nobilo Holdings, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).

4.22 Supplemental Indenture No. 4, dated as of September 13, 2004, by and among the Company, Constellation Trading, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.21 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).

4.23 Supplemental Indenture No. 5, dated as of December 22, 2004, by and among the Company, The Robert Mondavi Corporation, R.M.E. Inc., Robert Mondavi Winery, Robert Mondavi Investments, Robert Mondavi Affilates d/b/a Vichon Winery and Robert Mondavi Properties, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.24 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).

4.24 Supplemental Indenture No. 6, dated as of August 11, 2006, by and among the Company, Constellation Leasing, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.26 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).

4.25 Supplemental Indenture No. 7, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed herewith).

4.26 Indenture, with respect to 7.25% Senior Notes due 2016, dated as of August 15, 2006, by and among the Company, as Issuer, certain subsidiaries, as Guarantors and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 15, 2006, filed August 18, 2006 and incorporated herein by reference).

4.27 Supplemental Indenture No. 1, dated as of August 15, 2006, among the Company, as Issuer, certain subsidiaries, as Guarantors, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated August 15, 2006, filed August 18, 2006 and incorporated herein by reference).

4.28 Supplemental Indenture No. 2, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed herewith).

4.29 Credit Agreement, dated as of June 5, 2006, among Constellation, the Subsidiary Guarantors party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Citicorp North America, Inc., as Syndication Agent, J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., as Joint Lead Arrangers and Bookrunners, and The Bank of Nova Scotia and SunTrust Bank, as Co-Documentation Agents (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated June 5, 2006, filed June 9, 2006 and incorporated herein by reference).

4.30 Guarantee Assumption Agreement, dated as of August 11, 2006, by Constellation Leasing, LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.29 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).

4.31 Guarantee Assumption Agreement, dated as of November 30, 2006, by Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., and Vincor Finance, LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed herewith).

(10) Material contracts.

10.1 Guarantee Assumption Agreement, dated as of November 30, 2006, by Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., and Vincor Finance, LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.31 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).

10.2 Description of Compensation Arrangements for Certain Executive Officers (filed herewith). [2]

10.3 Letter Agreement dated October 24, 2006, between the Company and Thomas S. Summer (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 24, 2006, filed October 25, 2006 and incorporated herein by reference). (2)

10.4 Amended and Restated Limited Liability Company Agreement of Crown Imports LLC, dated as of January 2, 2007 (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference). (3)

10.5 Importer Agreement, dated as of January 2, 2007, by and between Extrade II, S.A. de C.V. and Crown Imports LLC (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference). (3)

10.6 Administrative Services Agreement, dated as of January 2, 2007, by and between Barton Incorporated and Crown Imports LLC (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference). (3)

10.7 Sub-license Agreement, dated as of January 2, 2007, by and between Marcas Modelo, S.A. de C.V. and Crown Imports LLC (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference). (3)

(11) Statement re computation of per share earnings.

Not applicable.

(15) Letter re unaudited interim financial information.

Not applicable.

(18) Letter re change in accounting principles.

Not applicable.

(19) Report furnished to security holders.

Not applicable.

(22) Published report regarding matters submitted to a vote of security holders.

Not applicable.

(23) Consents of experts and counsel.

Not applicable.

(24) Power of attorney.

Not applicable.

(31) Rule 13a-14(a)/15d-14(a) Certifications.

31.1 Certificate of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).

31.2 Certificate of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).

(32) Section 1350 Certifications.

32.1 Certification of Chief Executive Officer pursuant to Section 18 U.S.C. 1350 (filed herewith).

32.2 Certification of Chief Financial Officer pursuant to Section 18 U.S.C. 1350 (filed herewith).

(99) Additional Exhibits.

Not applicable.

(100) XBRL-Related Documents.

Not applicable.

(1) Company’s Commission File No. 001-08495. For filings prior to October 4, 1999, use Commission File No. 000-07570.

(2) Designates management contract or compensatory plan or arrangement.

(3) This Exhibit has been filed separately with the Commission pursuant to an application for confidential treatment. The confidential portions of this Exhibit have been omitted and are marked by an asterisk.

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

SUPPLEMENTAL INDENTURE NO. 13 (this "Supplement"), dated as of November 30, 2006 is entered into by and among CONSTELLATION BRANDS, INC., a Delaware corporation (the "Company"), VINCOR INTERNATIONAL PARTNERSHIP, a Nevada general partnership, VINCOR INTERNATIONAL II, LLC, a Delaware limited liability company, VINCOR HOLDINGS, INC., a Delaware corporation, R.H. PHILLIPS, INC., a California corporation, THE HOGUE CELLARS, LTD., a Washington corporation, and VINCOR FINANCE, LLC, a Delaware limited liability company (collectively, the "New Guarantors" and each individually, a "New Guarantor"), and BNY MIDWEST TRUST COMPANY (successor trustee to Harris Trust and Savings Bank and The Bank of New York, as applicable), as trustee (the "Trustee").

RECITALS OF THE COMPANY AND THE NEW GUARANTORS

WHEREAS, the Company, the Guarantors and the Trustee have executed and delivered an Indenture, dated as of February 25, 1999 (the "February 1999 Indenture") as supplemented by a Supplemental Indenture No. 3 dated as of August 6, 1999 with respect to the guarantee of the Indenture Obligations by Subsidiaries of the Company (the "Third Supplemental Indenture"); a Supplemental Indenture No. 4 dated as of May 15, 2000 with respect to the issuance by the Company of its 8 1/2% Series C Senior Notes due 2009 in the aggregate principal amount of £154,000,000 (the "Fourth Supplemental Indenture"); a Supplemental Indenture No. 5 dated as of September 14, 2000 providing for certain amendments to the Fourth Supplemental Indenture (the "Fifth Supplemental Indenture"); a Supplemental Indenture No. 6 dated as of August 21, 2001 with respect to the guarantee of the Indenture Obligations by subsidiaries of the Company (the "Sixth Supplemental Indenture"); a Supplemental Indenture No. 7 dated as of January 23, 2002 with respect to the issuance by the Company of its 8 1/8% Senior Subordinated Notes due 2012 in the aggregate principal amount of $250,000,000 (the "Seventh Supplemental Indenture"); a Supplemental Indenture No. 8 dated as of March 27, 2003 with respect to the guarantee of the Indenture Obligations by Subsidiaries of the Company (the "Eighth Supplemental Indenture"); a Supplemental Indenture No. 9 dated as of July 8, 2004 with respect to the guarantee of the Indenture Obligations by Subsidiaries of the Company (the "Ninth Supplemental Indenture"); a Supplemental Indenture No. 10 dated as of September 13, 2004 with respect to the guarantee of the Indenture Obligations by Subsidiaries of the Company (the "Tenth Supplemental Indenture"); a Supplemental Indenture No. 11 dated as of December 22, 2004 with respect to the guarantee of the Indenture Obligations by Subsidiaries of the Company (the "Eleventh Supplemental Indenture"); and a Supplemental Indenture No. 12 dated as of August 11, 2006 with respect to the guarantee of the Indenture Obligations by Subsidiaries of the Company (the "Twelfth Supplemental Indenture", together with the February 1999 Indenture, Third Supplemental Indenture, Fourth Supplemental Indenture, Fifth Supplemental Indenture, Sixth Supplemental Indenture, Seventh Supplemental Indenture, Eighth Supplemental Indenture, Ninth Supplemental Indenture, Tenth Supplemental Indenture, Eleventh Supplemental Indenture and Twelfth Supplemental Indenture, collectively, the "Indentures");

WHEREAS, the Guarantors guarantee, jointly and severally, the full and punctual payment and performance when due of all Indenture Obligations;

WHEREAS, pursuant to (i) Section 4.15 of the Fourth Supplemental Indenture and (ii) Section 3.10 of the Seventh Supplemental Indenture, the New Guarantors are obligated to enter into this Supplement thereby guaranteeing the punctual payment and performance when due of all Indenture Obligations;

WHEREAS, pursuant to (i) Section 8.01 of the Fourth Supplemental Indenture and (ii) Section 11.1 of the Seventh Supplemental Indenture, the Company, the New Guarantors and the Trustee may enter into this Supplement without the consent of any Holder;

WHEREAS, the execution and delivery of this Supplement have been duly authorized by Board Resolutions of the respective Boards of Directors of the Company and New Guarantors; and

WHEREAS, all conditions and requirements necessary to make the Supplement valid and binding upon the Company and the New Guarantors, and enforceable against the Company and New Guarantors in accordance with its terms, have been performed and fulfilled.

NOW, THEREFORE, in consideration of the above premises, each of the parties hereto agrees, for the benefit of the others and for the equal and proportionate benefit of the Holders of the Securities, as follows:

ARTICLE ONE
THE NEW GUARANTEE

Section 1.01. For value received, each New Guarantor hereby absolutely, unconditionally and irrevocably guarantees (the “New Guarantee”), jointly and severally among itself and the Guarantors, to the Trustee and the Holders, as if such New Guarantor was the principal debtor, the punctual payment and performance when due of all Indenture Obligations (which for purposes of the New Guarantee shall also be deemed to include all commissions, fees, charges, costs and other expenses (including reasonable legal fees and disbursements of one counsel) arising out of or incurred by the Trustee or the Holders in connection with the enforcement of this New Guarantee). The agreements made and obligations assumed hereunder by each New Guarantor shall constitute and shall be deemed to constitute a Guarantee under the Indentures and for all purposes of the Indentures, and such New Guarantor shall be considered a Guarantor for all purposes of the Indentures as if such New Guarantor was originally named therein as a Guarantor.

Section 1.02. The New Guarantee shall be released upon the occurrence of the events as provided in the Indentures.

Section 1.03. Each New Guarantor hereby waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Subsidiary as a result of any payment by such New Guarantor under its Guarantee under the Indentures.

ARTICLE TWO
MISCELLANEOUS

Section 2.01. Except as otherwise expressly provided or unless the context otherwise requires, all terms used herein which are defined in the Indentures shall have the meanings assigned to them in the Indentures. Except as supplemented hereby, the Indentures (including the Guarantees incorporated therein) and the notes issued pursuant thereto are in all respects ratified and confirmed and all the terms and provisions thereof shall remain in full force and effect.

Section 2.02. This Supplement shall be effective as of the close of business on November 30, 2006.

Section 2.03. The recitals contained herein shall be taken as the statements of the Company and the New Guarantors, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplement.

Section 2.04. This Supplement shall be governed by and construed in accordance with the laws of the jurisdiction which govern the Indentures and their construction.

Section 2.05. This Supplement may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed and attested all as of the day and year first above written.

CONSTELLATION BRANDS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Senior Vice President and Treasurer

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: VP, Associate General Counsel

VINCOR INTERNATIONAL PARTNERSHIP

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR INTERNATIONAL II, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR HOLDINGS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

R.H. PHILLIPS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

THE HOGUE CELLARS, LTD.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR FINANCE, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

BNY MIDWEST TRUST COMPANY

By: /s/ D. G. Donovan
Name: D. G. Donovan
Title: Vice President

Attest:

By: /s/ L. Garcia
Name: L. Garcia
Title: Assistant Vice President

SUPPLEMENTAL INDENTURE NO. 7 (this "Supplement"), dated as of November 30, 2006 is entered into by and among CONSTELLATION BRANDS, INC., a Delaware corporation (the "Company"), VINCOR INTERNATIONAL PARTNERSHIP, a Nevada general partnership, VINCOR INTERNATIONAL II, LLC, a Delaware limited liability company, VINCOR HOLDINGS, INC., a Delaware corporation, R.H. PHILLIPS, INC., a California corporation, THE HOGUE CELLARS, LTD., a Washington corporation, and VINCOR FINANCE, LLC, a Delaware limited liability company (collectively, the "New Guarantors" and each individually, a "New Guarantor"), and BNY MIDWEST TRUST COMPANY (successor trustee to Harris Trust and Savings Bank and The Bank of New York, as applicable), as trustee (the "Trustee").

RECITALS OF THE COMPANY AND THE NEW GUARANTORS

WHEREAS, the Company, the Guarantors and the Trustee have executed and delivered an Indenture, dated as of November 17, 1999, as supplemented by Supplemental Indenture No. 1, dated as of August 21, 2001, Supplemental Indenture No. 2, dated as of March 27, 2003, Supplemental Indenture No. 3, dated July 8, 2004, Supplemental Indenture No. 4, dated as of September 13, 2004, Supplemental Indenture No. 5, dated as of December 22, 2004 and Supplemental Indenture No. 6, dated as of August 11, 2006 (collectively, the "Indenture"), providing for the issuance by the Company of £150,000,000 aggregate principal amount of the Company's 8 ½% Senior Notes due 2009, pursuant to which the Guarantors have agreed to guarantee, jointly and severally, the full and punctual payment and performance when due of all Indenture Obligations;

WHEREAS, each New Guarantor has become a Subsidiary and, pursuant to Section 4.15 of the Indenture, is obligated to enter into this Supplement thereby guaranteeing the punctual payment and performance when due of all Indenture Obligations;

WHEREAS, pursuant to Section 8.01 of the Indenture, the Company, the New Guarantors and the Trustee may enter into this Supplement without the consent of any Holder;

WHEREAS, the execution and delivery of this Supplement have been duly authorized by Board Resolutions of the respective Boards of Directors of the Company and New Guarantors; and

WHEREAS, all conditions and requirements necessary to make the Supplement valid and binding upon the Company and New Guarantors, and enforceable against the Company and New Guarantors in accordance with its terms, have been performed and fulfilled.

NOW, THEREFORE, in consideration of the above premises, each of the parties hereto agrees, for the benefit of the others and for the equal and proportionate benefit of the Holders of the Securities, as follows:

ARTICLE ONE
THE NEW GUARANTEE

Section 1.01. For value received, each New Guarantor hereby absolutely, unconditionally and irrevocably guarantees (the "New Guarantee"), jointly and severally among itself and the Guarantors, to the Trustee and the Holders, as if such New Guarantor was the principal debtor, the punctual payment and performance when due of all Indenture Obligations (which for purposes of the New Guarantee shall also be deemed to include all commissions, fees, charges, costs and other expenses (including reasonable legal fees and disbursements of one counsel) arising out of or incurred by the Trustee or the Holders in connection with the enforcement of this New Guarantee). The agreements made and obligations assumed hereunder by each New Guarantor shall constitute and shall be deemed to constitute a Guarantee under the Indenture and for all purposes of the Indenture, and such New Guarantor shall be considered a Guarantor for all purposes of the Indenture as if such New Guarantor was originally named therein as the Guarantor.

Section 1.02. The New Guarantee shall be released upon the occurrence of the events as provided in the Indenture.

Section 1.03. Each New Guarantor hereby waives, and will not in any manner whatsoever claim or take the benefit or advantage of any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Subsidiary as a result of any payment by such New Guarantor under its Guarantee under the Indenture.

ARTICLE TWO
MISCELLANEOUS

Section 2.01. Except as otherwise expressly provided or unless the context otherwise requires, all terms used herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture. Except as supplemented hereby, the Indenture (including the Guarantees incorporated therein) and the notes issued pursuant thereto are in all respects ratified and confirmed and all the terms and provisions thereof shall remain in full force and effect.

Section 2.02 This Supplement shall be effective as of the close of business on November 30, 2006.

Section 2.03. The recitals contained herein shall be taken as the statements of the Company and New Guarantors, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplement.

Section 2.04. This Supplement shall be governed by and construed in accordance with the laws of the jurisdiction which govern the Indenture and its construction.

Section 2.05. This Supplement may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed and attested all as of the day and year first above written.

CONSTELLATION BRANDS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Senior Vice President and Treasurer

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: VP, Associate General Counsel

VINCOR INTERNATIONAL PARTNERSHIP

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR INTERNATIONAL II, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR HOLDINGS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

R.H. PHILLIPS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

THE HOGUE CELLARS, LTD.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR FINANCE, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

BNY MIDWEST TRUST COMPANY

By: /s/ D. G. Donovan
Name: D. G. Donovan
Title: Vice President

Attest:

By: /s/ L. Garcia
Name: L. Garcia
Title: Assistant Vice President

Exhibit 4.25

SUPPLEMENTAL INDENTURE NO. 7 (this "Supplement"), dated as of November 30, 2006 is entered into by and among CONSTELLATION BRANDS, INC., a Delaware corporation (the "Company"), VINCOR INTERNATIONAL PARTNERSHIP, a Nevada general partnership, VINCOR INTERNATIONAL II, LLC, a Delaware limited liability company, VINCOR HOLDINGS, INC., a Delaware corporation, R.H. PHILLIPS, INC., a California corporation, THE HOGUE CELLARS, LTD., a Washington corporation, and VINCOR FINANCE, LLC, a Delaware limited liability company (collectively, the "New Guarantors" and each individually, a "New Guarantor"), and BNY MIDWEST TRUST COMPANY (successor trustee to Harris Trust and Savings Bank and The Bank of New York, as applicable), as trustee (the "Trustee").

RECITALS OF THE COMPANY AND THE NEW GUARANTORS

WHEREAS, the Company, the Guarantors and the Trustee have executed and delivered an Indenture, dated as of February 21, 2001, as supplemented by Supplemental Indenture No. 1, dated as of August 21, 2001, Supplemental Indenture No. 2, dated as of March 27, 2003, Supplemental Indenture No. 3, dated as of July 8, 2004, Supplemental Indenture No. 4, dated as of September 13, 2004, Supplemental Indenture No. 5, dated as of December 22, 2004 and Supplemental Indenture No. 6, dated as of August 11, 2006 (collectively, the "Indenture"), providing for the issuance by the Company of $200,000,000 aggregate principal amount of the Company's 8% Senior Notes due 2008, pursuant to which the Guarantors have agreed to guarantee, jointly and severally, the full and punctual payment and performance when due of all Indenture Obligations;

WHEREAS, each New Guarantor has become a Subsidiary and, pursuant to Section 4.15 of the Indenture, is obligated to enter into this Supplement thereby guaranteeing the punctual payment and performance when due of all Indenture Obligations;

WHEREAS, pursuant to Section 8.01 of the Indenture, the Company, the New Guarantors and the Trustee may enter into this Supplement without the consent of any Holder;

WHEREAS, the execution and delivery of this Supplement have been duly authorized by Board Resolutions of the respective Boards of Directors of the Company and New Guarantors; and

WHEREAS, all conditions and requirements necessary to make the Supplement valid and binding upon the Company and New Guarantors, and enforceable against the Company and New Guarantors in accordance with its terms, have been performed and fulfilled.

NOW, THEREFORE, in consideration of the above premises, each of the parties hereto agrees, for the benefit of the others and for the equal and proportionate benefit of the Holders of the Securities, as follows:

ARTICLE ONE
THE NEW GUARANTEE

Section 1.01. For value received, each New Guarantor hereby absolutely, unconditionally and irrevocably guarantees (the "New Guarantee"), jointly and severally among itself and the Guarantors, to the Trustee and the Holders, as if such New Guarantor was the principal debtor, the punctual payment and performance when due of all Indenture Obligations (which for purposes of the New Guarantee shall also be deemed to include all commissions, fees, charges, costs and other expenses (including reasonable legal fees and disbursements of one counsel) arising out of or incurred by the Trustee or the Holders in connection with the enforcement of this New Guarantee). The agreements made and obligations assumed hereunder by each New Guarantor shall constitute and shall be deemed to constitute a Guarantee under the Indenture and for all purposes of the Indenture, and such New Guarantor shall be considered a Guarantor for all purposes of the Indenture as if such New Guarantor was originally named therein as the Guarantor.

Section 1.02. The New Guarantee shall be released upon the occurrence of the events as provided in the Indenture.

Section 1.03. Each New Guarantor hereby waives, and will not in any manner whatsoever claim or take the benefit or advantage of any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Subsidiary as a result of any payment by such New Guarantor under its Guarantee under the Indenture.

ARTICLE TWO
MISCELLANEOUS

Section 2.01. Except as otherwise expressly provided or unless the context otherwise requires, all terms used herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture. Except as supplemented hereby, the Indenture (including the Guarantees incorporated therein) and the notes issued pursuant thereto are in all respects ratified and confirmed and all the terms and provisions thereof shall remain in full force and effect.

Section 2.02 This Supplement shall be effective as of the close of business on November 30, 2006.

Section 2.03. The recitals contained herein shall be taken as the statements of the Company and New Guarantors, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplement.

Section 2.04. This Supplement shall be governed by and construed in accordance with the laws of the jurisdiction which govern the Indenture and its construction.

Section 2.05. This Supplement may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed and attested all as of the day and year first above written.

CONSTELLATION BRANDS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Senior Vice President and Treasurer

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: VP, Associate General Counsel

VINCOR INTERNATIONAL PARTNERSHIP

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR INTERNATIONAL II, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR HOLDINGS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

R.H. PHILLIPS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

THE HOGUE CELLARS, LTD.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR FINANCE, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

BNY MIDWEST TRUST COMPANY

By: /s/ D. G. Donovan
Name: D. G. Donovan
Title: Vice President

Attest:

By: /s/ L. Garcia
Name: L. Garcia
Title: Assistant Vice President

Exhibit 4.28

SUPPLEMENTAL INDENTURE NO. 2 (this "Supplement"), dated as of November 30, 2006 is entered into by and among CONSTELLATION BRANDS, INC., a Delaware corporation (the "Company"), VINCOR INTERNATIONAL PARTNERSHIP, a Nevada general partnership, VINCOR INTERNATIONAL II, LLC, a Delaware limited liability company, VINCOR HOLDINGS, INC., a Delaware corporation, R.H. PHILLIPS, INC., a California corporation, THE HOGUE CELLARS, LTD., a Washington corporation, and VINCOR FINANCE, LLC, a Delaware limited liability company (collectively, the "New Guarantors" and each individually, a "New Guarantor"), and BNY MIDWEST TRUST COMPANY, as trustee (the "Trustee").

RECITALS OF THE COMPANY AND THE NEW GUARANTORS

WHEREAS, the Company, the Guarantors and the Trustee have executed and delivered an Indenture, dated as of August 15, 2006 (the "Base Indenture"), as supplemented by Supplemental Indenture No. 1, dated as of August 15, 2006, providing for the issuance of the Company's 7.25% Senior Notes due 2016 (the "First Supplemental Indenture, and collectively with the Base Indenture, the "Indenture"), pursuant to which the Guarantors have agreed to guarantee, jointly and severally, the full and punctual payment and performance when due of all Indenture Obligations in accordance with the applicable provisions of the Indenture;

WHEREAS, each New Guarantor is obligated, pursuant to Section 3.4 of the First Supplemental Indenture, to enter into this Supplement thereby guaranteeing the punctual payment and performance when due of all Indenture Obligations;

WHEREAS, pursuant to Section 8.1 of the First Supplemental Indenture, the Company, the New Guarantors and the Trustee may enter into this Supplement without the consent of any Holder;

WHEREAS, the execution and delivery of this Supplement have been duly authorized by all requisite action on the part of the Company and New Guarantors; and

WHEREAS, all conditions under the First Supplemental Indenture with respect to this Supplement have been complied with performed and fulfilled.

NOW, THEREFORE, in consideration of the above premises, each of the parties hereto agrees, for the benefit of the others and for the equal and proportionate benefit of the Holders of the Securities, as follows:

ARTICLE ONE
THE NEW GUARANTEE

Section 1.01. For value received, each New Guarantor hereby absolutely, unconditionally and irrevocably guarantees (the "New Guarantee"), jointly and severally among itself and the Guarantors, to the Trustee and the Holders, as if such New Guarantor was the principal debtor, the punctual payment and performance when due of all Indenture Obligations (which for purposes of the New Guarantee shall also be deemed to include all commissions, fees,

charges, costs and other expenses (including reasonable legal fees and disbursements of one counsel) arising out of or incurred by the Trustee or the Holders in connection with the enforcement of this New Guarantee) in accordance with, and on the terms set forth in, the Indenture. The agreements made and obligations assumed hereunder by each New Guarantor shall constitute and shall be deemed to constitute a Guarantee under the Indenture and for all purposes of the Indenture, and such New Guarantor shall be considered a Guarantor for all purposes of the Indenture as if such New Guarantor was originally named therein as the Guarantor.

Section 1.02. The New Guarantee shall be released upon the occurrence of the events as provided in the Indenture.

Section 1.03. Each New Guarantor hereby waives, and will not in any manner whatsoever claim or take the benefit or advantage of any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Subsidiary as a result of any payment by such New Guarantor under its Guarantee under the Indenture.

ARTICLE TWO
MISCELLANEOUS

Section 2.01. Except as otherwise expressly provided or unless the context otherwise requires, all terms used herein which are defined in the Indenture shall have the meanings assigned to them in the Indenture. Except as supplemented hereby, the Indenture (including the Guarantees incorporated therein) and the notes issued pursuant thereto are in all respects ratified and confirmed and all the terms and provisions thereof shall remain in full force and effect.

Section 2.02 This Supplement shall be effective as of the close of business on November 30, 2006.

Section 2.03. The recitals contained herein shall be taken as the statements of the Company and New Guarantors, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Supplement.

Section 2.04. This Supplement shall be governed by and construed in accordance with the laws of the jurisdiction which govern the Indenture and its construction.

Section 2.05. This Supplement may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplement to be duly executed and attested all as of the day and year first above written.

CONSTELLATION BRANDS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Senior Vice President and Treasurer

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: VP, Associate General Counsel

VINCOR INTERNATIONAL PARTNERSHIP

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR INTERNATIONAL II, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR HOLDINGS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

R.H. PHILLIPS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

THE HOGUE CELLARS, LTD.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

VINCOR FINANCE, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Attest:

By: /s/ Barbara J. LaVerdi
Name: Barbara LaVerdi
Title: Assistant Secretary

BNY MIDWEST TRUST COMPANY

By: /s/ D. G. Donovan
Name: D. G. Donovan
Title: Vice President

Attest:

By: /s/ L. Garcia
Name: L. Garcia
Title: Assistant Vice President

Exhibit 4.31

GUARANTEE ASSUMPTION AGREEMENT

GUARANTEE ASSUMPTION AGREEMENT dated as of November 30, 2006 by VINCOR INTERNATIONAL PARTNERSHIP, a Nevada general partnership, VINCOR INTERNATIONAL II, LLC, a Delaware limited liability company, VINCOR HOLDINGS, INC., a Delaware corporation, R.H. PHILLIPS, INC., a California corporation, THE HOGUE CELLARS, LTD., a Washington corporation, and VINCOR FINANCE, LLC, a Delaware limited liability company (collectively, the "Additional Subsidiary Guarantors", and each individually, an "Additional Subsidiary Guarantor"), in favor of JPMorgan Chase Bank, N.A., as administrative agent for the lenders or other financial institutions or entities party as "Lenders" to the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

Constellation Brands, Inc., a Delaware corporation, the Subsidiary Guarantors referred to therein and the Administrative Agent are parties to an Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time, the "Credit Agreement").

Pursuant to Section 6.09(b) of the Credit Agreement, each Additional Subsidiary Guarantor hereby agrees to become a "Subsidiary Guarantor" for all purposes of the Credit Agreement, and an "Obligor" for all purposes of the U.S. Pledge Agreement. Without limiting the foregoing, each Additional Subsidiary Guarantor hereby, jointly and severally with the other Subsidiary Guarantors, guarantees to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all Guaranteed Obligations (as defined in Section 3.01 of the Credit Agreement) in the same manner and to the same extent as is provided in Article III of the Credit Agreement. In addition, each Additional Subsidiary Guarantor hereby makes the representations and warranties set forth in Sections 4.01, 4.02 and 4.03 of the Credit Agreement, and in Section 2 of the U.S. Pledge Agreement, with respect to itself and its obligations under this Agreement, as if each reference in such Sections to the Loan Documents included reference to this Agreement.

Each Additional Subsidiary Guarantor hereby agrees that Annex 1 of the U.S. Pledge Agreement shall be supplemented as provided in Attachment A hereto.

IN WITNESS WHEREOF, each Additional Subsidiary Guarantor has caused this Guarantee Assumption Agreement to be duly executed and delivered as of the day and year first above written.

VINCOR INTERNATIONAL PARTNERSHIP

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

VINCOR INTERNATIONAL II, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

VINCOR HOLDINGS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

R.H. PHILLIPS, INC.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

THE HOGUE CELLARS, LTD.

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

VINCOR FINANCE, LLC

By: /s/ Thomas D. Roberts
Name: Thomas D. Roberts
Title: Vice President

Accepted and agreed:

JPMORGAN CHASE BANK, N.A., as
Administrative Agent

By: /s/ Randolph Cates
Name: RANDOLPH CATES
Title: VICE PRESIDENT

ATTACHMENT A

SUPPLEMENT TO ANNEX 1 TO U.S. PLEDGE AGREEMENT

PART A

PLEDGED STOCK

U.S. ISSUERS			
Issuer	**Certificate No.**	**Registered Owner**	**Number of Shares**
Vincor Holdings, Inc.	6	Vincor International II, LLC	400 common shares
R.H. Phillips, Inc.	PM-1	Vincor Holdings, Inc.	10,000,000 shares of common stock
The Hogue Cellars, Ltd.	55	Vincor Holdings, Inc.	46,725 common shares

PART B

PLEDGED INTERESTS

U.S. ISSUERS			
Issuer	**Certificate No.**	**Registered Owner**	**Ownership Interests**
Vincor International Partnership	1	Constellation Brands, Inc.	99.9%
	2	Constellation Wines U.S., Inc.	0.01%
Vincor International II, LLC	1	Vincor International Partnership	100%
Vincor Finance, LLC	1	Constellation Brands, Inc.	100%

Guarantee Assumption Agreement

Exhibit 10.2

Description of Compensation Arrangements for Certain Executive Officers

A description of the compensation arrangements for certain of the executive officers of Constellation Brands, Inc. is set forth at Exhibit 10.46 of the Company's Form 10-K for the fiscal year ended February 28, 2006. In addition to the compensation arrangements and employee benefits described therein, the current executive officers, including those who are Named Executive Officers (as defined in Item 402(a)(3) of Regulation S-K), are eligible to receive an executive vehicle/auto allowance perquisite having an annual value of up to $9,600. Notwithstanding the foregoing, no executive officer who receives a vehicle/auto allowance benefit pursuant to an employment agreement is eligible to receive this executive vehicle/auto allowance perquisite.

Exhibit 31.1

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

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2006

I, Richard Sands, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is

reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: January 9, 2007

/s/ Richard Sands
Richard Sands
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

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

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2006**

I, Thomas S. Summer, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is

reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: January 9, 2007

/s/ Thomas S. Summer
Thomas S. Summer
Executive Vice President and
Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2006

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended November 30, 2006, I, Richard Sands, certify that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended November 30, 2006 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended November 30, 2006 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: January 9, 2007

/s/ Richard Sands
Richard Sands,
Chairman of the Board and
Chief Executive Officer

Exhibit 32.2

SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended November 30, 2006

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended November 30, 2006, I, Thomas S. Summer, certify that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended November 30, 2006 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended November 30, 2006 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: January 9, 2007

/s/ Thomas S. Summer
Thomas S. Summer,
Executive Vice President and
Chief Financial Officer