**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 August 31, 2007

**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 September 30, 2007, is set forth below:

| Class | Number of Shares Outstanding |
|---|---|
| Class A Common Stock, Par Value $.01 Per Share | 191,613,756 |
| Class B Common Stock, Par Value $.01 Per Share | 23,810,638 |

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

| | August 31, 2007 | February 28, 2007 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash investments | $ 33.2 | $ 33.5 |
| Accounts receivable, net | 784.5 | 881.0 |
| Inventories | 1,922.7 | 1,948.1 |
| Prepaid expenses and other | 147.0 | 160.7 |
| Total current assets | 2,887.4 | 3,023.3 |
| PROPERTY, PLANT AND EQUIPMENT, net | 1,728.6 | 1,750.2 |
| GOODWILL | 3,354.4 | 3,083.9 |
| INTANGIBLE ASSETS, net | 1,216.4 | 1,135.4 |
| OTHER ASSETS, net | 544.3 | 445.4 |
| Total assets | $ 9,731.1 | $ 9,438.2 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Notes payable to banks | $ 149.8 | $ 153.3 |
| Current maturities of long-term debt | 307.4 | 317.3 |
| Accounts payable | 281.3 | 376.1 |
| Accrued excise taxes | 72.1 | 73.7 |
| Other accrued expenses and liabilities | 641.4 | 670.7 |
| Total current liabilities | 1,452.0 | 1,591.1 |
| LONG-TERM DEBT, less current maturities | 4,291.8 | 3,714.9 |
| DEFERRED INCOME TAXES | 473.7 | 474.1 |
| OTHER LIABILITIES | 324.8 | 240.6 |
| STOCKHOLDERS' EQUITY: | | |
| Class A Common Stock, $.01 par value- Authorized, 315,000,000 shares; Issued, 220,341,145 shares at August 31, 2007, and 219,090,309 shares at February 28, 2007 | 2.2 | 2.2 |
| Class B Convertible Common Stock, $.01 par value- Authorized, 30,000,000 shares; Issued, 28,820,538 shares at August 31, 2007, and 28,831,138 shares at February 28, 2007 | 0.3 | 0.3 |
| Additional paid-in capital | 1,310.3 | 1,271.1 |
| Retained earnings | 2,021.2 | 1,919.3 |
| Accumulated other comprehensive income | 477.7 | 349.1 |
| | 3,811.7 | 3,542.0 |
| Less: Treasury stock - | | |
| Class A Common Stock, 29,082,527 shares at August 31, 2007, and 8,046,370 shares at February 28, 2007, at cost | (620.7) | (122.3) |
| Class B Convertible Common Stock, 5,005,800 shares at August 31, 2007, and February 28, 2007, at cost | (2.2) | (2.2) |
| | (622.9) | (124.5) |
| Total stockholders' equity | 3,188.8 | 3,417.5 |
| Total liabilities and stockholders' equity | $ 9,731.1 | $ 9,438.2 |

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 Six Months Ended August 31, | | For the Three Months Ended August 31, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| SALES | $ 2,343.3 | $ 3,145.1 | $ 1,167.9 | $ 1,714.9 |
| Less - Excise taxes | (549.5) | (571.7) | (275.3) | (297.4) |
| Net sales | 1,793.8 | 2,573.4 | 892.6 | 1,417.5 |
| COST OF PRODUCT SOLD | (1,215.9) | (1,840.0) | (582.9) | (1,002.7) |
| Gross profit | 577.9 | 733.4 | 309.7 | 414.8 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | (388.1) | (377.0) | (190.5) | (204.4) |
| ACQUISITION-RELATED INTEGRATION COSTS | (3.6) | (8.1) | (1.6) | (7.4) |
| RESTRUCTURING AND RELATED CHARGES | (0.8) | (24.0) | (0.4) | (21.7) |
| Operating income | 185.4 | 324.3 | 117.2 | 181.3 |
| EQUITY IN EARNINGS OF EQUITY METHOD INVESTEES | 155.9 | 0.3 | 80.1 | 0.2 |
| INTEREST EXPENSE, net | (166.4) | (121.2) | (86.7) | (72.5) |
| GAIN ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENT | - | 55.1 | - | 2.6 |
| Income before income taxes | 174.9 | 258.5 | 110.6 | 111.6 |
| PROVISION FOR INCOME TAXES | (73.0) | (104.6) | (38.5) | (43.2) |
| NET INCOME | 101.9 | 153.9 | 72.1 | 68.4 |
| Dividends on preferred stock | - | (4.9) | - | (2.4) |
| INCOME AVAILABLE TO COMMON STOCKHOLDERS | $ 101.9 | $ 149.0 | $ 72.1 | $ 66.0 |
| | | | | |
| SHARE DATA: | | | | |
| Earnings per common share: | | | | |
| Basic - Class A Common Stock | $ 0.46 | $ 0.67 | $ 0.34 | $ 0.30 |
| Basic - Class B Common Stock | $ 0.42 | $ 0.61 | $ 0.31 | $ 0.27 |
| Diluted - Class A Common Stock | $ 0.45 | $ 0.64 | $ 0.33 | $ 0.28 |
| Diluted - Class B Common Stock | $ 0.41 | $ 0.59 | $ 0.30 | $ 0.26 |
| | | | | |
| Weighted average common shares outstanding: | | | | |
| Basic - Class A Common Stock | 198.472 | 199.943 | 191.308 | 200.316 |
| Basic - Class B Common Stock | 23.821 | 23.849 | 23.819 | 23.845 |
| Diluted - Class A Common Stock | 226.395 | 240.052 | 219.300 | 240.318 |
| Diluted - Class B Common Stock | 23.821 | 23.849 | 23.819 | 23.845 |

The accompanying notes are an integral part of these statements.

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

| | For the Six Months Ended August 31, | |
|---|---|---|
| | 2007 | 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 101.9 | $ 153.9 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of property, plant and equipment | 71.6 | 58.5 |
| Stock-based compensation expense | 16.9 | 7.8 |
| Loss on disposal of business | 6.8 | 17.4 |
| Amortization of intangible and other assets | 5.4 | 3.7 |
| Deferred tax provision | 3.4 | 31.1 |
| Equity in earnings of equity method investees, net of distributed earnings | 2.2 | 0.2 |
| Loss on disposal or impairment of long-lived assets, net | 0.7 | 1.4 |
| Gain on change in fair value of derivative instrument | - | (55.1) |
| Non-cash portion of loss on extinguishment of debt | - | 11.8 |
| Change in operating assets and liabilities, net of effects from purchases and sales of businesses: | | |
| Accounts receivable, net | (56.6) | (152.1) |
| Inventories | 1.8 | 36.0 |
| Prepaid expenses and other current assets | (9.0) | (43.1) |
| Accounts payable | (10.7) | 55.3 |
| Accrued excise taxes | 13.1 | 1.0 |
| Other accrued expenses and liabilities | 61.4 | (57.6) |
| Other, net | (31.2) | 11.2 |
| Total adjustments | 75.8 | (72.5) |
| Net cash provided by operating activities | 177.7 | 81.4 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of business, net of cash acquired | (386.3) | (1,091.8) |
| Purchases of property, plant and equipment | (47.0) | (103.1) |
| Payment of accrued earn-out amount | (2.8) | (1.1) |
| Investment in equity method investee | (0.6) | - |
| Proceeds from formation of joint venture | 185.6 | - |
| Proceeds from sales of businesses | 3.0 | 28.4 |
| Proceeds from sales of assets | 2.3 | 1.2 |
| Proceeds from maturity of derivative instrument | - | 55.1 |
| Other investing activities | - | (0.1) |
| Net cash used in investing activities | (245.8) | (1,111.4) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of long-term debt | 716.1 | 3,695.0 |
| Exercise of employee stock options | 12.5 | 33.8 |
| Excess tax benefits from share-based payment awards | 7.4 | 12.3 |
| Proceeds from employee stock purchases | 3.0 | 3.2 |
| Purchases of treasury stock | (500.0) | (82.0) |
| Principal payments of long-term debt | (163.1) | (2,771.5) |
| Payment of financing costs of long-term debt | (6.1) | (19.3) |
| Net (repayment of) proceeds from notes payable | (2.1) | 212.1 |
| Payment of preferred stock dividends | - | (4.9) |
| Net cash provided by financing activities | 67.7 | 1,078.7 |
| Effect of exchange rate changes on cash and cash investments | 0.1 | (17.4) |
| NET (DECREASE) INCREASE IN CASH AND CASH INVESTMENTS | (0.3) | 31.3 |
| CASH AND CASH INVESTMENTS, beginning of period | 33.5 | 10.9 |
| CASH AND CASH INVESTMENTS, end of period | $ 33.2 | $ 42.2 |
| SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Fair value of assets acquired, including cash acquired | $ 427.7 | $ 1,739.7 |
| Liabilities assumed | (40.1) | (612.4) |
| Net assets acquired | 387.6 | 1,127.3 |
| Plus - settlement of note payable | - | 2.3 |
| Plus - payment of direct acquisition costs previously accrued | 0.4 | - |
| Less - cash acquired | (1.6) | (34.9) |
| Less - direct acquisition costs accrued | (0.1) | (2.9) |
| Net cash paid for purchases of businesses | $ 386.3 | $ 1,091.8 |

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 Annual Report on Form 10-K for the fiscal year ended February 28, 2007. Results of operations for interim periods are not necessarily indicative of annual results.

2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS:

Effective March 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("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 (see Note 9).

3) ACQUISITIONS:

*Acquisition of Svedka –*
On March 19, 2007, the Company acquired the SVEDKA Vodka brand ("Svedka") in connection with the acquisition of Spirits Marque One LLC and related business (the "Svedka Acquisition"). Svedka is a premium Swedish vodka. The acquisition of Svedka supports the Company's strategy of expanding the Company's premium spirits business. The acquisition provides a foundation from which the Company looks to leverage its existing and future premium spirits portfolio for growth. In addition, Svedka complements the Company's existing portfolio of super-premium and value vodka brands by adding a premium vodka brand.

Total consideration paid in cash for the Svedka Acquisition was $385.8 million. In addition, the Company expects to incur direct acquisition costs of approximately $1.3 million. The purchase price was financed with revolver borrowings under the Company's 2006 Credit Agreement (as defined in Note 8). 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 Svedka business, including the factors described above.

The results of operations of the Svedka business are reported in the Constellation Spirits segment and have been included in the consolidated results of operations of the Company from the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in the Svedka Acquisition at the date of acquisition. The Company is in the process of obtaining third-party valuations of certain assets and liabilities. Accordingly, the allocation of the purchase price is preliminary and subject to change. Estimated fair values at March 19, 2007, are as follows:

| *(in millions)* | | |
|---|---|---|
| Current assets | $ | 20.2 |
| Property, plant and equipment | | 0.1 |
| Goodwill | | 349.8 |
| Trademark | | 36.4 |
| Other assets | | 20.7 |
| Total assets acquired | | 427.2 |
| Current liabilities | | 24.0 |
| Long-term liabilities | | 16.1 |
| Total liabilities assumed | | 40.1 |
| Net assets acquired | $ | 387.1 |

The trademark is not subject to amortization. Approximately $85 million of the goodwill is expected to be deductible for tax purposes.

*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 United Kingdom (“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 acquisition of Vincor include Inniskillin, Jackson-Triggs, Sawmill Creek, Sumac Ridge, 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 United States (“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 incurred direct acquisition costs of $9.4 million. At closing, the Company also assumed outstanding indebtedness of Vincor, net of cash acquired, of $320.2 million. The purchase price was financed with borrowings under the Company’s June 2006 Credit Agreement (as defined in Note 8). 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 acquisition of Vincor, 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. During the six months ended August 31, 2006, the Company recorded a gain of $55.1 million in connection with this derivative instrument. Under Statement of Financial Accounting Standards No. 133 (“SFAS No. 133”), “Accounting for Derivative Instruments and Hedging Activities,” as amended, 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.

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 from the date of acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed in the acquisition of Vincor at the date of acquisition:

| *(in millions)* | | |
|---|---|---|
| Current assets | $ | 390.5 |
| Property, plant and equipment | | 241.4 |
| Goodwill | | 874.8 |
| Trademarks | | 224.3 |
| Other assets | | 49.5 |
| Total assets acquired | | 1,780.5 |
| Current liabilities | | 418.3 |
| Long-term liabilities | | 237.0 |
| Total liabilities assumed | | 655.3 |
| Net assets acquired | $ | 1,125.2 |

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 historical results of operations and the unaudited pro forma results of operations of the Company for the six months and three months ended August 31, 2007, and August 31, 2006, respectively. Unaudited pro forma results of operation of the Company for the six months and three months ended August 31, 2007, are not presented to give effect to the Svedka Acquisition as if it had occurred on March 1, 2006, as they are not significant. The unaudited pro forma results of operations for the six months and three months ended August 31, 2006, give effect to the Svedka Acquisition and the acquisition of Vincor as if they occurred on March 1, 2006. 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 six months ended August 31, 2006, 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 transactions 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 Six Months Ended August 31, | | For the Three Months Ended August 31, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| *(in millions, except per share data)* | | | | |
| Net sales | $ 1,793.8 | $ 2,712.5 | $ 892.6 | $ 1,430.0 |
| Income before income taxes | $ 174.9 | $ 205.4 | $ 110.6 | $ 108.3 |
| Net income | $ 101.9 | $ 118.6 | $ 72.1 | $ 66.2 |
| Income available to common stockholders | $ 101.9 | $ 113.7 | $ 72.1 | $ 63.8 |
| Earnings per common share – basic: | | | | |
| Class A Common Stock | $ 0.46 | $ 0.51 | $ 0.34 | $ 0.29 |
| Class B Common Stock | $ 0.42 | $ 0.47 | $ 0.31 | $ 0.26 |
| Earnings per common share – diluted: | | | | |
| Class A Common Stock | $ 0.45 | $ 0.49 | $ 0.33 | $ 0.28 |
| Class B Common Stock | $ 0.41 | $ 0.45 | $ 0.30 | $ 0.25 |
| Weighted average common shares outstanding – basic: | | | | |
| Class A Common Stock | 198.472 | 199.943 | 191.308 | 200.316 |
| Class B Common Stock | 23.821 | 23.849 | 23.819 | 23.845 |
| Weighted average common shares outstanding – diluted: | | | | |
| Class A Common Stock | 226.395 | 240.052 | 219.300 | 240.318 |
| Class B Common Stock | 23.821 | 23.849 | 23.819 | 23.845 |

## 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:

| *(in millions)* | August 31, 2007 | February 28, 2007 |
|---|---|---|
| Raw materials and supplies | $ 110.8 | $ 106.5 |
| In-process inventories | 1,183.2 | 1,264.4 |
| Finished case goods | 628.7 | 577.2 |
| | $ 1,922.7 | $ 1,948.1 |

## 5) GOODWILL:

The changes in the carrying amount of goodwill for the six months ended August 31, 2007, are as follows:

| *(in millions)* | Constellation Wines | Constellation Spirits | Crown Imports | Consolidations and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Balance, February 28, 2007 | $ 2,939.5 | $ 144.4 | $ 13.0 | $ (13.0) | $ 3,083.9 |
| Purchase accounting allocations | (10.1) | 349.8 | - | - | 339.7 |
| Foreign currency translation adjustments | 71.4 | 1.6 | - | - | 73.0 |
| Purchase price earn-out | 1.2 | - | - | - | 1.2 |
| Disposal of business | (143.4) | - | - | - | (143.4) |
| Balance, August 31, 2007 | $ 2,858.6 | $ 495.8 | $ 13.0 | $ (13.0) | $ 3,354.4 |

The Constellation Spirits segment's purchase accounting allocations totaling $349.8 million consist of purchase accounting allocations associated with the Svedka Acquisition. The Constellation Wines segment's purchase accounting allocations totaling ($10.1) million consist primarily of a reduction of $17.0 million in connection with an adjustment to income taxes payable acquired in a prior acquisition, partially offset by final purchase accounting allocations associated with the acquisition of Vincor of $6.7 million. The Constellation Wines segment's disposal of business of $143.4 million consists of the Company's reduction of goodwill in connection with the Company's contribution of its U.K. wholesale business associated with the formation of a joint venture with Punch Taverns plc ("Punch") (see Note 7).

6) INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

| | August 31, 2007 | | February 28, 2007 | |
|---|---|---|---|---|
| | Gross Carrying Amount | Net Carrying Amount | Gross Carrying Amount | Net Carrying Amount |
| *(in millions)* | | | | |
| Amortizable intangible assets: | | | | |
| Customer relationships | $ 55.4 | $ 52.1 | $ 32.9 | $ 31.3 |
| Distribution agreements | 11.1 | 6.6 | 19.9 | 6.9 |
| Other | 3.4 | 1.9 | 2.4 | 1.1 |
| Total | $ 69.9 | 60.6 | $ 55.2 | 39.3 |
| Nonamortizable intangible assets: | | | | |
| Trademarks | | 1,151.6 | | 1,091.9 |
| Agency relationships | | 4.2 | | 4.2 |
| Total | | 1,155.8 | | 1,096.1 |
| Total intangible assets | | $ 1,216.4 | | $ 1,135.4 |

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 $2.2 million and $1.3 million for the six months ended August 31, 2007, and August 31, 2006, respectively, and $1.1 million and $0.7 million for the three months ended August 31, 2007, and August 31, 2006, respectively. Estimated amortization expense for the remaining six months of fiscal 2008 and for each of the five succeeding fiscal years and thereafter is as follows:

| *(in millions)* | |
|---|---|
| 2008 | $ 2.3 |
| 2009 | $ 4.6 |
| 2010 | $ 4.6 |
| 2011 | $ 4.5 |
| 2012 | $ 3.9 |
| 2013 | $ 3.8 |
| Thereafter | $ 36.9 |

7) OTHER ASSETS:

*Investment in Matthew Clark –*
On April 17, 2007, the Company and Punch commenced operations of a joint venture for the U.K. wholesale business ("Matthew Clark"). The U.K. wholesale business was formerly owned entirely by the Company. Under the terms of the arrangement, the Company and Punch, directly or indirectly, each have a 50% voting and economic interest in Matthew Clark. The Company received $185.6 million of cash proceeds from the formation of the joint venture.

Upon formation of the joint venture, the Company discontinued consolidation of the U.K. wholesale business and accounts for the investment in Matthew Clark under the equity method. Accordingly, the results of operations of Matthew Clark 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. As of August 31, 2007, the Company's investment in Matthew Clark was $73.5 million.

*Investment in Crown Imports –*
On January 2, 2007, Barton Beers, Ltd. ("Barton"), an indirect wholly-owned subsidiary of the Company, and Diblo, S.A. de C.V. ("Diblo"), an entity owned 76.75% by Grupo Modelo, S.A.B. de C.V. ("Modelo") and 23.25% by Anheuser-Busch, Inc., completed the formation of Crown Imports LLC ("Crown Imports"), a joint venture in which Barton and Diblo each have, directly or indirectly, equal interests. Crown Imports has the exclusive right to import, market and sell Modelo's Mexican beer portfolio (the "Modelo Brands") in the 50 states of the U.S., the District of Columbia and Guam. In addition, the owners of the Tsingtao and St. Pauli Girl brands have transferred exclusive importing, marketing and selling rights with respect to those brands in the U.S. to the joint venture. The importer agreement that previously gave Barton the exclusive right to import, market and sell the Modelo Brands primarily west of the Mississippi River was superseded by the transactions consummated by the newly formed joint venture.

Upon commencement of operations of the joint venture, the Company discontinued consolidation of the imported beer business and accounts for the investment in Crown Imports under the equity method. Accordingly, the results of operations of Crown Imports 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. As of August 31, 2007, the Company's investment in Crown Imports was $159.6 million. The carrying amount of the investment is greater than the Company's equity in the underlying assets of Crown Imports by $13.6 million due to the difference in the carrying amounts of the indefinite lived intangible assets contributed to Crown Imports by each party.

Summary financial information for Crown Imports for the six months and three months ended August 31, 2007, is presented below. The amounts shown represent 100% of Crown Imports consolidated operating results.

| *(in millions)* | For the Six Months Ended August 31, 2007 | For the Three Months Ended August 31, 2007 |
| --- | --- | --- |
| Net sales | $ 1,380.8 | $ 722.7 |
| Gross profit | $ 424.0 | $ 219.3 |
| Net income | $ 303.9 | $ 157.5 |

8) 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 "June 2006 Credit Agreement"). On February 23, 2007, the June 2006 Credit Agreement was amended (the "February Amendment"). The June 2006 Credit Agreement together with the February Amendment is referred to as the "2006 Credit Agreement". The 2006 Credit Agreement provides for aggregate credit facilities of $3.9 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 $900 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 June 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.

As of August 31, 2007, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining six months of fiscal 2008 and for each of the five succeeding fiscal years are as follows:

| *(in millions)* | Tranche A Term Loan | Tranche B Term Loan | Total |
|---|---|---|---|
| 2008 | $ - | $ - | $ - |
| 2009 | 210.0 | 2.0 | 212.0 |
| 2010 | 270.0 | 4.0 | 274.0 |
| 2011 | 300.0 | 4.0 | 304.0 |
| 2012 | 150.0 | 4.0 | 154.0 |
| 2013 | - | 1,426.0 | 1,426.0 |
| | $ 930.0 | $ 1,440.0 | $ 2,370.0 |

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 fixed with respect to the tranche B term loan facility and is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) with respect to the tranche A term loan facility and the revolving credit facility. As of August 31, 2007, the 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 February Amendment amended the June 2006 Credit Agreement to, among other things, (i) increase the revolving credit facility from $500.0 million to $900.0 million, which increased the aggregate credit facilities from $3.5 billion to $3.9 billion; (ii) increase the aggregate amount of cash payments the Company is permitted to make in respect or on account of its capital stock; (iii) remove certain limitations on the application of proceeds from the incurrence of senior unsecured indebtedness; (iv) increase the maximum permitted total "Debt Ratio" and decrease the required minimum "Interest Coverage Ratio"; and (v) eliminate the "Senior Debt Ratio" covenant and the "Fixed Charges Ratio" covenant.

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 coverage ratios and minimum interest coverage ratios.

As of August 31, 2007, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $930.0 million bearing an interest rate of 6.6%, tranche B term loans of $1.44 billion bearing an interest rate of 6.9%, revolving loans of $17.0 million bearing an interest rate of 5.8%, outstanding letters of credit of $33.9 million, and $849.1 million in revolving loans available to be drawn.

As of August 31, 2007, the Company had outstanding interest rate swap agreements which fixed LIBOR interest rates on $1.2 billion of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. For the six months ended August 31, 2007, and August 31, 2006, the Company reclassified $3.5 million, net of tax effect of $2.3 million, and $2.3 million, net of tax effect of $1.5 million, respectively, from AOCI (as defined in Note 14) to the interest expense, net line in the Company's Consolidated Statements of Income. For the three months ended August 31, 2007, and August 31, 2006, the Company reclassified $1.7 million, net of tax effect of $1.1 million, and $1.5 million, net of tax effect of $1.0 million, respectively, from AOCI to the interest expense, net line 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.

*Senior notes –*

On May 14, 2007, the Company issued $700.0 million aggregate principal amount of 7 1/4% Senior Notes due May 2017 (the "May 2007 Senior Notes"). The net proceeds of the offering ($693.9 million) were used to reduce a corresponding amount of borrowings under the revolving portion of the Company's 2006 Credit Agreement. Interest on the May 2007 Senior Notes is payable semiannually on May 15 and November 15 of each year, beginning November 15, 2007. The May 2007 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest to the redemption date, plus a make whole payment based on the present value of the future payments at the applicable Treasury Rate plus 50 basis points. The May 2007 Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. Certain of the Company's significant U.S. operating subsidiaries guarantee the May 2007 Senior Notes, on an unsecured senior basis. As of August 31, 2007, the Company had outstanding $700.0 million aggregate principal amount of May 2007 Senior Notes.

In connection with the issuance of the May 2007 Senior Notes, the Company entered into a registration rights agreement. Pursuant to the registration rights agreement, the Company agreed to, among other things, (i) file a registration statement with respect to an offer to exchange the May 2007 Senior Notes for new, registered notes of the Company with otherwise identical terms within 395 days after the issue date of the May 2007 Senior Notes; (ii) have the registration statement declared effective within 485 days after such issue date; and (iii) consummate the exchange offer within 525 days after such issue date. If any such event does not occur, then additional cash interest will accrue on the May 2007 Senior Notes at the rate of 0.25% per year for the first 90-day period immediately following the event of default, increasing by an additional 0.25% per year for each subsequent 90-day period up to a maximum of 1.00% per year until the event of default is cured or, in the absence of a completed exchange offer, the May 2007 Senior Notes either (i) are registered for resale as required under the registration rights agreement or (ii) become freely tradeable without registration. As of August 31, 2007, the Company has not recorded any liability for any such additional cash interest as the Company has determined that the likelihood of failing to meet the Company's obligations under the registration rights agreement is remote.

*Subsidiary credit facilities –*

The Company has additional credit arrangements totaling $434.9 million as of August 31, 2007. These arrangements primarily support the financing needs of the Company's domestic and foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of August 31, 2007, amounts outstanding under these arrangements were $206.0 million.

9) INCOME TAXES:

As noted in Note 2, effective March 1, 2007, the Company adopted FIN No. 48. The Company did not record any cumulative effect adjustment to retained earnings as a result of the adoption of FIN No. 48. Upon adoption, the liability for income taxes associated with uncertain tax positions was $108.1 million. Unrecognized tax benefits of $62.8 million would affect the Company's effective tax rate if recognized. The Company reclassified $83.9 million of income tax liabilities from current to non-current liabilities because payment of cash is not anticipated within one year of the balance sheet date. These non-current liabilities are recorded in the other liabilities line in the Company's Consolidated Balance Sheet.

In accordance with the Company's accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. This policy did not change as a result of the adoption of FIN No. 48. As of the date of adoption, $8.5 million, net of tax benefit, was included in the liability for uncertain tax positions for the possible payment of interest and penalties.

Various U.S. federal, state, and foreign income tax examinations are currently in progress. It is reasonably possible that the liability associated with the Company's unrecognized tax benefits will increase or decrease within the next twelve months as a result of these examinations or the expiration of the statutes of limitation. At this time, an estimate of the range of reasonably possible outcomes cannot be made. The Company files U.S. federal income tax returns and various state, local and foreign income tax returns. With few exceptions, the Company is no longer subject to U.S. federal, state, local or foreign income tax examinations for fiscal years prior to February 29, 2000.

The Company's effective tax rate for the six months ended August 31, 2007, and August 31, 2006, was 41.7% and 40.5%, respectively. The increase in the Company's effective tax rate for the six months ended August 31, 2007, is primarily due to the recognition of a nondeductible pretax loss in connection with the Company's contribution of its U.K. wholesale business to the Matthew Clark joint venture and increases to existing tax contingencies and related interest, partially offset by reductions in deferred income tax liabilities as a result of legislative changes in various state and foreign jurisdictions.

The Company's effective tax rate for the three months ended August 31, 2007, and August 31, 2006, was 34.8% and 38.7%, respectively. The decrease in the Company's effective tax rate for the three months ended August 31, 2007, is primarily due to reductions in deferred income tax liabilities as a result of legislative changes in various state and foreign jurisdictions and the tax effects of foreign earnings, partially offset by increases to existing tax contingencies and related interest.

10) RETIREMENT SAVINGS PLANS AND POSTRETIREMENT BENEFIT PLANS:

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

| | For the Six Months Ended August 31, | | For the Three Months Ended August 31, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| *(in millions)* | | | | |
| Service cost | $ 2.5 | $ 1.1 | $ 1.3 | $ 0.5 |
| Interest cost | 12.3 | 9.7 | 6.3 | 4.9 |
| Expected return on plan assets | (14.7) | (10.9) | (7.5) | (5.5) |
| Amortization of prior service cost | 0.2 | 0.1 | 0.1 | 0.1 |
| Recognized net actuarial loss | 4.3 | 2.6 | 2.2 | 2.1 |
| Net periodic benefit cost | $ 4.6 | $ 2.6 | $ 2.4 | $ 2.1 |

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 Six Months Ended August 31, | | For the Three Months Ended August 31, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| *(in millions)* | | | | |
| Service cost | $ 0.1 | $ 0.1 | $ - | $ 0.1 |
| Interest cost | 0.2 | 0.1 | 0.1 | - |
| Amortization of prior service cost | - | - | - | - |
| Recognized net actuarial loss | - | - | - | - |
| Net periodic benefit cost | $ 0.3 | $ 0.2 | $ 0.1 | $ 0.1 |

Contributions of $5.7 million have been made by the Company to fund its defined benefit pension plans for the six months ended August 31, 2007. The Company presently anticipates contributing an additional $5.9 million to fund its defined benefit pension plans during the year ending February 29, 2008, resulting in total employer contributions of $11.6 million for the year ending February 29, 2008.

11) STOCKHOLDERS' EQUITY:

*Stock repurchase –*
In February 2007, the Company's Board of Directors authorized the repurchase of up to $500.0 million of the Company's Class A Common Stock and Class B Common Stock. During the six months ended August 31, 2007, the Company repurchased 21,332,468 shares of Class A Common Stock pursuant to this authorization at an aggregate cost of $500.0 million, or an average cost of $23.44 per share, through a combination of open market transactions and an accelerated share repurchase ("ASR") transaction that was announced in May 2007. The repurchased shares include 933,206 shares of Class A Common Stock that were received by the Company in July 2007 in connection with the early termination of the calculation period for the ASR transaction by the counterparty to the ASR transaction. The Company used revolver borrowings under the 2006 Credit Agreement to pay the purchase price for the repurchased shares. The repurchased shares have become treasury shares.

*Class A Common Stock –*
In July 2007, the stockholders of the Company approved an increase in the number of authorized shares of Class A Common Stock from 300,000,000 shares to 315,000,000 shares, thereby increasing the aggregate number of authorized shares of the Company's common and preferred stock to 346,000,000 shares.

*Long-term stock incentive plan –*
In July 2007, the stockholders of the Company approved, among other things, an increase in the number of shares of Class A Common Stock available for awards under the Company's Long-Term Stock Incentive Plan from 80,000,000 shares to 94,000,000 shares.

12) 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 for Class A Common Stock reflects the potential dilution that could result if securities to issue common stock were exercised or converted into common stock. Diluted earnings per common share for Class A Common Stock assumes the exercise of stock options using the treasury stock method and the conversion of Class B Convertible Common Stock and Preferred Stock using the more dilutive if-converted method. Diluted earnings per common share for Class B Convertible Common Stock is presented without assuming conversion into Class A Common Stock and is computed using the two-class computation method.

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

| | For the Six Months Ended August 31, | | For the Three Months Ended August 31, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| *(in millions, except per share data)* | | | | |
| Net income | $ 101.9 | $ 153.9 | $ 72.1 | $ 68.4 |
| Dividends on preferred stock | - | (4.9) | - | (2.4) |
| Income available to common stockholders | $ 101.9 | $ 149.0 | $ 72.1 | $ 66.0 |
| Weighted average common shares outstanding – basic: | | | | |
| Class A Common Stock | 198.472 | 199.943 | 191.308 | 200.316 |
| Class B Common Stock | 23.821 | 23.849 | 23.819 | 23.845 |
| Total weighted average common shares outstanding – basic | 222.293 | 223.792 | 215.127 | 224.161 |
| Stock options | 4.102 | 6.277 | 4.173 | 6.174 |
| Preferred stock | - | 9.983 | - | 9.983 |
| Weighted average common shares outstanding – diluted | 226.395 | 240.052 | 219.300 | 240.318 |
| Earnings per common share – basic: | | | | |
| Class A Common Stock | $ 0.46 | $ 0.67 | $ 0.34 | $ 0.30 |
| Class B Common Stock | $ 0.42 | $ 0.61 | $ 0.31 | $ 0.27 |
| Earnings per common share – diluted: | | | | |
| Class A Common Stock | $ 0.45 | $ 0.64 | $ 0.33 | $ 0.28 |
| Class B Common Stock | $ 0.41 | $ 0.59 | $ 0.30 | $ 0.26 |

Stock options to purchase 9.8 million and 9.0 million shares of Class A Common Stock at a weighted average price per share of $26.03 and $26.45 were outstanding during the six months ended August 31, 2007, and August 31, 2006, 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 8.8 million and 9.0 million shares of Class A Common Stock at a weighted average price per share of $26.37 and $26.45 were outstanding during the three months ended August 31, 2007, and August 31, 2006, 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.

13) STOCK-BASED COMPENSATION:

The Company recorded $16.9 million and $7.7 million of stock-based compensation cost in its Consolidated Statements of Income for the six months ended August 31, 2007, and August 31, 2006, respectively. The Company recorded $7.5 million and $4.1 million of stock-based compensation cost in its Consolidated Statements of Income for the three months ended August 31, 2007, and August 31, 2006, respectively. Of the $16.9 million, $7.8 million is related to the granting of 8.8 million nonqualified stock options under the Company's Long-Term Stock Incentive Plan to employees and nonemployee directors during the year ending February 29, 2008, and $1.0 million is related to the accelerated vesting of 0.1 million nonqualified stock options granted during the year ended February 28, 2007, to employees of the Company's then existing 100% owned U.K. wholesale business. These options were accelerated prior to the Company's formation of the joint venture with Punch in April 2007. The remainder is related primarily to the amortization of employee and nonemployee directors stock options granted during the year ended February 28, 2007.

14) COMPREHENSIVE INCOME:

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

| | For the Six Months Ended August 31, | | For the Three Months Ended August 31, | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| *(in millions)* | | | | |
| Net income | $ 101.9 | $ 153.9 | $ 72.1 | $ 68.4 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustments, net of tax expense of $2.5, $8.7, $3.7 and $1.1, respectively | 144.9 | 97.1 | (11.7) | 35.7 |
| Cash flow hedges: | | | | |
| Net derivative losses, net of tax benefit of $9.3, $7.1, $9.6 and $6.0, respectively | (12.9) | (14.6) | (18.1) | (9.0) |
| Reclassification adjustments, net of tax benefit of $1.1, $3.4, $0.5 and $1.9, respectively | (3.0) | (7.2) | (1.7) | (4.0) |
| Net cash flow hedges | (15.9) | (21.8) | (19.8) | (13.0) |
| Pension/postretirement adjustments, net of tax benefit (expense) of $0.2, $3.5, ($0.4) and $0.8, respectively | (0.4) | (8.1) | 1.0 | (1.8) |
| Total comprehensive income | $ 230.5 | $ 221.1 | $ 41.6 | $ 89.3 |

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

| *(in millions)* | Foreign Currency Translation Adjustments | Net Unrealized Gains (Losses) on Derivatives | Pension/ Postretirement Adjustments | Accumulated Other Comprehensive Income |
|---|---|---|---|---|
| Balance, February 28, 2007 | $ 446.8 | $ 13.3 | $ (111.0) | $ 349.1 |
| Current period change | 144.9 | (15.9) | (0.4) | 128.6 |
| Balance, August 31, 2007 | $ 591.7 | $ (2.6) | $ (111.4) | $ 477.7 |

## 15) ACQUISITION-RELATED INTEGRATION COSTS:

For the six months ended August 31, 2007, the Company recorded $3.6 million of acquisition-related integration costs associated primarily with the Vincor Plan (as defined in Note 16). The Company defines acquisition-related integration costs as nonrecurring costs incurred to integrate newly acquired businesses after a business combination which are incremental to those of the Company prior to the business combination. As such, acquisition-related integration costs include, but are not limited to, (i) employee-related costs such as salaries and stay bonuses paid to employees of the acquired business that will be terminated after their integration activities are completed, (ii) costs to relocate fixed assets and inventories, and (iii) facility costs and other one-time costs such as external services and consulting fees. For the six months ended August 31, 2007, acquisition-related integration costs included $0.7 million of employee-related costs and $2.9 million of facilities and other one-time costs. For the six months ended August 31, 2006, the Company recorded $8.1 million of acquisition-related integration costs associated primarily with the Vincor Plan.

For the three months ended August 31, 2007, the Company recorded $1.6 million of acquisition-related integration costs associated primarily with the Vincor Plan. Acquisition-related integration costs included $0.3 million of employee-related costs and $1.3 million of facilities and other one-time costs. For the three months ended August 31, 2006, the Company recorded $7.4 million of acquisition-related integration costs associated primarily with the Vincor Plan.

## 16) RESTRUCTURING AND RELATED CHARGES:

The Company has several restructuring plans within its Constellation Wines segment as follows:

*Robert Mondavi Plan –*
The Company's plan announced in January 2005 to restructure and integrate the operations of The Robert Mondavi Corporation (the "Robert Mondavi Plan"). The objective of the Robert Mondavi Plan is to achieve operational efficiencies and eliminate redundant costs resulting from the December 22, 2004, acquisition of The Robert Mondavi Corporation ("Robert Mondavi"). The Robert Mondavi Plan includes the elimination of certain employees, the consolidation of certain field sales and administrative offices, and the termination of various contracts. Although restructuring and related charges in connection with the Robert Mondavi Plan have been completed as of February 28, 2007, a balance remains for amounts not yet paid as of August 31, 2007. The remaining liability is expected to be paid through the year ending February 29, 2012.

*Fiscal 2006 Plan –*
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 the year ended February 28, 2006, (collectively, the "Fiscal 2006 Plan"). The Fiscal 2006 Plan's principal features are to reorganize and simplify the infrastructure and reporting structure of the Company's global wine business and to consolidate certain west coast production processes. This Fiscal 2006 Plan is part of the Company's ongoing effort to enhance its administrative, operational and production efficiencies in light of its ongoing growth. The objective of the Fiscal 2006 Plan is to achieve greater efficiency in sales, administrative and operational activities and eliminate redundant costs. The Fiscal 2006 Plan includes the termination of employment of certain employees in various locations worldwide, the consolidation of certain worldwide wine selling and administrative functions, the consolidation of certain warehouse and production functions, the termination of various contracts, investment in new assets and the reconfiguration of certain existing assets. The Company expects the Fiscal 2006 Plan to be complete by February 28, 2009.

*Vincor Plan –*
The Company's plan announced in July 2006 to restructure and integrate the operations of Vincor (the "Vincor Plan"). The objective of the Vincor Plan is to achieve operational efficiencies and eliminate redundant costs resulting from the June 5, 2006, acquisition of Vincor, as well as to achieve greater efficiency in sales, marketing, administrative and operational activities. The Vincor Plan includes the elimination of certain employment redundancies, primarily in the U.S., U.K. and Australia, and the termination of various contracts. The Company expects the Vincor Plan to be complete by February 28, 2009.

*Fiscal 2007 Wine Plan –*
The Company's plans announced in August 2006 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"). The U.K. portion of the plan includes new investments in property, plant and equipment and certain disposals of property, plant and equipment and is expected to increase wine bottling capacity and efficiency and reduce costs of transport, production and distribution. The U.K. portion of the plan also includes costs for employee terminations. The Australian portion of the plan includes the buy-out of certain grape supply and processing contracts and the sale of certain property, plant and equipment. The initiatives are part of the Company's ongoing efforts to maximize asset utilization, further reduce costs and improve long-term return on invested capital throughout its international operations. The Company expects the Australian portion of the plan to be complete by February 29, 2008, and the U.K. portion of the plan to be complete by February 28, 2010.

For the six months ended August 31, 2007, and August 31, 2006, the Company recorded $0.8 million and $24.0 million, respectively, of restructuring and related charges associated primarily with the Fiscal 2006 Plan. For the three months ended August 31, 2007, and August 31, 2006, the Company recorded $0.4 million and $21.7 million, respectively, of restructuring and related charges associated primarily with the Fiscal 2006 Plan and the Vincor Plan.

Restructuring and related charges consisting of employee termination benefit costs, contract termination costs, and other associated costs are accounted for under either Statement of Financial Accounting Standards No. 112 ("SFAS No. 112"), "Employers' Accounting for Postemployment Benefits – an Amendment of FASB Statements No. 5 and 43," or Statement of Financial Accounting Standards No. 146 ("SFAS No. 146"), "Accounting for Costs Associated with Exit or Disposal Activities," as appropriate. Employee termination benefit costs are accounted for under SFAS No. 112, as the Company has had several restructuring programs which have provided employee termination benefits in the past. The Company includes employee severance, related payroll benefit costs such as costs to provide continuing health insurance, and outplacement services as employee termination benefit costs. Contract termination costs, and other associated costs including, but not limited to, facility consolidation and relocation costs are accounted for under SFAS No. 146. Per SFAS No. 146, contract termination costs are costs to terminate a contract that is not a capital lease, including costs to terminate the contract before the end of its term or costs that will continue to be incurred under the contract for its remaining term without economic benefit to the entity. The Company includes costs to terminate certain operating leases for buildings, computer and IT equipment, and costs to terminate contracts, including distributor contracts and contracts for long-term purchase commitments, as contract termination costs. Per SFAS No. 146, other associated costs include, but are not limited to, costs to consolidate or close facilities and relocate employees. The Company includes employee relocation costs and equipment relocation costs as other associated costs.

Details of each plan are presented in the following table:

| (in millions) | Fiscal 2007 Wine Plan | Vincor Plan | Fiscal 2006 Plan | Robert Mondavi Plan | Total |
|---|---|---|---|---|---|
| Restructuring liability, February 28, 2007 | $ 2.8 | $ 21.2 | $ 3.5 | $ 5.4 | $ 32.9 |
| Vincor acquisition | - | (0.8) | - | - | (0.8) |
| Restructuring charges: | | | | | |
| Employee termination benefit costs | - | (0.1) | 0.1 | - | - |
| Contract termination costs | - | - | 0.2 | - | 0.2 |
| Facility consolidation/relocation costs | - | 0.1 | 0.1 | - | 0.2 |
| Restructuring charges, May 31, 2007 | - | - | 0.4 | - | 0.4 |
| Employee termination benefit costs | - | - | 0.1 | - | 0.1 |
| Contract termination costs | - | - | 0.2 | - | 0.2 |
| Facility consolidation/relocation costs | - | 0.1 | - | - | 0.1 |
| Restructuring charges, August 31, 2007 | - | 0.1 | 0.3 | - | 0.4 |
| Total restructuring charges | - | 0.1 | 0.7 | - | 0.8 |
| Cash expenditures | (0.5) | (9.8) | (1.8) | (0.8) | (12.9) |
| Foreign currency translation adjustments | 0.1 | 0.6 | - | - | 0.7 |
| Restructuring liability, August 31, 2007 | $ 2.4 | $ 11.3 | $ 2.4 | $ 4.6 | $ 20.7 |

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 Six Months Ended August 31, 2007 | | | |
|---|---|---|---|---|
| | Fiscal 2007 Wine Plan | Vincor Plan | Fiscal 2006 Plan | Total |
| Accelerated depreciation/inventory write-down (cost of product sold) | $ 2.3 | $ 0.1 | $ 1.9 | $ 4.3 |
| Asset write-down/other costs (selling, general and administrative expenses) | $ 1.2 | $ - | $ 0.2 | $ 1.4 |

| | For the Three Months Ended August 31, 2007 | | | |
|---|---|---|---|---|
| | Fiscal 2007 Wine Plan | Vincor Plan | Fiscal 2006 Plan | Total |
| Accelerated depreciation/inventory write-down (cost of product sold) | $ 1.2 | $ - | $ 0.9 | $ 2.1 |
| Asset write-down/other costs (selling, general and administrative expenses) | $ 0.9 | $ - | $ - | $ 0.9 |

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 |
|---|---|---|---|---|---|---|
| **Costs incurred to date** | | | | | | |
| Restructuring charges: | | | | | | |
| Employee termination benefit costs | $ | 2.0 | $ | 1.5 | $ | 26.6 |
| Contract termination costs | | 24.0 | | 1.0 | | 1.2 |
| Facility consolidation/relocation costs | | - | | 0.4 | | 0.9 |
| Total restructuring charges | | 26.0 | | 2.9 | | 28.7 |
| Other related costs: | | | | | | |
| Accelerated depreciation/inventory write-down | | 5.6 | | 0.4 | | 18.9 |
| Asset write-down/other costs | | 14.1 | | - | | 3.7 |
| Total other related costs | | 19.7 | | 0.4 | | 22.6 |
| Total costs incurred to date | $ | 45.7 | $ | 3.3 | $ | 51.3 |
| **Total expected costs** | | | | | | |
| Restructuring charges: | | | | | | |
| Employee termination benefit costs | $ | 2.0 | $ | 1.5 | $ | 27.3 |
| Contract termination costs | | 24.8 | | 1.1 | | 8.6 |
| Facility consolidation/relocation costs | | 0.3 | | 0.4 | | 1.6 |
| Total restructuring charges | | 27.1 | | 3.0 | | 37.5 |
| Other related costs: | | | | | | |
| Accelerated depreciation/inventory write-down | | 10.5 | | 0.6 | | 19.6 |
| Asset write-down/other costs | | 28.0 | | - | | 3.7 |
| Total other related costs | | 38.5 | | 0.6 | | 23.3 |
| Total expected costs | $ | 65.6 | $ | 3.6 | $ | 60.8 |

In connection with the Company's acquisition of Vincor and Robert Mondavi, the Company accrued $38.4 million and $50.5 million of liabilities for exit costs, respectively, as of the respective acquisition date. As of August 31, 2007, the balances of the Vincor and Robert Mondavi purchase accounting accruals were $9.9 million and $4.6 million, respectively. As of February 28, 2007, the balances of the Vincor and Robert Mondavi purchase accounting accruals were $19.3 million and $5.4 million, respectively.

17) CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of August 31, 2007, and February 28, 2007, the condensed consolidating statements of income for the six months and three months ended August 31, 2007, and August 31, 2006, and the condensed consolidating statements of cash flows for the six months ended August 31, 2007, and August 31, 2006, 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"). 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 Annual Report on Form 10-K for the fiscal year ended February 28, 2007, 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 August 31, 2007 | | | | | |
| Current assets: | | | | | |
| Cash and cash investments | $ 3.3 | $ 1.1 | $ 28.8 | $ - | $ 33.2 |
| Accounts receivable, net | 249.9 | 86.2 | 448.4 | - | 784.5 |
| Inventories | 40.1 | 1,034.0 | 856.0 | (7.4) | 1,922.7 |
| Prepaid expenses and other | 9.5 | 175.1 | 38.7 | (76.3) | 147.0 |
| Intercompany receivable (payable) | 860.4 | (792.7) | (67.7) | - | - |
| Total current assets | 1,163.2 | 503.7 | 1,304.2 | (83.7) | 2,887.4 |
| Property, plant and equipment, net | 48.0 | 801.2 | 879.4 | - | 1,728.6 |
| Investments in subsidiaries | 6,783.8 | 88.7 | 153.0 | (7,025.5) | - |
| Goodwill | - | 1,844.1 | 1,510.3 | - | 3,354.4 |
| Intangible assets, net | - | 623.0 | 593.4 | - | 1,216.4 |
| Other assets, net | 76.7 | 242.3 | 272.8 | (47.5) | 544.3 |
| Total assets | $ 8,071.7 | $ 4,103.0 | $ 4,713.1 | $ (7,156.7) | $ 9,731.1 |
| | | | | | |
| Current liabilities: | | | | | |
| Notes payable to banks | $ 17.0 | $ - | $ 132.8 | $ - | $ 149.8 |
| Current maturities of long-term debt | 293.2 | 10.6 | 3.6 | - | 307.4 |
| Accounts payable | 7.6 | 129.9 | 143.8 | - | 281.3 |
| Accrued excise taxes | 8.2 | 21.7 | 42.2 | - | 72.1 |
| Other accrued expenses and liabilities | 224.0 | 135.9 | 359.9 | (78.4) | 641.4 |
| Total current liabilities | 550.0 | 298.1 | 682.3 | (78.4) | 1,452.0 |
| Long-term debt, less current maturities | 4,240.4 | 23.4 | 28.0 | - | 4,291.8 |
| Deferred income taxes | - | 423.2 | 98.0 | (47.5) | 473.7 |
| Other liabilities | 92.5 | 75.5 | 156.8 | - | 324.8 |

| (in millions) | Parent Company | Subsidiary Guarantors | Subsidiary Nonguarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Stockholders' equity: | | | | | |
| Preferred stock | - | 162.0 | 1,430.9 | (1,592.9) | - |
| Class A and Class B common stock | 2.5 | 100.7 | 184.3 | (285.0) | 2.5 |
| Additional paid-in capital | 1,310.3 | 1,280.7 | 1,233.3 | (2,514.0) | 1,310.3 |
| Retained earnings | 2,021.2 | 1,724.8 | 337.5 | (2,062.3) | 2,021.2 |
| Accumulated other comprehensive income | 477.7 | 14.6 | 562.0 | (576.6) | 477.7 |
| Treasury stock | (622.9) | - | - | - | (622.9) |
| Total stockholders' equity | 3,188.8 | 3,282.8 | 3,748.0 | (7,030.8) | 3,188.8 |
| Total liabilities and stockholders' equity | $ 8,071.7 | $ 4,103.0 | $ 4,713.1 | $ (7,156.7) | $ 9,731.1 |

Condensed Consolidating Balance Sheet at February 28, 2007

| | Parent Company | Subsidiary Guarantors | Subsidiary Nonguarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash investments | $ 2.4 | $ 1.1 | $ 30.0 | $ - | $ 33.5 |
| Accounts receivable, net | 342.7 | 57.5 | 480.8 | - | 881.0 |
| Inventories | 38.1 | 1,045.3 | 870.5 | (5.8) | 1,948.1 |
| Prepaid expenses and other | 2.0 | 105.3 | 62.1 | (8.7) | 160.7 |
| Intercompany receivable (payable) | 1,080.3 | (775.1) | (305.2) | - | - |
| Total current assets | 1,465.5 | 434.1 | 1,138.2 | (14.5) | 3,023.3 |
| Property, plant and equipment, net | 42.2 | 810.9 | 897.1 | - | 1,750.2 |
| Investments in subsidiaries | 6,119.9 | 115.6 | - | (6,235.5) | - |
| Goodwill | - | 1,509.1 | 1,574.8 | - | 3,083.9 |
| Intangible assets, net | - | 566.7 | 568.7 | - | 1,135.4 |
| Other assets, net | 32.2 | 245.4 | 167.8 | - | 445.4 |
| Total assets | $ 7,659.8 | $ 3,681.8 | $ 4,346.6 | $ (6,250.0) | $ 9,438.2 |
| Current liabilities: | | | | | |
| Notes payable to banks | $ 30.0 | $ - | $ 123.3 | $ - | $ 153.3 |
| Current maturities of long-term debt | 299.2 | 10.2 | 7.9 | - | 317.3 |
| Accounts payable | 7.1 | 112.8 | 256.2 | - | 376.1 |
| Accrued excise taxes | 10.9 | 31.4 | 31.4 | - | 73.7 |
| Other accrued expenses and liabilities | 242.4 | 105.2 | 333.5 | (10.4) | 670.7 |
| Total current liabilities | 589.6 | 259.6 | 752.3 | (10.4) | 1,591.1 |
| Long-term debt, less current maturities | 3,672.7 | 18.5 | 23.7 | - | 3,714.9 |
| Deferred income taxes | (24.1) | 405.0 | 93.2 | - | 474.1 |
| Other liabilities | 4.1 | 36.7 | 199.8 | - | 240.6 |
| Stockholders' equity: | | | | | |
| Preferred stock | - | 9.0 | 1,013.9 | (1,022.9) | - |
| Class A and Class B common stock | 2.5 | 100.7 | 190.3 | (291.0) | 2.5 |
| Additional paid-in capital | 1,271.1 | 1,280.9 | 1,296.9 | (2,577.8) | 1,271.1 |
| Retained earnings | 1,919.3 | 1,553.6 | 349.1 | (1,902.7) | 1,919.3 |
| Accumulated other comprehensive income | 349.1 | 17.8 | 427.4 | (445.2) | 349.1 |
| Treasury stock | (124.5) | - | - | - | (124.5) |
| Total stockholders' equity | 3,417.5 | 2,962.0 | 3,277.6 | (6,239.6) | 3,417.5 |
| Total liabilities and stockholders' equity | $ 7,659.8 | $ 3,681.8 | $ 4,346.6 | $ (6,250.0) | $ 9,438.2 |

| (in millions) | Parent Company | Subsidiary Guarantors | Subsidiary Nonguarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Condensed Consolidating Statement of Income for the Six Months Ended August 31, 2007 | | | | | |
| Sales | $ 422.1 | $ 1,038.2 | $ 1,238.7 | $ (355.7) | $ 2,343.3 |
| Less – excise taxes | (59.2) | (193.8) | (296.5) | - | (549.5) |
| Net sales | 362.9 | 844.4 | 942.2 | (355.7) | 1,793.8 |
| Cost of product sold | (283.9) | (550.2) | (698.9) | 317.1 | (1,215.9) |
| Gross profit | 79.0 | 294.2 | 243.3 | (38.6) | 577.9 |
| Selling, general and administrative expenses | (124.2) | (138.0) | (162.1) | 36.2 | (388.1) |
| Acquisition-related integration costs | (0.2) | (1.0) | (2.4) | - | (3.6) |
| Restructuring and related charges | - | (0.7) | (0.1) | - | (0.8) |
| Operating (loss) income | (45.4) | 154.5 | 78.7 | (2.4) | 185.4 |
| Equity in earnings of equity method investees and subsidiaries | 264.6 | 152.5 | 4.4 | (265.6) | 155.9 |
| Interest expense, net | (121.3) | (33.6) | (11.5) | - | (166.4) |
| Gain on change in fair value of derivative instrument | - | - | - | - | - |
| Income before income taxes | 97.9 | 273.4 | 71.6 | (268.0) | 174.9 |
| Benefit from (provision for) income taxes | 4.0 | (101.3) | 23.6 | 0.7 | (73.0) |
| Net income | 101.9 | 172.1 | 95.2 | (267.3) | 101.9 |
| Dividends on preferred stock | - | - | - | - | - |
| Income available to common stockholders | $ 101.9 | $ 172.1 | $ 95.2 | $ (267.3) | $ 101.9 |
| Condensed Consolidating Statement of Income for the Six Months Ended August 31, 2006 | | | | | |
| Sales | $ 759.9 | $ 1,598.6 | $ 1,425.3 | $ (638.7) | $ 3,145.1 |
| Less – excise taxes | (80.6) | (228.7) | (262.4) | - | (571.7) |
| Net sales | 679.3 | 1,369.9 | 1,162.9 | (638.7) | 2,573.4 |
| Cost of product sold | (526.2) | (1,001.6) | (950.5) | 638.3 | (1,840.0) |
| Gross profit | 153.1 | 368.3 | 212.4 | (0.4) | 733.4 |
| Selling, general and administrative expenses | (118.5) | (120.7) | (137.8) | - | (377.0) |
| Acquisition-related integration costs | - | (0.8) | (7.3) | - | (8.1) |
| Restructuring and related charges | - | (4.3) | (19.7) | - | (24.0) |
| Operating income | 34.6 | 242.5 | 47.6 | (0.4) | 324.3 |
| Equity in earnings of equity method investees and subsidiaries | 156.3 | 2.1 | 1.4 | (159.5) | 0.3 |
| Interest expense, net | (58.3) | (48.6) | (14.3) | - | (121.2) |
| Gain on change in fair value of derivative instrument | - | 55.1 | - | - | 55.1 |
| Income before income taxes | 132.6 | 251.1 | 34.7 | (159.9) | 258.5 |
| Benefit from (provision for) income taxes | 21.3 | (128.4) | 2.5 | - | (104.6) |
| Net income | 153.9 | 122.7 | 37.2 | (159.9) | 153.9 |
| Dividends on preferred stock | (4.9) | - | - | - | (4.9) |
| Income available to common stockholders | $ 149.0 | $ 122.7 | $ 37.2 | $ (159.9) | $ 149.0 |

| (in millions) | Parent Company | Subsidiary Guarantors | Subsidiary Nonguarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Condensed Consolidating Statement of Income for the Three Months Ended August 31, 2007 | | | | | |
| Sales | $ 219.6 | $ 545.4 | $ 575.5 | $ (172.6) | $ 1,167.9 |
| Less – excise taxes | (30.3) | (101.4) | (143.6) | - | (275.3) |
| Net sales | 189.3 | 444.0 | 431.9 | (172.6) | 892.6 |
| Cost of product sold | (147.6) | (275.7) | (309.8) | 150.2 | (582.9) |
| Gross profit | 41.7 | 168.3 | 122.1 | (22.4) | 309.7 |
| Selling, general and administrative expenses | (66.2) | (66.4) | (77.8) | 19.9 | (190.5) |
| Acquisition-related integration costs | (0.1) | (0.3) | (1.2) | - | (1.6) |
| Restructuring and related charges | - | (0.4) | - | - | (0.4) |
| Operating (loss) income | (24.6) | 101.2 | 43.1 | (2.5) | 117.2 |
| Equity in earnings of equity method investees and subsidiaries | 158.1 | 79.7 | 1.9 | (159.6) | 80.1 |
| Interest expense, net | (65.7) | (14.5) | (6.5) | - | (86.7) |
| Gain on change in fair value of derivative instrument | - | - | - | - | - |
| Income before income taxes | 67.8 | 166.4 | 38.5 | (162.1) | 110.6 |
| Benefit from (provision for) income taxes | 4.3 | (59.5) | 15.7 | 1.0 | (38.5) |
| Net income | 72.1 | 106.9 | 54.2 | (161.1) | 72.1 |
| Dividends on preferred stock | - | - | - | - | - |
| Income available to common stockholders | $ 72.1 | $ 106.9 | $ 54.2 | $ (161.1) | $ 72.1 |
| Condensed Consolidating Statement of Income for the Three Months Ended August 31, 2006 | | | | | |
| Sales | $ 440.2 | $ 834.0 | $ 855.6 | $ (414.9) | $ 1,714.9 |
| Less – excise taxes | (43.4) | (116.1) | (137.9) | - | (297.4) |
| Net sales | 396.8 | 717.9 | 717.7 | (414.9) | 1,417.5 |
| Cost of product sold | (307.2) | (525.7) | (583.3) | 413.5 | (1,002.7) |
| Gross profit | 89.6 | 192.2 | 134.4 | (1.4) | 414.8 |
| Selling, general and administrative expenses | (72.3) | (61.8) | (70.3) | - | (204.4) |
| Acquisition-related integration costs | - | (0.1) | (7.3) | - | (7.4) |
| Restructuring and related charges | - | (2.0) | (19.7) | - | (21.7) |
| Operating income | 17.3 | 128.3 | 37.1 | (1.4) | 181.3 |
| Equity in earnings of equity method investees and subsidiaries | 73.6 | 0.7 | 0.8 | (74.9) | 0.2 |
| Interest expense, net | (36.8) | (23.6) | (12.1) | - | (72.5) |
| Gain on change in fair value of derivative instrument | - | 2.6 | - | - | 2.6 |
| Income before income taxes | 54.1 | 108.0 | 25.8 | (76.3) | 111.6 |
| Benefit from (provision for) income taxes | 14.3 | (60.8) | 3.5 | (0.2) | (43.2) |
| Net income | 68.4 | 47.2 | 29.3 | (76.5) | 68.4 |
| Dividends on preferred stock | (2.4) | - | - | - | (2.4) |
| Income available to common stockholders | $ 66.0 | $ 47.2 | $ 29.3 | $ (76.5) | $ 66.0 |

*(in millions)*

Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2007

| | Parent Company | Subsidiary Guarantors | Subsidiary Nonguarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash (used in) provided by operating activities | $ (10.3) | $ 191.7 | $ (3.7) | $ - | $ 177.7 |
| Cash flows from investing activities: | | | | | |
| Purchase of business, net of cash acquired | (1.6) | (384.2) | (0.5) | - | (386.3) |
| Purchases of property, plant and equipment | (2.8) | (12.4) | (31.8) | - | (47.0) |
| Payment of accrued earn-out amount | - | (2.8) | - | - | (2.8) |
| Investment in equity method investee | - | (0.6) | - | - | (0.6) |
| Proceeds from formation of joint venture | - | - | 185.6 | - | 185.6 |
| Proceeds from sales of businesses | (4.0) | 7.8 | (0.8) | - | 3.0 |
| Proceeds from sales of assets | - | 0.8 | 1.5 | - | 2.3 |
| Proceeds from maturity of derivative instrument | - | - | - | - | - |
| Other investing activities | - | - | - | - | - |
| Net cash (used in) provided by investing activities | (8.4) | (391.4) | 154.0 | - | (245.8) |
| Cash flows from financing activities: | | | | | |
| Intercompany financings, net | (33.3) | 205.7 | (172.4) | - | - |
| Proceeds from issuance of long-term debt | 700.0 | - | 16.1 | - | 716.1 |
| Exercise of employee stock options | 12.5 | - | - | - | 12.5 |
| Excess tax benefits from share-based payment awards | 7.4 | - | - | - | 7.4 |
| Proceeds from employee stock purchases | 3.0 | - | - | - | 3.0 |
| Purchases of treasury stock | (500.0) | - | - | - | (500.0) |
| Principal payments of long-term debt | (150.9) | (6.0) | (6.2) | - | (163.1) |
| Payment of financing costs of long-term debt | (6.1) | - | - | - | (6.1) |
| Net (repayment of) proceeds from notes payable | (13.0) | - | 10.9 | - | (2.1) |
| Payment of preferred stock dividends | - | - | - | - | - |
| Net cash provided by (used in) financing activities | 19.6 | 199.7 | (151.6) | - | 67.7 |
| Effect of exchange rate changes on cash and cash investments | - | - | 0.1 | - | 0.1 |
| Net (decrease) increase in cash and cash investments | 0.9 | - | (1.2) | - | (0.3) |
| Cash and cash investments, beginning of period | 2.4 | 1.1 | 30.0 | - | 33.5 |
| Cash and cash investments, end of period | $ 3.3 | $ 1.1 | $ 28.8 | $ - | $ 33.2 |

| (in millions) | Parent Company | Subsidiary Guarantors | Subsidiary Nonguarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2006 | | | | | |
| Net cash (used in) provided by operating activities | $ (114.5) | $ 275.8 | $ (79.9) | $ - | $ 81.4 |
| Cash flows from investing activities: | | | | | |
| Purchase of business, net of cash acquired | - | (2.1) | (1,089.7) | - | (1,091.8) |
| Purchases of property, plant and equipment | (1.6) | (48.1) | (53.4) | - | (103.1) |
| Payment of accrued earn-out amount | - | (1.1) | - | - | (1.1) |
| Investment in equity method investee | - | - | - | - | - |
| Proceeds from formation of joint venture | - | - | - | - | - |
| Proceeds from sales of businesses | - | - | 28.4 | - | 28.4 |
| Proceeds from sales of assets | - | - | 1.2 | - | 1.2 |
| Proceeds from maturity of derivative instrument | - | 55.1 | - | - | 55.1 |
| Other investing activities | - | - | (0.1) | - | (0.1) |
| Net cash (used in) provided by investing activities | (1.6) | 3.8 | (1,113.6) | - | (1,111.4) |
| Cash flows from financing activities: | | | | | |
| Intercompany financings, net | (1,142.9) | (277.8) | 1,420.7 | - | - |
| Proceeds from issuance of long-term debt | 3,693.1 | 1.9 | - | - | 3,695.0 |
| Exercise of employee stock options | 33.8 | - | - | - | 33.8 |
| Excess tax benefits from share-based payment awards | 12.3 | - | - | - | 12.3 |
| Proceeds from employee stock purchases | 3.2 | - | - | - | 3.2 |
| Purchases of treasury stock | (82.0) | - | - | - | (82.0) |
| Principal payments of long-term debt | (2,444.0) | (2.6) | (324.9) | - | (2,771.5) |
| Payment of financing costs of long-term debt | (19.3) | - | - | - | (19.3) |
| Net proceeds from notes payable | 70.5 | - | 141.6 | - | 212.1 |
| Payment of preferred stock dividends | (4.9) | - | - | - | (4.9) |
| Net cash provided by (used in) financing activities | 119.8 | (278.5) | 1,237.4 | - | 1,078.7 |
| Effect of exchange rate changes on cash and cash investments | - | - | (17.4) | - | (17.4) |
| Net increase (decrease) in cash and cash investments | 3.7 | 1.1 | 26.5 | - | 31.3 |
| Cash and cash investments, beginning of period | 0.9 | 1.2 | 8.8 | - | 10.9 |
| Cash and cash investments, end of period | $ 4.6 | $ 2.3 | $ 35.3 | $ - | $ 42.2 |

18) BUSINESS SEGMENT INFORMATION:

Through January 1, 2007, the Company reported 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. As a result of the Company's investment in Crown Imports, the Company has changed its internal management financial reporting to consist of three business divisions, Constellation Wines, Constellation Spirits and Crown Imports. Prior to the investment in Crown Imports, the Company's internal management financial reporting included the Constellation Beers business division. Consequently, the Company reports its operating results in five segments: Constellation Wines (branded wine, and wholesale and other), Constellation Spirits (distilled spirits), Constellation Beers (imported beer), Corporate Operations and Other and Crown Imports (imported beer). Segment results for Constellation Beers are for the period prior to January 2, 2007, and segment results for Crown Imports are for the period on and after January 2, 2007. 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 new business segments reflect how the Company's operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. The financial information for the six months and three months ended August 31, 2006, has been restated to conform to the new segment presentation.

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 as these items are not reflective of normal continuing operations of the segments. The Company excludes these items as segment operating performance and segment management compensation is evaluated based upon a normalized segment operating income. As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these items.

For the six months ended August 31, 2007, acquisition-related integration costs, restructuring and related charges and unusual costs consist of the loss on the contribution of the U.K. wholesale business of $6.6 million, the flow through of inventory step-up associated primarily with the Company's acquisition of Vincor of $5.2 million, accelerated depreciation associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan of $4.2 million, acquisition-related integration costs of $3.6 million associated primarily with the Vincor Plan, other related costs, restructuring and related charges and inventory write-offs associated with the Fiscal 2006 Plan, Fiscal 2007 Wine Plan and the Vincor Plan of $1.4 million, $0.8 million and $0.1 million, respectively, and the flow through of adverse grape cost of $0.1 million associated with the acquisition of Robert Mondavi. For the six months ended August 31, 2006, acquisition-related integration costs, restructuring and related charges and unusual costs consist of restructuring and related charges of $24.0 million associated primarily with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; loss on the sale of the branded bottled water business of $14.2 million; financing costs of $11.8 million related to the Company's new senior credit facility entered into in connection with the acquisition of Vincor; acquisition-related integration costs of $8.1 million associated with the Vincor Plan and Robert Mondavi Plan; the flow through of inventory step-up of $6.5 million associated with the Company's acquisitions of Vincor and Robert Mondavi; foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the acquisition of Vincor; other related costs of $3.1 million associated with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan; the flow through of adverse grape cost (as described below) of $2.4 million associated with the acquisition of Robert Mondavi; and accelerated depreciation of $2.4 million associated 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 three months ended August 31, 2007, acquisition-related integration costs, restructuring and related charges and unusual costs consist of the flow through of inventory step-up associated primarily with the Company's acquisition of Vincor of $2.3 million, accelerated depreciation associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan of $2.1 million, acquisition-related integration costs of $1.6 million associated primarily with the Vincor Plan, other related costs and restructuring and related charges associated with the Fiscal 2007 Wine Plan, Fiscal 2006 Plan and the Vincor Plan of $0.9 million and $0.4 million, respectively, the additional loss on the contribution of the U.K. wholesale business of $0.5 million, and the flow through of adverse grape cost of $0.1 million associated with the acquisition of Robert Mondavi. For the three months ended August 31, 2006, acquisition-related integration costs, restructuring and related charges and unusual costs consist of restructuring and related charges of $21.7 million associated primarily with the Fiscal 2007 Wine Plan; financing costs of $11.8 million related to the Company's new senior credit facility entered into in connection with the acquisition of Vincor; acquisition-related integration costs of $7.4 million associated primarily with the Vincor Plan; the flow through of inventory step-up of $5.9 million associated with the Company's acquisitions of Vincor and Robert Mondavi; foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the acquisition of Vincor; other related charges of $1.6 million associated primarily with the Fiscal 2006 Plan; accelerated depreciation of $1.3 million associated with the Fiscal 2006 Plan and the Fiscal 2007 Wine Plan; the flow through of adverse grape cost of $0.9 million associated with the acquisition of Robert Mondavi; and additional loss on the sale of the Company's branded bottled water business of $0.1 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 Annual Report on Form 10-K for the fiscal year ended February 28, 2007, 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:

| (in millions) | For the Six Months Ended August 31, 2007 | For the Six Months Ended August 31, 2006 | For the Three Months Ended August 31, 2007 | For the Three Months Ended August 31, 2006 |
|---|---|---|---|---|
| Constellation Wines: | | | | |
| Net sales: | | | | |
| Branded wine | $ 1,358.8 | $ 1,233.7 | $ 738.9 | $ 716.5 |
| Wholesale and other | 233.3 | 523.1 | 48.9 | 275.8 |
| Net sales | $ 1,592.1 | $ 1,756.8 | $ 787.8 | $ 992.3 |
| Segment operating income | $ 211.1 | $ 260.0 | $ 124.9 | $ 163.8 |
| Equity in earnings of equity method investees | $ 3.7 | $ 0.3 | $ 1.3 | $ 0.2 |
| Long-lived tangible assets | $ 1,586.3 | $ 1,571.8 | $ 1,586.3 | $ 1,571.8 |
| Investment in equity method investees | $ 241.3 | $ 161.4 | $ 241.3 | $ 161.4 |
| Total assets | $ 8,381.2 | $ 8,464.4 | $ 8,381.2 | $ 8,464.4 |
| Capital expenditures | $ 40.1 | $ 80.0 | $ 25.2 | $ 36.5 |
| Depreciation and amortization | $ 65.6 | $ 53.1 | $ 32.4 | $ 29.0 |
| Constellation Spirits: | | | | |
| Net sales | $ 201.7 | $ 166.9 | $ 104.8 | $ 83.6 |
| Segment operating income | $ 36.7 | $ 35.4 | $ 20.9 | $ 17.7 |
| Long-lived tangible assets | $ 100.7 | $ 95.1 | $ 100.7 | $ 95.1 |
| Total assets | $ 1,098.4 | $ 667.2 | $ 1,098.4 | $ 667.2 |
| Capital expenditures | $ 5.4 | $ 4.4 | $ 2.9 | $ 3.0 |
| Depreciation and amortization | $ 6.7 | $ 4.8 | $ 3.5 | $ 2.4 |
| Constellation Beers: | | | | |
| Net sales | $ - | $ 649.7 | $ - | $ 341.6 |
| Segment operating income | $ - | $ 139.0 | $ - | $ 73.9 |
| Long-lived tangible assets | $ - | $ 0.9 | $ - | $ 0.9 |
| Total assets | $ - | $ 230.0 | $ - | $ 230.0 |
| Capital expenditures | $ - | $ - | $ - | $ - |
| Depreciation and amortization | $ - | $ 1.0 | $ - | $ 0.6 |
| Corporate Operations and Other: | | | | |
| Net sales | $ - | $ - | $ - | $ - |
| Segment operating loss | $ (40.4) | $ (32.2) | $ (20.7) | $ (18.0) |
| Long-lived tangible assets | $ 41.6 | $ 30.3 | $ 41.6 | $ 30.3 |
| Total assets | $ 91.9 | $ 87.1 | $ 91.9 | $ 87.1 |
| Capital expenditures | $ 1.5 | $ 18.7 | $ 1.2 | $ 18.5 |
| Depreciation and amortization | $ 4.7 | $ 3.3 | $ 2.4 | $ 1.5 |
| Crown Imports: | | | | |
| Net sales | $ 1,380.8 | $ - | $ 722.7 | $ - |
| Segment operating income | $ 303.6 | $ - | $ 157.3 | $ - |
| Long-lived tangible assets | $ 3.9 | $ - | $ 3.9 | $ - |
| Total assets | $ 362.5 | $ - | $ 362.5 | $ - |
| Capital expenditures | $ 1.9 | $ - | $ 0.8 | $ - |
| Depreciation and amortization | $ 0.3 | $ - | $ 0.2 | $ - |
| Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs: | | | | |
| Operating loss | $ (22.0) | $ (77.9) | $ (7.9) | $ (56.1) |

| (in millions) | For the Six Months Ended August 31, 2007 | For the Six Months Ended August 31, 2006 | For the Three Months Ended August 31, 2007 | For the Three Months Ended August 31, 2006 |
|---|---|---|---|---|
| Consolidation and Eliminations: | | | | |
| Net sales | $ (1,380.8) | $ - | $ (722.7) | $ - |
| Operating income | $ (303.6) | $ - | $ (157.3) | $ - |
| Equity in earnings of Crown Imports | $ 152.2 | $ - | $ 78.8 | $ - |
| Long-lived tangible assets | $ (3.9) | $ - | $ (3.9) | $ - |
| Investment in equity method investees | $ 159.6 | $ - | $ 159.6 | $ - |
| Total assets | $ (202.9) | $ - | $ (202.9) | $ - |
| Capital expenditures | $ (1.9) | $ - | $ (0.8) | $ - |
| Depreciation and amortization | $ (0.3) | $ - | $ (0.2) | $ - |
| Consolidated: | | | | |
| Net sales | $ 1,793.8 | $ 2,573.4 | $ 892.6 | $ 1,417.5 |
| Operating income | $ 185.4 | $ 324.3 | $ 117.2 | $ 181.3 |
| Equity in earnings of equity method investees | $ 155.9 | $ 0.3 | $ 80.1 | $ 0.2 |
| Long-lived tangible assets | $ 1,728.6 | $ 1,698.1 | $ 1,728.6 | $ 1,698.1 |
| Investment in equity method investees | $ 400.9 | $ 161.4 | $ 400.9 | $ 161.4 |
| Total assets | $ 9,731.1 | $ 9,448.7 | $ 9,731.1 | $ 9,448.7 |
| Capital expenditures | $ 47.0 | $ 103.1 | $ 29.3 | $ 58.0 |
| Depreciation and amortization | $ 77.0 | $ 62.2 | $ 38.3 | $ 33.5 |

19) ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED:

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 has adopted this provision of SFAS No. 158 and has provided 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 remaining provision of SFAS No. 158 to have a material impact on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115." SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS No. 159 allows companies to choose to measure eligible items at fair value at specified election dates. The Company will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (i) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (ii) is irrevocable (unless a new election date occurs); and (iii) is applied only to entire instruments and not to portions of instruments. The Company is required to adopt SFAS No. 159 for fiscal years beginning after February 28, 2009. The Company does not expect the adoption of SFAS No. 159 to have a material impact on its consolidated financial statements.

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

### Overview

The Company is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. The Company continues to supply imported beer in the United States ("U.S.") through its investment in Crown Imports (as defined in "Equity Method Investments in Fiscal 2008 and Fiscal 2007" below). 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 U.S.; a leading producer and exporter of wine from Australia and New Zealand; the largest producer and marketer of wine in Canada; and both a major supplier of beverage alcohol and, through its investment in Matthew Clark (see "Equity Method Investments in Fiscal 2008 and Fiscal 2007" below), a major independent drinks wholesaler in the United Kingdom ("U.K.").

Through January 1, 2007, the Company reported 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. As a result of the Company's investment in Crown Imports, the Company has changed its internal management financial reporting to consist of three business divisions, Constellation Wines, Constellation Spirits and Crown Imports. Prior to the investment in Crown Imports, the Company's internal management financial reporting included the Constellation Beers business division. Consequently, the Company reports its operating results in five segments: Constellation Wines (branded wine, and wholesale and other), Constellation Spirits (distilled spirits), Constellation Beers (imported beer), Corporate Operations and Other and Crown Imports (imported beer). Segment results for Constellation Beers are for the period prior to January 2, 2007, and segment results for Crown Imports are for the period on and after January 2, 2007. 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 new business segments reflect how the Company's operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. The financial information for Second Quarter 2007 and Six Months 2007 (as defined below) has been restated to conform to the new segment presentation.

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 as these items are not reflective of normal continuing operations of the segments. The Company excludes these items as segment operating performance and segment management compensation is evaluated based upon a normalized segment operating income. As such, the performance measures for incentive compensation purposes for segment management do not include the impact of these items.

The Company's business strategy 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, through Crown Imports, 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 and spirits and, through Crown Imports, 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 investment in Matthew Clark 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 and marketers 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.

These markets have become increasingly competitive making it difficult for the Company 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 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 recent 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. 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.

Prior years of record Australian grape harvests have contributed to the surplus of Australian bulk wine. The calendar 2007 Australian grape harvest was significantly lower than the calendar 2006 Australian grape harvest as a result of an ongoing drought and late spring frosts in several regions. Severe drought conditions continue to affect key wine producing regions of Australia. The effects of the ongoing drought conditions are expected by many industry projections to impact the size of the calendar 2008 Australian grape harvest. As a result of the significant reduction in the calendar 2007 Australian grape harvest, the Company has begun to see a reduction in the current surplus and an increase in pricing for Australian bulk wine. A significant reduction in the calendar 2008 Australian grape harvest may also have a substantial impact on the current surplus and may result in higher pricing for Australian bulk wine. In the U.S., while the Company expects the calendar 2007 U.S. grape harvest to yield lower levels than the calendar 2006 U.S. grape harvest, the Company expects that the overall supply should remain generally in balance with demand.

For the three months ended August 31, 2007 ("Second Quarter 2008"), the Company's net sales decreased 37% over the three months ended August 31, 2006 ("Second Quarter 2007"), primarily due to (i) the formation of Crown Imports on January 2, 2007, and Matthew Clark on April 17, 2007, and the accounting for these investments under the equity method of accounting, and (ii) the Company's Constellation Wines segment's program to reduce distributor wine inventory levels in the U.S. during the first half of fiscal 2008 (as discussed below), partially offset by a favorable foreign currency impact and growth in Canadian net sales. Operating income decreased 35% over the comparable prior year period resulting primarily from (i) the decreased imported beer and U.K. wholesale sales discussed above, and (ii) the decreased Constellation Wines segment's net sales discussed above without a corresponding decrease in promotional, advertising, selling and general and administrative spend within the Constellation Wines segment. Net income increased 5% over the comparable prior year period primarily due to an increase in equity in earnings of equity method investees in connection primarily with Crown Imports and a decrease in the provision for income taxes, partially offset by the factors discussed above combined with increased interest expense.

For the six months ended August 31, 2007 ("Six Months 2008"), the Company's net sales decreased 30% over the six months ended August 31, 2006 ("Six Months 2007"), primarily due to (i) the accounting for the Crown Imports and Matthew Clark investments under the equity method of accounting, and (ii) the Company's Constellation Wines segment's program to reduce distributor wine inventory levels in the U.S., partially offset by net sales of products acquired in the acquisition of Vincor and Svedka Acquisition (see "Acquisitions in Fiscal 2008 and 2007" below) and a favorable foreign currency impact. Operating income decreased 43% over the comparable prior year period resulting primarily from the decreased imported beer and U.K. wholesale sales discussed above and the decreased Constellation Wines segment's net sales discussed above without a corresponding decrease in promotional, advertising, selling and general and administrative spend within the Constellation Wines segment, partially offset by the incremental benefit from the acquisition of Vincor and the Svedka Acquisition and lower unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. Net income decreased 34% over the comparable prior year period primarily due to the factors discussed above combined with increased interest expense, partially offset by an increase in equity in earnings of equity method investees in connection primarily with Crown Imports.

The Company's Constellation Wines segment implemented a program to reduce distributor wine inventory levels in the U.S. during the first half of the year ending February 29, 2008 ("Fiscal 2008"), in response to the consolidation of distributors over the past few years and supply chain technology improvements. As distributors are looking to operate with lower levels of inventory while maintaining appropriate service levels to retailers, the Company has worked closely with its distributors on supply-chain efficiencies, thereby lowering costs for both the Company and its distributors, and ultimately making the Company's brands more competitive in the marketplace. The Company substantially completed its reduction of distributor inventory levels during the second quarter of fiscal 2008. This initiative will have a significant impact on the Company's Fiscal 2008 financial performance, including a reduction of net sales of approximately $110 million and a reduction in diluted earnings per share of approximately $0.15 per share.

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for Second Quarter 2008 compared to Second Quarter 2007 and Six Months 2008 compared to Six Months 2007 and (ii) financial liquidity and capital resources for Six Months 2008. 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 Fiscal 2008. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein and in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2007 ("Fiscal 2007"). References to base branded wine net sales and base branded wine gross profit exclude the impact of branded wine acquired in the acquisition of Vincor. References to base branded spirits net sales and base branded spirits gross profit exclude the impact of branded spirits acquired in the Svedka Acquisition.

**Acquisitions in Fiscal 2008 and Fiscal 2007**

***Acquisition of Svedka***

On March 19, 2007, the Company acquired the SVEDKA Vodka brand ("Svedka") in connection with the acquisition of Spirits Marque One LLC and related business (the "Svedka Acquisition"). Svedka is a premium Swedish vodka and is the fastest growing major imported premium vodka in the U.S. Svedka is the fifth largest imported vodka in the U.S. The acquisition of Svedka supports the Company's strategy of expanding the Company's premium spirits business. The acquisition provides a foundation from which the Company looks to leverage its existing and future premium spirits portfolio for growth. In addition, Svedka complements the Company's existing portfolio of super-premium and value vodka brands by adding a premium vodka brand that has experienced rapid growth.

Total consideration paid in cash for the Svedka Acquisition was $385.8 million. In addition, the Company expects to incur direct acquisition costs of approximately $1.3 million. The purchase price was financed with revolver borrowings under the Company's 2006 Credit Agreement (as defined below).

The results of operations of the Svedka business are reported in the Constellation Spirits segment and have been included in the consolidated results of operations of the Company from the date of acquisition. The Svedka Acquisition will have a significant impact on the Company's interest expense associated with the additional revolver borrowings.

*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 acquisition of Vincor include Inniskillin, Jackson-Triggs, Sawmill Creek, Sumac Ridge, 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 incurred direct acquisition costs of $9.4 million. At closing, the Company also assumed outstanding indebtedness of Vincor, net of cash acquired, of $320.2 million, resulting in a total transaction value of $1,445.4 million. The purchase price was financed with borrowings under the Company's June 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.

**Equity Method Investments in Fiscal 2008 and Fiscal 2007**

*Investment in Matthew Clark*

On April 17, 2007, the Company and Punch Taverns plc ("Punch") commenced operations of a joint venture for the U.K. wholesale business ("Matthew Clark"). The U.K. wholesale business was formerly owned entirely by the Company. Under the terms of the arrangement, the Company and Punch, directly or indirectly, each have a 50% voting and economic interest in Matthew Clark. The joint venture will reinforce Matthew Clark's position as the U.K.'s largest independent premier drinks wholesaler serving the on-premise drinks industry. The Company received $185.6 million of cash proceeds from the formation of the joint venture.

Upon formation of the joint venture, the Company discontinued consolidation of the U.K. wholesale business and accounts for the investment in Matthew Clark under the equity method. Accordingly, the results of operations of Matthew Clark 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.

***Investment in Crown Imports***

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.B. de C.V. ("Modelo") and 23.25% by Anheuser-Busch Companies, Inc., pursuant to which Modelo's Mexican beer portfolio (the "Modelo Brands") will be exclusively imported, marketed and sold in the 50 states of the U.S., the District of Columbia and Guam. In addition, the owners of the Tsingtao and St. Pauli Girl brands transferred exclusive importing, marketing and selling rights with respect to these brands in the U.S. to the joint venture. 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. On January 2, 2007, pursuant to a Barton Contribution Agreement, dated July 17, 2006, among Barton, Diblo and Crown Imports LLC, Barton transferred to Crown Imports LLC 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 Imports LLC, and, in exchange for a 50% membership interest in Crown Imports LLC, contributed cash in an amount equal to the Barton Contributed Net Assets, subject to specified adjustments. This imported beers joint venture is referred to hereinafter as "Crown Imports".

Also on January 2, 2007, Crown Imports and Extrade II S.A. de C.V. ("Extrade II"), an affiliate of Modelo, entered into an Importer Agreement, pursuant to which Extrade II granted to Crown Imports the exclusive right to import, market and sell the Modelo Brands in the territories mentioned above, and Crown Imports and Marcas Modelo, S.A. de C.V. ("Marcas Modelo"), entered into a Sub-license Agreement, pursuant to which Marcas Modelo granted Crown Imports 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 Imports and each of Barton and Diblo have appointed an equal number of directors to the Board of Directors of Crown Imports.

The importer agreement that previously gave Barton the exclusive right to import, market 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, subject to the terms and conditions of those agreements, the joint venture and the related importation arrangements 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 Crown Imports under the equity method. Accordingly, the results of operations of Crown Imports 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.

## Results of Operations

### Second Quarter 2008 Compared to Second Quarter 2007

***Net Sales***

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Second Quarter 2008 and Second Quarter 2007.

| | Second Quarter 2008 Compared to Second Quarter 2007 | | |
|---|---|---|---|
| | Net Sales | | |
| | 2008 | 2007 | % Increase / (Decrease) |
| Constellation Wines: | | | |
| Branded wine | $ 738.9 | $ 716.5 | 3% |
| Wholesale and other | 48.9 | 275.8 | (82)% |
| Constellation Wines net sales | 787.8 | 992.3 | (21)% |
| Constellation Spirits net sales | 104.8 | 83.6 | 25% |
| Constellation Beers net sales | - | 341.6 | (100)% |
| Crown Imports net sales | 722.7 | - | N/A |
| Consolidations and eliminations | (722.7) | - | N/A |
| Consolidated Net Sales | $ 892.6 | $ 1,417.5 | (37)% |

Net sales for Second Quarter 2008 decreased to $892.6 million from $1,417.5 million for Second Quarter 2007, a decrease of $524.9 million, or (37%). This decrease resulted primarily from a decrease in net sales of $341.6 million and $215.4 million for the Crown Imports and Matthew Clark investments, respectively, which are accounted for under the equity method of accounting, and the Company's program to reduce distributor wine inventory levels in the U.S., partially offset by a favorable foreign currency impact of $31.4 million, growth in Canadian branded wine net sales of $12.1 million and net sales of branded spirits acquired in the Svedka Acquisition of $11.8 million.

*Constellation Wines*

Net sales for Constellation Wines decreased to $787.8 million for Second Quarter 2008 from $992.3 million for Second Quarter 2007, a decrease of $204.5 million, or (21%). Branded wine net sales increased $22.4 million primarily due to a favorable foreign currency impact of $28.0 million, a benefit of $14.5 million due to U.K. branded wine net sales previously sold through the Company's U.K. wholesale business, and an increase in Canadian branded wine net sales of $12.1 million, partially offset by the lower U.S. base branded wine net sales resulting primarily from the Company's program to reduce distributor wine inventory levels in the U.S. The increase in Canadian branded wine net sales is due to the expansion of the Company's products into the Canadian market. Wholesale and other net sales decreased $226.9 million primarily due to a decrease of $229.9 million resulting from the accounting for the Matthew Clark investment under the equity method of accounting.

*Constellation Spirits*

Net sales for Constellation Spirits increased to $104.8 million for Second Quarter 2008 from $83.6 million for Second Quarter 2007, an increase of $21.2 million, or 25%. This increase resulted primarily from $11.8 million of net sales of branded spirits acquired in the Svedka Acquisition and an increase in base branded spirits net sales of $7.5 million due primarily to higher average selling prices and volume gains.

*Constellation Beers*

Net sales for Constellation Beers decreased $341.6 million, or (100%), from Second Quarter 2007 as the Crown Imports investment is accounted for under the equity method of accounting.

***Gross Profit***

The Company's gross profit decreased to $309.7 million for Second Quarter 2008 from $414.8 million for Second Quarter 2007, a decrease of $105.1 million, or (25%). The Constellation Wines segment's gross profit decreased $24.1 million primarily due to (i) a decrease of $22.2 million resulting from the formation of Matthew Clark on April 17, 2007, and the accounting for this investment under the equity method of accounting and (ii) lower U.S. branded wine gross profit of $20.1 million resulting from the lower U.S. branded wine net sales primarily as a result of the Company's program to reduce distributor inventory levels, partially offset by a favorable foreign currency impact of $9.6 million. The Constellation Spirits segment's gross profit increased $9.5 million primarily due to increased gross profit of $5.3 million due to the Svedka Acquisition and increased base branded spirits gross profit of $4.2 million resulting from the higher average selling prices and volume gains. The Constellation Beers segment's gross profit was down $94.1 million due to the formation of Crown Imports on January 2, 2007, and the accounting for this investment under the equity method of accounting. 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 $3.6 million in Second Quarter 2008 versus Second Quarter 2007. This decrease resulted primarily from decreased flow through of inventory step-up associated primarily with the acquisition of Vincor. Gross profit as a percent of net sales increased to 34.7% for Second Quarter 2008 from 29.3% for Second Quarter 2007 primarily due to the benefit of reporting the lower margin U.K. wholesale and imported beer businesses under the equity method of accounting, partially offset by lower margins in the U.S. branded wine business primarily due to the distributor inventory reduction program.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses decreased to $190.5 million for Second Quarter 2008 from $204.4 million for Second Quarter 2007, a decrease of $13.9 million, or (7%). This decrease is due primarily to a $20.2 million decrease in selling, general and administrative expenses within the Constellation Beers segment as the Crown Imports investment is accounted for under the equity method of accounting, and a reduction in unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment of $17.5 million, partially offset by an increase of $14.8 million in the Constellation Wines segment, an increase of $6.3 million in the Constellation Spirits segment, and an increase of $2.7 million in Corporate Operations and Other. The decrease in unusual costs was primarily due to financing costs of $11.8 million related to the Company's new senior credit facility entered into in connection with the acquisition of Vincor and foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the acquisition of Vincor, both recorded in Second Quarter 2007. The increase in the Constellation Wines segment's selling, general and administrative expenses is primarily due to increased advertising expenses of $7.4 million resulting primarily from higher planned brand marketing support in the U.S. and U.K. wine markets, and increased general and administrative expenses of $6.6 million primarily to support the Company's efforts to improve performance in the U.K. The increase in the Constellation Spirits segment's selling, general and administrative expenses is primarily due to an increase in selling expenses of $2.6 million and advertising expenses of $2.2 million, resulting primarily from the Svedka Acquisition. The increase in the Corporate Operations and Other segment's selling, general and administrative expenses is primarily due to the recognition of additional stock-based compensation expense in Second Quarter 2008 of $1.4 million and increased general and administrative expenses to support the Company's growth.

Selling, general and administrative expenses as a percent of net sales increased to 21.3% for Second Quarter 2008 as compared to 14.4% for Second Quarter 2007 primarily due to (i) the reporting of the imported beer and U.K. wholesale joint ventures under the equity method of accounting and (ii) the lower net sales associated with the reduction in the distributor wine inventory levels without a corresponding decrease in selling, general and administrative expenses within the U.S. branded wine business, partially offset by lower unusual costs.

***Acquisition-Related Integration Costs***

Acquisition-related integration costs decreased to $1.6 million for Second Quarter 2008 from $7.4 million for Second Quarter 2007. Acquisition-related integration costs for Second Quarter 2008 consisted of costs recorded primarily in connection with the Company's plan to restructure and integrate the operations of Vincor (the "Vincor Plan"). These costs included $0.3 million of employee-related costs and $1.3 million of facilities and other one-time costs. Acquisition-related integration costs for Second Quarter 2007 consisted of costs recorded primarily in connection with the Vincor Plan.

For Fiscal 2008, the Company expects to incur total acquisition-related integration costs of $9.0 million primarily in connection with the Vincor Plan.

***Restructuring and Related Charges***

The Company recorded $0.4 million of restructuring and related charges for Second Quarter 2008 associated primarily with the Company's worldwide wine reorganizations announced during Fiscal 2006 and the Company's program to consolidate certain west coast production processes in the U.S. (collectively, the "Fiscal 2006 Plan") and the Vincor Plan. Restructuring and related charges included $0.1 million of employee termination benefits, $0.2 million of contract termination costs and $0.1 million of facility consolidation/relocation costs. In addition, in connection 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"), the Fiscal 2006 Plan and the Vincor Plan, the Company recorded $2.1 million of accelerated depreciation costs and $0.9 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 $21.7 million of restructuring and related charges for Second Quarter 2007 associated primarily with the Fiscal 2007 Wine Plan, the Vincor Plan and the Fiscal 2006 Plan.

For Fiscal 2008, the Company expects to incur total restructuring and related charges of $3.5 million associated with the Fiscal 2006 Plan, the Vincor Plan and costs associated with consolidation of certain spirits production processes in the U.S. In addition, with respect to the Fiscal 2007 Wine Plan, the Fiscal 2006 Plan and the Vincor Plan, the Company expects to incur total accelerated depreciation costs, other charges and inventory write-downs for Fiscal 2008 of $7.1 million, $2.2 million and $0.3 million, respectively.

***Operating Income***

The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Second Quarter 2008 and Second Quarter 2007.

| | Second Quarter 2008 Compared to Second Quarter 2007 | | |
|---|---|---|---|
| | Operating Income (Loss) | | |
| | 2008 | 2007 | % Increase (Decrease) |
| Constellation Wines | $ 124.9 | $ 163.8 | (24)% |
| Constellation Spirits | 20.9 | 17.7 | 18% |
| Constellation Beers | - | 73.9 | (100)% |
| Corporate Operations and Other | (20.7) | (18.0) | 15% |
| Crown Imports | 157.3 | - | N/A |
| Consolidations and eliminations | (157.3) | - | N/A |
| Total Reportable Segments | 125.1 | 237.4 | (47)% |
| Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs | (7.9) | (56.1) | (86)% |
| Consolidated Operating Income | $ 117.2 | $ 181.3 | (35)% |

As a result of the factors discussed above, consolidated operating income decreased to $117.2 million for Second Quarter 2008 from $181.3 million for Second Quarter 2007, a decrease of $64.1 million, or (35%). Acquisition-related integration costs, restructuring and related charges and unusual costs of $7.9 million for Second Quarter 2008 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 associated primarily with the Company’s acquisition of Vincor of $2.3 million, accelerated depreciation associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan of $2.1 million, acquisition-related integration costs of $1.6 million associated primarily with the Vincor Plan, other related costs and restructuring and related charges associated with the Fiscal 2007 Wine Plan, Fiscal 2006 Plan and the Vincor Plan of $0.9 million and $0.4 million, respectively, the additional loss on the contribution of the U.K. wholesale business of $0.5 million, and the flow through of adverse grape cost of $0.1 million associated with the acquisition of The Robert Mondavi Corporation (“Robert Mondavi”). Acquisition-related integration costs, restructuring and related charges and unusual costs of $56.1 million for Second Quarter 2007 consist of restructuring and related charges of $21.7 million associated primarily with the Fiscal 2007 Wine Plan; financing costs of $11.8 million related to the Company’s new senior credit facility entered into in connection with the acquisition of Vincor; acquisition-related integration costs of $7.4 million associated primarily with the Vincor Plan; the flow through of inventory step-up of $5.9 million associated with the Company’s acquisitions of Vincor and Robert Mondavi; foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the acquisition of Vincor; other related charges of $1.6 million associated primarily with the Fiscal 2006 Plan; accelerated depreciation of $1.3 million associated with the Fiscal 2006 Plan and the Fiscal 2007 Wine Plan; the flow through of adverse grape cost of $0.9 million associated with the acquisition of Robert Mondavi; and additional loss on the sale of the Company's branded bottled water business of $0.1 million.

***Equity in Earnings of Equity Method Investees***

The Company’s equity in earnings of equity method investees increased to $80.1 million in Second Quarter 2008 from $0.2 million in Second Quarter 2007. This increase is primarily due to the January 2, 2007, consummation of the Crown Imports beer joint venture and the reporting of the results of operations of that joint venture since that date under the equity method of accounting of $78.8 million.

***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 Second Quarter 2007, the Company recorded a gain of $2.6 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 $1.0 million and $1.6 million, for Second Quarter 2008 and Second Quarter 2007, respectively, increased to $86.7 million for Second Quarter 2008 from $72.5 million for Second Quarter 2007, an increase of $14.2 million, or 20%. The increase resulted primarily from higher average borrowings in Second Quarter 2008 as a result of the funding of the Svedka Acquisition and the $500.0 million of share repurchases (see discussion below).

***Provision for Income Taxes***

The Company's effective tax rate decreased to 34.8% for Second Quarter 2008 from 38.7% for Second Quarter 2007, a decrease of 3.9 percentage points. The decrease in the Company's effective tax rate for Second Quarter 2008 is primarily due to reductions in deferred income tax liabilities as a result of legislative changes in various state and foreign jurisdictions and the tax effects of foreign earnings, partially offset by increases to existing tax contingencies and related interest.

***Net Income***

As a result of the above factors, net income increased to $72.1 million for Second Quarter 2008 from $68.4 million for Second Quarter 2007, an increase of $3.7 million, or 5%.

**Six Months 2008 Compared to Six Months 2007**

***Net Sales***

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Six Months 2008 and Six Months 2007.

| | Six Months 2008 Compared to Six Months 2007 | | |
|---|---|---|---|
| | Net Sales | | |
| | 2008 | 2007 | % Increase / (Decrease) |
| Constellation Wines: | | | |
| Branded wine | $ 1,358.8 | $ 1,233.7 | 10% |
| Wholesale and other | 233.3 | 523.1 | (55)% |
| Constellation Wines net sales | 1,592.1 | 1,756.8 | (9)% |
| Constellation Spirits net sales | 201.7 | 166.9 | 21% |
| Constellation Beers net sales | - | 649.7 | (100)% |
| Crown Imports net sales | 1,380.8 | - | N/A |
| Consolidations and eliminations | (1,380.8) | - | N/A |
| Consolidated Net Sales | $ 1,793.8 | $ 2,573.4 | (30)% |

Net sales for Six Months 2008 decreased to $1,793.8 million from $2,573.4 million for Six Months 2007, a decrease of $779.6 million, or (30%). This decrease resulted primarily from a decrease in net sales of $649.7 million and $313.3 million for the Crown Imports and Matthew Clark investments, respectively, which are accounted for under the equity method of accounting, and the Company's program to reduce distributor wine inventory levels in the U.S., partially offset by net sales of products acquired in the acquisition of Vincor and Svedka Acquisition of $133.7 million and $23.4 million, respectively, and a favorable foreign currency impact of $64.2 million.

*Constellation Wines*

Net sales for Constellation Wines decreased to $1,592.1 million for Six Months 2008 from $1,756.8 million in Six Months 2007, a decrease of $164.7 million, or (9%). Branded wine net sales increased $125.1 million primarily due to $126.3 million of net sales of branded wine acquired in the acquisition of Vincor, a favorable foreign currency impact of $45.5 million and a benefit of $21.6 million due to U.K. branded wine net sales previously sold through the Company's U.K. wholesale business, partially offset by the lower U.S. base branded wine net sales resulting primarily from the Company's program to reduce distributor wine inventory levels in the U.S. Wholesale and other net sales decreased $289.8 million primarily due to a decrease of $334.9 million resulting from the accounting for the Matthew Clark investment under the equity method of accounting, partially offset by a favorable foreign currency impact of $18.7 million.

*Constellation Spirits*

Net sales for Constellation Spirits increased to $201.7 million for Six Months 2008 from $166.9 million for Six Months 2007, an increase of $34.8 million, or 21%. This increase resulted primarily from $23.4 million of net sales of branded spirits acquired in the Svedka Acquisition and an increase in base branded spirits net sales of $8.9 million due primarily to higher average selling prices.

*Constellation Beers*

Net sales for Constellation Beers decreased $649.7 million, or (100%), from Six Months 2007 as the Crown Imports investment is accounted for under the equity method of accounting.

***Gross Profit***

The Company's gross profit decreased to $577.9 million for Six Months 2008 from $733.4 million for Six Months 2007, a decrease of $155.5 million, or (21%). The Constellation Wines segment's gross profit increased $8.4 million primarily due to increased gross profit of $53.2 million due to the acquisition of Vincor, partially offset by lower U.S. base branded wine gross profit of $42.0 million resulting from the lower U.S. branded wine net sales primarily as a result of the Company's program to reduce distributor inventory levels. The Constellation Spirits segment's gross profit increased $13.8 million primarily due to increased gross profit of $11.4 million due to the Svedka Acquisition. The Constellation Beers segment's gross profit was down $179.4 million due to the formation of Crown Imports on January 2, 2007, and the accounting for this investment under the equity method of accounting. 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 $1.7 million in Six Months 2008 versus Six Months 2007. This decrease resulted primarily from decreased flow through of inventory step-up of $1.3 million associated primarily with the acquisition of Vincor. Gross profit as a percent of net sales increased to 32.2% for Six Months 2008 from 28.5% for Six Months 2007 primarily due to the benefit of reporting the lower margin U.K. wholesale and imported beer businesses under the equity method of accounting combined with the sales of higher-margin wine and spirits brands acquired in the acquisition of Vincor and Svedka Acquisition, respectively, partially offset by lower margins in the U.S. branded wine business primarily due to the distributor inventory reduction program.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased to $388.1 million for Six Months 2008 from $377.0 million for Six Months 2007, an increase of $11.1 million, or 3%. This increase is due to an increase of $57.3 million in the Constellation Wines segment, an increase of $12.5 million in the Constellation Spirits segment, and an increase of $8.2 million in Corporate Operations and Other, partially offset by a $40.4 million decrease in selling, general and administrative expenses within the Constellation Beers segment as the Crown Imports investment is accounted for under the equity method of accounting, and a reduction in unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment of $26.5 million. The increase in the Constellation Wines segment's selling, general and administrative expenses is due to increased general and administrative expenses of $21.5 million, advertising expenses of $20.3 million and selling expenses of $15.5 million resulting primarily from the acquisition of Vincor and the recognition of an additional $3.9 million of stock-based compensation expense. The increase in the Constellation Spirits segment's selling, general and administrative expenses is primarily due to increases in selling expenses of $5.2 million and advertising expenses of $5.1 million resulting primarily from the Svedka Acquisition. The Corporate Operations and Other segment's selling, general and administrative expenses increased primarily due to the recognition of additional stock-based compensation expense in Six Months 2008 of $3.8 million and increased general and administrative expenses to support the Company's growth. The decrease in unusual costs was primarily due to the recognition in Six Months 2007 of (i) a $14.2 million loss on the sale of the Company's branded bottled water business, (ii) financing costs of $11.8 million related to the Company's new senior credit facility entered into in connection with the acquisition of Vincor; and (iii) foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the acquisition of Vincor, partially offset by the recognition of a $6.6 million loss in Six Months 2008 in connection with the contribution of the Company's U.K. wholesale business to the Matthew Clark joint venture.

Selling, general and administrative expenses as a percent of net sales increased to 21.6% for Six Months 2008 as compared to 14.6% for Six Months 2007 primarily due to (i) the reporting of the imported beer and U.K. wholesale joint ventures under the equity method of accounting, (ii) the lower net sales associated with the reduction in the distributor wine inventory levels without a corresponding decrease in selling, general and administrative expenses within the U.S. branded wine business and (iii) increased stock-based compensation expense, partially offset by lower unusual costs.

### *Acquisition-Related Integration Costs*

Acquisition-related integration costs decreased to $3.6 million for Six Months 2008 from $8.1 million for Six Months 2007. Acquisition-related integration costs for Six Months 2008 consisted of costs recorded primarily in connection with the Vincor Plan. These costs included $0.7 million of employee-related costs and $2.9 million of facilities and other one-time costs. Acquisition-related integration costs for Six Months 2007 consisted of costs recorded in connection with the Vincor Plan and the Company's plan to restructure and integrate the operations of The Robert Mondavi Corporation (the "Robert Mondavi Plan") of $7.5 million and $0.6 million, respectively.

For Fiscal 2008, the Company expects to incur total acquisition-related integration costs of $9.0 million primarily in connection with the Vincor Plan.

***Restructuring and Related Charges***

The Company recorded $0.8 million of restructuring and related charges for Six Months 2008 associated primarily with the Fiscal 2006 Plan. Restructuring and related charges included $0.1 million of employee termination benefit costs, $0.4 million of contract termination costs and $0.3 million of facility consolidation/relocation costs. In addition, in connection with the Company's Fiscal 2007 Wine Plan, the Fiscal 2006 Plan and the Vincor Plan, the Company recorded (i) $4.2 million of accelerated depreciation costs and $0.1 million of inventory write-downs and (ii) $1.4 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 $24.0 million of restructuring and related charges for Six Months 2007 associated primarily with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan.

For Fiscal 2008, the Company expects to incur total restructuring and related charges of $3.5 million associated with the Fiscal 2006 Plan, the Vincor Plan and costs associated with consolidation of certain spirits production processes in the U.S. In addition, with respect to the Fiscal 2007 Wine Plan, the Fiscal 2006 Plan and the Vincor Plan, the Company expects to incur total accelerated depreciation costs, other charges and inventory write-downs for Fiscal 2008 of $7.1 million, $2.2 million and $0.3 million, respectively.

***Operating Income***

The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Six Months 2008 and Six Months 2007.

| | Six Months 2008 Compared to Six Months 2007 Operating Income (Loss) | | |
|---|---|---|---|
| | 2008 | 2007 | % Increase (Decrease) |
| Constellation Wines | $ 211.1 | $ 260.0 | (19)% |
| Constellation Spirits | 36.7 | 35.4 | 4% |
| Constellation Beers | - | 139.0 | (100)% |
| Corporate Operations and Other | (40.4) | (32.2) | 25% |
| Crown Imports | 303.6 | - | N/A |
| Consolidations and eliminations | (303.6) | - | N/A |
| Total Reportable Segments | 207.4 | 402.2 | (48)% |
| Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs | (22.0) | (77.9) | (72)% |
| Consolidated Operating Income | $ 185.4 | $ 324.3 | (43)% |

As a result of the factors discussed above, consolidated operating income decreased to $185.4 million for Six Months 2008 from $324.3 million for Six Months 2007, a decrease of $138.9 million, or (43%). Acquisition-related integration costs, restructuring and related charges and unusual costs of $22.0 million for Six Months 2008 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs represent the loss on the contribution of the U.K. wholesale business of $6.6 million, the flow through of inventory step-up associated primarily with the Company's acquisition of Vincor of $5.2 million, accelerated depreciation associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan of $4.2 million, acquisition-related integration costs of $3.6 million associated primarily with the Vincor Plan, other related costs, restructuring and related charges and inventory write-offs associated with the Fiscal 2006 Plan, Fiscal 2007 Wine Plan and the Vincor Plan of $1.4 million, $0.8 million and $0.1 million, respectively, and the flow through of adverse grape cost of $0.1 million associated with the acquisition of Robert Mondavi. Acquisition-related integration costs, restructuring and related charges and unusual costs of $77.9 million for Six Months 2007 represent restructuring and related charges of $24.0 million associated primarily with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; loss on sale of the branded bottled water business of $14.2 million; financing costs of $11.8 million related to the Company's new senior credit facility entered into in connection with the acquisition of Vincor; acquisition-related integration costs of $8.1 million associated with the Vincor Plan and Robert Mondavi Plan; the flow through of inventory step-up of $6.5 million associated with the Company's acquisitions of Vincor and Robert Mondavi; foreign currency losses of $5.4 million on foreign denominated intercompany loan balances associated with the acquisition of Vincor; other related costs of $3.1 million associated with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan; the flow through of adverse grape cost of $2.4 million associated with the acquisition of Robert Mondavi; and accelerated depreciation of $2.4 million associated with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan.

***Equity in Earnings of Equity Method Investees***

The Company's equity in earnings of equity method investees increased to $155.9 million in Six Months 2008 from $0.3 million in Six Months 2007. This increase is primarily due to the January 2, 2007, consummation of the Crown Imports beer joint venture and the reporting of the results of operations of that joint venture since that date under the equity method of accounting of $152.2 million.

***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 Six 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 $1.4 million and $2.5 million, for Six Months 2008 and Six Months 2007, respectively, increased to $166.4 million for Six Months 2008 from $121.2 million for Six Months 2007, an increase of $45.2 million, or 37%. The increase resulted primarily from higher average borrowings in Six Months 2008 as a result of the funding of the acquisition of Vincor and the Svedka Acquisition, and the $500.0 million of share repurchases.

***Provision for Income Taxes***

The Company's effective tax rate increased to 41.7% for Six Months 2008 from 40.5% for Six Months 2007, an increase of 1.2 percentage points. The increase in the Company's effective tax rate for Six Months 2008 is primarily due to the recognition of a nondeductible pretax loss in connection with the Company's contribution of its U.K. wholesale business to the Matthew Clark joint venture and increases to existing tax contingencies and related interest, partially offset by reductions in deferred income tax liabilities as a result of legislative changes in various state and foreign jurisdictions.

***Net Income***

As a result of the above factors, net income decreased to $101.9 million for Six Months 2008 from $153.9 million for Six Months 2007, a decrease of $52.0 million, or (34%).

## 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 United States, the annual grape crush normally begins in August and runs through October. In Australia, 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.

### Six Months 2008 Cash Flows

***Operating Activities***

Net cash provided by operating activities for Six Months 2008 was $177.7 million, which resulted primarily from $101.9 million of net income, plus $107.0 million of net non-cash items charged to the Consolidated Statement of Income, $45.4 million increase in accrued income taxes payable and $11.9 million increase in accrued interest, partially offset by $56.6 million from an increase in accounts receivable and $31.2 million of other items.

The net non-cash items consisted primarily of depreciation of property, plant and equipment and stock-based compensation expense. The increase in accrued income taxes payable is due to timing of payments and the increase in accrued interest is due to the issuance of the May 2007 Senior Notes (as defined below). The increase in accounts receivable is primarily due to seasonality as January and February are typically the Company's lowest selling months. The other items consist primarily of $17.0 million of non-cash gains on foreign currency denominated intercompany balances, which are offset in the income statement by losses on derivative instruments designed to economically hedge such foreign currency risks, and $10.1 million of non-cash gains on derivative instruments designed to economically hedge foreign currency risks associated with the earnings of foreign subsidiaries.

***Investing Activities***

Net cash used in investing activities for Six Months 2008 was $245.8 million, which resulted primarily from the use of $385.4 million for the Svedka Acquisition, net of cash acquired, and $47.0 million of capital expenditures, partially offset by $185.6 million of net proceeds from the formation of the U.K. wholesale joint venture.

***Financing Activities***

Net cash provided by financing activities for Six Months 2008 was $67.7 million resulting primarily from proceeds from issuance of long-term debt of $716.1 million, partially offset by purchases of treasury stock of $500.0 million and principal payments of long-term debt of $163.1 million.

**Share Repurchases**

During February 2006, the Company's Board of Directors replenished a June 1998 Board of Directors authorization to repurchase up to $100.0 million of the Company's Class A Common Stock and Class B Common Stock. During the second and third quarters of fiscal 2007, the Company repurchased 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 used revolver borrowings under the June 2006 Credit Agreement to pay the purchase price for these shares. During February 2007, the Company's Board of Directors authorized the repurchase of up to $500.0 million of the Company's Class A Common Stock and Class B Common Stock. During Six Months 2008, the Company repurchased 21,332,468 shares of Class A Common Stock pursuant to this authorization at an aggregate cost of $500.0 million, or an average cost of $23.44 per share, through a combination of open market transactions and an accelerated share repurchase ("ASR") transaction that was announced in May 2007. The repurchased shares include 933,206 shares of Class A Common Stock that were received by the Company in July 2007 in connection with the early termination of the calculation period for the ASR transaction by the counterparty to the ASR transaction. The Company used revolver borrowings under the 2006 Credit Agreement to pay the purchase price for the repurchased shares. The repurchased shares have become treasury shares.

**Debt**

Total debt outstanding as of August 31, 2007, amounted to $4,749.0 million, an increase of $563.5 million from February 28, 2007. The ratio of total debt to total capitalization increased to 59.8% as of August 31, 2007, from 55.1% as of February 28, 2007.

***Senior Credit Facility***

2006 Credit Agreement

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 "June 2006 Credit Agreement"). On February 23, 2007, the June 2006 Credit Agreement was amended (the "February Amendment"). The June 2006 Credit Agreement together with the February Amendment is referred to as the "2006 Credit Agreement". The 2006 Credit Agreement provides for aggregate credit facilities of $3.9 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 $900 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 June 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.

As of August 31, 2007, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining six months of fiscal 2008 and for each of the five succeeding fiscal years are as follows:

| *(in millions)* | Tranche A Term Loan | Tranche B Term Loan | Total |
|---|---|---|---|
| 2008 | $ - | $ - | $ - |
| 2009 | 210.0 | 2.0 | 212.0 |
| 2010 | 270.0 | 4.0 | 274.0 |
| 2011 | 300.0 | 4.0 | 304.0 |
| 2012 | 150.0 | 4.0 | 154.0 |
| 2013 | - | 1,426.0 | 1,426.0 |
| | $ 930.0 | $ 1,440.0 | $ 2,370.0 |

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 fixed with respect to the tranche B term loan facility and is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) with respect to the tranche A term loan facility and the revolving credit facility. As of August 31, 2007, the 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 February Amendment amended the June 2006 Credit Agreement to, among other things, (i) increase the revolving credit facility from $500.0 million to $900.0 million, which increased the aggregate credit facilities from $3.5 billion to $3.9 billion; (ii) increase the aggregate amount of cash payments the Company is permitted to make in respect or on account of its capital stock; (iii) remove certain limitations on the application of proceeds from the incurrence of senior unsecured indebtedness; (iv) increase the maximum permitted total "Debt Ratio" and decrease the required minimum "Interest Coverage Ratio"; and (v) eliminate the "Senior Debt Ratio" covenant and the "Fixed Charges Ratio" covenant.

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 coverage ratios and minimum interest coverage ratios.

As of August 31, 2007, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $930.0 million bearing an interest rate of 6.6%, tranche B term loans of $1.44 billion bearing an interest rate of 6.9%, revolving loans of $17.0 million bearing an interest rate of 5.8%, outstanding letters of credit of $33.9 million, and $849.1 million in revolving loans available to be drawn.

As of September 30, 2007, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $930.0 million bearing an interest rate of 6.8%, tranche B term loans of $1.44 billion bearing an interest rate of 7.2%, revolving loans of $66.5 million bearing an interest rate of 6.0%, outstanding letters of credit of $33.9 million, and $799.6 million in revolving loans available to be drawn.

As of August 31, 2007, the Company had outstanding interest rate swap agreements which fixed LIBOR interest rates on $1.2 billion of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. For Six Months 2008 and Six Months 2007, the Company reclassified $3.5 million, net of tax effect of $2.3 million, and $2.3 million, net of tax effect of $1.5 million, respectively, from AOCI to the interest expense, net line in the Company's Consolidated Statements of Income. For Second Quarter 2008 and Second Quarter 2007, the Company reclassified $1.7 million, net of tax effect of $1.1 million, and $1.5 million, net of tax effect of $1.0 million, respectively, from AOCI to the interest expense, net line 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.

***Senior Notes***

As of August 31, 2007, 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 August 31, 2007, the Company had outstanding £154.0 million ($310.4 million, net of $0.2 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.

In addition, as of August 31, 2007, 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.

Also, as of August 31, 2007, the Company had outstanding $693.6 million (net of $6.4 million unamortized discount) aggregate principal amount of 7 1/4% Senior Notes due September 2016 (the "August 2006 Senior Notes"). 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 applicable Treasury Rate plus 50 basis points.

On May 14, 2007, the Company issued $700.0 million aggregate principal amount of 7 1/4% Senior Notes due May 2017 (the "May 2007 Senior Notes"). The net proceeds of the offering ($693.9 million) were used to reduce a corresponding amount of borrowings under the revolving portion of the Company's 2006 Credit Agreement. Interest on the May 2007 Senior Notes is payable semiannually on May 15 and November 15 of each year, beginning November 15, 2007. The May 2007 Senior Notes are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest to the redemption date, plus a make whole payment based on the present value of the future payments at the applicable Treasury Rate plus 50 basis points. The May 2007 Senior Notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. Certain of the Company's significant U.S. operating subsidiaries guarantee the May 2007 Senior Notes, on an unsecured senior basis. As of August 31, 2007, the Company had outstanding $700.0 million aggregate principal amount of May 2007 Senior Notes.

In connection with the issuance of the May 2007 Senior Notes, the Company entered into a registration rights agreement. Pursuant to the registration rights agreement, the Company agreed to, among other things, (i) file a registration statement with respect to an offer to exchange the May 2007 Senior Notes for new, registered notes of the Company with otherwise identical terms within 395 days after the issue date of the May 2007 Senior Notes; (ii) have the registration statement declared effective within 485 days after such issue date; and (iii) consummate the exchange offer within 525 days after such issue date. If any such event does not occur, then additional cash interest will accrue on the May 2007 Senior Notes at the rate of 0.25% per year for the first 90-day period immediately following the event of default, increasing by an additional 0.25% per year for each subsequent 90-day period up to a maximum of 1.00% per year until the event of default is cured or, in the absence of a completed exchange offer, the May 2007 Senior Notes either (i) are registered for resale as required under the registration rights agreement or (ii) become freely tradeable without registration. As of August 31, 2007, the Company has not recorded any liability for any such additional cash interest as the Company has determined that the likelihood of failing to meet the Company's obligations under the registration rights agreement is remote.

***Senior Subordinated Notes***

As of August 31, 2007, 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 currently redeemable, in whole or in part, at the option of the Company.

***Subsidiary Credit Facilities***

The Company has additional credit arrangements totaling $434.9 million as of August 31, 2007. These arrangements primarily support the financing needs of the Company's domestic and foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of August 31, 2007, amounts outstanding under these arrangements were $206.0 million.

**Accounting Pronouncements Not Yet Adopted**

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 adopted this provision of SFAS No. 158 and provided 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 remaining provision of SFAS No. 158 to have a material impact on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115." SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS No. 159 allows companies to choose to measure eligible items at fair value at specified election dates. The Company will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (i) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (ii) is irrevocable (unless a new election date occurs); and (iii) is applied only to entire instruments and not to portions of instruments. The Company is required to adopt SFAS No. 159 for fiscal years beginning after February 28, 2009. The Company does not expect the adoption of SFAS No. 159 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 (i) the Company's business strategy, future financial position, prospects, plans and objectives of management, (ii) the expected impact upon the Company's net sales and diluted earnings per share resulting from the decision to reduce distributor inventory wine levels in the U.S., (iii) the Company's expected restructuring and related charges, accelerated depreciation costs, acquisition-related integration costs, and other related charges, and (iv) information regarding expected actions of third parties 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 the risk and uncertainty that (i) the impact upon net sales and diluted earnings per share resulting from the decision to reduce distributor wine inventory levels will vary from current expectations due to the actual levels of distributor wine inventory level reductions and (ii) the Company's restructuring and related charges, accelerated depreciation costs, 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, 2007.

## 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 August 31, 2007, 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 August 31, 2007, and August 31, 2006, the Company had outstanding foreign exchange derivative instruments with a notional value of $2,295.6 million and $2,195.3 million, respectively. Approximately 76.3% of the Company's total exposures were hedged as of August 31, 2007. Using a sensitivity analysis based on estimated fair value of open contracts using forward rates, if the contract base currency had been 10% weaker as of August 31, 2007, and August 31, 2006, the fair value of open foreign exchange contracts would have been decreased by $165.1 million and $140.2 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 $2,223.1 million and $1,528.6 million as of August 31, 2007, and August 31, 2006, respectively. A hypothetical 1% increase from prevailing interest rates as of August 31, 2007, and August 31, 2006, would have resulted in a decrease in fair value of fixed interest rate long-term debt by $105.6 million and $70.8 million, respectively.

As of August 31, 2007, and August 31, 2006, 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 August 31, 2007, and August 31, 2006, would have increased the fair value of the interest rate swaps by $28.3 million and $41.8 million, respectively.

In addition to the $2,223.1 million and $1,528.6 million estimated fair value of fixed rate debt outstanding as of August 31, 2007, and August 31, 2006, respectively, the Company also had variable rate debt outstanding (primarily LIBOR based) as of August 31, 2007, and August 31, 2006, of $2,519.8 million and $2,845.0 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 August 31, 2007, and August 31, 2006, is $25.2 million and $28.5 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

In connection with the foregoing evaluation by the Company's Chief Executive Officer and its Chief Financial Officer, no changes were identified in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's fiscal quarter ended August 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### 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] |
|---|---|---|---|---|
| June 1 – 30, 2007 | - | $ - | - | $ - |
| July 1 – 31, 2007 | 933,206[2] | -[2] | 933,206[2] | - |
| August 1 – 31, 2007 | - | - | - | - |
| Total | 933,206 | $ - | 933,206 | $ - |

[1] As announced on March 1, 2007, during February 2007 the Company's Board of Directors authorized the repurchase from time to time of up to $500.0 million of the Company's Class A and Class B Common Stock (the "2007 Authorization"). The Board of Directors did not specify a date upon which this authorization would expire. The accelerated share repurchase transaction described in footnote [2] and the other purchases previously reported by the Company have utilized fully the 2007 Authorization.

[2] On July 26, 2007, the Company received 933,206 shares of Class A Common Stock pursuant to a Confirmation, dated May 6, 2007, between the Company and Citibank, N.A. ("Citibank") with respect to an accelerated share repurchase of the Company's Class A Common Stock (the "Confirmation"). Pursuant to the Confirmation, the Company paid Citibank a fixed purchase price of $421,079,174 on May 8, 2007, in exchange for 16,899,062 shares of Class A Common Stock. In connection with its acceleration of the end of the pricing period, Citibank delivered 933,206 additional shares of the Company's Class A Common Stock to the Company on July 26, 2007, for no additional consideration based on the application of a formula set forth in the Confirmation. After giving effect to the additional shares delivered on July 26, 2007, the average purchase price for the total number of shares delivered pursuant to the Confirmation was $23.6133 per share.

### Item 4. Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Stockholders of Constellation Brands, Inc. held on July 26, 2007 (the "Annual Meeting"), the holders of the Company's Class A Common Stock (the "Class A Stock"), voting as a separate class, elected the Company's slate of director nominees designated to be elected by the holders of the Class A Stock, and the holders of the Company's Class A Stock and Class B Common Stock (the "Class B Stock"), voting together as a single class with holders of Class A Stock having one (1) vote per share and holders of Class B Stock having ten (10) votes per share, elected the Company's slate of director nominees designated to be elected by the holders of the Class A Stock and Class B Stock voting together as a single class.

In addition, at the Annual Meeting, the holders of Class A Stock and the holders of Class B Stock, voting together as a single class, voted upon a proposal to ratify the selection of KPMG LLP, Certified Public Accountants, as the Company's independent public accountants for the fiscal year ending February 29, 2008, a proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of the Company's Class A Common Stock from 300,000,000 shares to 315,000,000 shares, a proposal to approve the amendment and restatement of the Company's Long-Term Stock Incentive Plan, and a proposal to approve the amendment and restatement of the Company's Annual Management Incentive Plan.

Set forth below is the number of votes cast for, against or withheld, as well as the number of abstentions and broker nonvotes, as applicable, as to each of the foregoing matters.

I. The results of the voting for the election of Directors of the Company are as follows:

Directors Elected by the Holders of Class A Stock:

| Nominee | For | Withheld |
|---|---|---|
| Thomas C. McDermott | 149,944,926 | 15,832,211 |
| Paul L. Smith | 149,924,221 | 15,852,916 |

Directors Elected by the Holders of Class A Stock and Class B Stock:

| Nominee | For | Withheld |
|---|---|---|
| Barry A. Fromberg | 399,843,846 | 2,979,611 |
| Jeananne K. Hauswald | 387,033,643 | 15,789,814 |
| James A. Locke III | 348,275,756 | 54,547,701 |
| Richard Sands | 398,725,240 | 4,098,217 |
| Robert Sands | 396,895,025 | 5,928,432 |
| Peter H. Soderberg | 384,797,655 | 18,025,802 |

II. The selection of KPMG LLP was ratified with the following votes:

| | |
|---|---|
| For: | 401,176,368 |
| Against: | 562,063 |
| Abstain: | 1,084,944 |
| Broker Nonvotes: | 82 |

III. The Amendment to the Company's Certificate of Incorporation was approved with the following votes:

| | |
|---|---|
| For: | 396,281,716 |
| Against: | 5,287,747 |
| Abstain: | 1,253,105 |
| Broker Nonvotes: | 889 |

IV. The amendment and restatement of the Company's Long-Term Stock Incentive Plan was approved with the following votes:

| | |
|---|---|
| For: | 280,885,568 |
| Against: | 89,457,946 |
| Abstain: | 1,948,236 |
| Broker Nonvotes: | 30,531,707 |

V. The amendment and restatement of the Company's Annual Management Incentive Plan was approved with the following votes:

| | |
|---|---|
| For: | 364,022,751 |
| Against: | 6,549,920 |
| Abstain: | 1,712,486 |
| Broker Nonvotes: | 30,538,300 |

**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 60 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: October 10, 2007 | By: /s/ Thomas F. Howe |
| | Thomas F. Howe, Senior Vice President, Controller |
| Dated: October 10, 2007 | By: /s/ Robert Ryder |
| | Robert Ryder, Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer) |

## INDEX TO EXHIBITS

**Exhibit No.**

| | |
|---|---|
| 2.1 | 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). + |
| 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). + |
| 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).+ |
| 3.1 | Restated Certificate of Incorporation of the Company (filed herewith). |
| 3.2 | Amendment to Restated Certificate of Incorporation of the Company (filed herewith). |

3.3 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). #

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). #

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). #

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). #

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). #

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). #

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 Affiliates 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 as Exhibit 4.11 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).

4.12 Supplemental Indenture No. 15, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

4.13 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).

4.14 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). #

4.15 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).

4.16 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).

4.17 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 Affiliates 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).

4.18 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 4.19 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).

4.19 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 as Exhibit 4.18 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).

4.20 Supplemental Indenture No. 9, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

4.21 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).

4.22 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).

4.23 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).

4.24 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).

4.25 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 Affiliates 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).

4.26 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).

4.27 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 as Exhibit 4.25 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).

4.28 Supplemental Indenture No. 9, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.28 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

4.29 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).

4.30 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).

4.31 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 as Exhibit 4.28 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).

4.32 Supplemental Indenture No. 3, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.32 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

4.33 Indenture, with respect to 7 1/4% Senior Notes due May 2017, dated May 14, 2007, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and The Bank of New York Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 9, 2007, filed May 14, 2007 and incorporated herein by reference).

4.34 Registration Rights Agreement, with respect to 7 1/4% Senior Notes due May 2017, dated May 14, 2007, among the Company, certain subsidiaries, as Guarantors, and Banc of America Securities LLC and Citigroup Global Markets Inc., as Initial Purchasers (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 9, 2007, filed May 14, 2007 and incorporated herein by reference).

4.35 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).

4.36 Amendment No. 1, dated as of February 23, 2007, to the Credit Agreement, dated as of June 5, 2006, among Constellation, the Subsidiary Guarantors referred to on the signature pages to such Amendment No. 1, and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, dated and filed February 23, 2007, and incorporated herein by reference).

4.37 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).

4.38 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).

4.39 Guarantee Assumption Agreement, dated as of May 4, 2007, by Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One 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 4.39 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

10.1 First Amendment to the Constellation Brands, Inc. 2005 Supplemental Executive Retirement Plan (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference). *

10.2 Constellation Brands, Inc. Long-Term Stock Incentive Plan, amended and restated as of July 26, 2007 (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated July 26, 2007, filed July 31, 2007 and incorporated herein by reference).*

10.3 Form of Terms and Conditions Memorandum for Employees with respect to the Constellation Brands, Inc. Long-Term Stock Incentive Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K dated July 26, 2007, filed July 31, 2007 and incorporated herein by reference).*

10.4 Form of Terms and Conditions Memorandum for Directors with respect to the Constellation Brands, Inc. Long-Term Stock Incentive Plan (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K dated July 26, 2007, filed July 31, 2007 and incorporated herein by reference).*

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| 10.5 | Constellation Brands, Inc. Annual Management Incentive Plan, amended and restated as of July 26, 2007 (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K dated July 26, 2007, filed July 31, 2007 and incorporated herein by reference).* |
| 10.6 | Description of Compensation Arrangements for Non-Management Directors (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated October 2, 2007, filed October 4, 2007 and incorporated herein by reference).* |
| 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). |
| 32.1 | 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). |

* Designates management contract or compensatory plan or arrangement.

# Company's Commission File No. 001-08495. For filings prior to October 4, 1999, use Commission File No. 000-07570.

+ 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.

Exhibit 3.1

**RESTATED CERTIFICATE OF INCORPORATION**

**of**

**CONSTELLATION BRANDS, INC.**

Constellation Brands, Inc., a Delaware corporation,

DOES HEREBY CERTIFY:

FIRST. The name of the corporation is Constellation Brands, Inc. The name under which it was originally incorporated was Canandaigua Wine Company, Inc. The date of filing its original Certificate of Incorporation with the Secretary of State of the State of Delaware was December 4, 1972.

SECOND. This Restated Certificate of Incorporation was duly adopted by Constellation Brands, Inc.'s Board of Directors on October 4, 2006 in accordance with Section 245 of the General Corporation Law of the State of Delaware.

THIRD. This Restated Certificate of Incorporation only restates and integrates, and does not further amend, the provisions of Constellation Brands, Inc.'s Certificate of Incorporation, as such Certificate of Incorporation had heretofore been restated, amended or supplemented. There is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

FOURTH. The text of the Certificate of Incorporation as restated, amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

1. Name. The name of the Corporation is Constellation Brands, Inc.

2. Address; Registered Agent. The address of the registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. Purposes. The nature of business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. Capitalization; General Authorization. The total number of shares of stock which the Corporation shall have authority to issue is Three Hundred Thirty-One Million (331,000,000) consisting of:

(a) Class A Common. Three Hundred Million (300,000,000) shares designated as Class A Common Stock, having a par value of One Cent ($.01) per share (the "Class A Common");

(b) Class B Common. Thirty Million (30,000,000) shares designated as Class B Common Stock, having a par value of One Cent ($.01) per share (the "Class B Common"); and

(c) Preferred Stock. One Million (1,000,000) shares designated as Preferred Stock, having a par value of One Cent ($.01) per share (the "Preferred Stock").

5. Rights and Limitations. The designations, powers, preferences and relative participation, optional or other special rights and the qualifications, limitations and restrictions thereof in respect of each class of capital stock of the Corporation are as follows:

(i) Class A Common and Class B Common. The Class A Common and Class B Common shall be identical in all respects and shall entitle the holders thereof to the same rights, privileges and limitations, except as otherwise provided herein. The relative rights, privileges and limitations are as follows:

(a) Voting Rights. The holders of Class A Common and Class B Common shall have the following rights:

(i) The holders of Class A Common and Class B Common shall be entitled to vote as separate classes on all matters as to which a class vote is now, or hereafter may be, required by law.

(ii) The number of authorized shares of Class A Common and/or Class B Common may be increased or decreased (but not below the number of shares thereof then outstanding) by the majority vote of all Class A Common and Class B Common voting as a single class, provided that the holders of Class A Common shall have one (1) vote per share and the holders of Class B Common shall have ten (10) votes per share.

(iii) At every meeting of shareholders called for the election of directors, the holders of the Class A Common, voting as a class, shall be entitled to elect one-fourth (1/4) of the number of directors to be elected at such meeting (rounded, if the total number of directors to be elected at such meeting is not evenly divisible by four (4), to the next higher whole number), and the holders of the Class B Common, voting as a class, shall be entitled to elect the remaining number of directors to be elected at such meeting. Irrespective of the foregoing, if the number of outstanding Class B Common shares is less than 12 1/2% of the total number of outstanding shares of Class A Common and Class B Common, then the holders of the Class A Common shall be entitled to elect one-fourth (1/4) of the number of directors to be elected at such meeting (rounded, if the total number of directors to be elected at such meeting is not evenly divisible by four (4), to the next higher whole number) and shall be entitled to participate with the holders of the Class B Common shares voting as a single class in the election of the remaining number of directors to be elected at such meeting, provided that the holders of Class A Common shall have one (1) vote per share and the holders of the Class B Common shall have ten (10) votes per share. If, during the interval between annual meetings for the election of directors, the number of directors who have been elected by either the holders of the Class A Common or the Class B Common shall, by reason of resignation, death, retirement, disqualification or removal, be reduced, the vacancy or vacancies in directors so created may be filled by a majority vote of the remaining directors then in office, even if less than a quorum, or by a sole remaining director. Any director so

elected by the remaining directors to fill any such vacancy may be removed from office by the vote of the holders of a majority of the shares of the Class A Common and the Class B Common voting as a single class, provided that the holders of Class A Common shall have one (1) vote per share and the holders of the Class B Common shall have ten (10) votes per share.

(iv) The holders of Class A Common and Class B Common shall in all matters not specified in Sections 5(i)(a)(i), 5(i)(a)(ii) and 5(i)(a)(iii) vote together as a single class, provided that the holders of Class A Common shall have one (1) vote per share and the holders of Class B Common shall have ten (10) votes per share.

(v) There shall be no cumulative voting of any shares of either the Class A Common or the Class B Common.

(b) Dividends. Subject to the rights of the Class A Common set forth in Paragraph 5(i)(c) hereof, the Board of Directors, acting in its sole discretion, may declare in accordance with law a dividend payable in cash, in property or in securities of the Corporation, on either the Class A Common or the Class B Common or both.

(c) Cash Dividends. The Board of Directors may, in its sole discretion, declare cash dividends payable only to holders of Class A Common or to both the holders of Class A Common and Class B Common, but not only to holders of Class B Common. A cash dividend in any amount may be paid on the Class A Common if no cash dividend is to be paid on the Class B Common. If a cash dividend is to be paid on the Class B Common, a cash dividend shall also be paid on the Class A Common in an amount per share thereof which exceeds the amount of the cash dividend paid on each share of Class B Common by at least ten percent (10%) (rounded up, if necessary, to the nearest one-hundredth of a cent).

(d) Convertibility. Each holder of record of a share of Class B Common may at any time or from time to time, without cost to such holder and at such holder's option, convert any whole number or all of such holder's shares of Class B Common into fully paid and nonassessable shares of Class A Common at the rate of one share of Class A Common for each share of Class B Common surrendered for conversion. Any such conversion may be effected by any holder of Class B Common by surrendering such holder's certificate or certificates for the shares of Class B Common to be converted, duly endorsed, at the office of the Corporation or the office of any transfer agent for the Class A Common, together with a written notice for the Corporation at such office that such holder elects to convert all or a specified number of such shares of Class B Common. Promptly thereafter, the Corporation shall issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common to which such holder shall be entitled as aforesaid. Such conversion shall be made as of the close of business on the date of such surrender and the person or persons entitled to receive the shares of Class A Common issuable on such conversion shall be treated for all purposes as the record holder or holders of such shares of Class A Common on such date. The Corporation will at all times reserve and keep available, solely for the purpose of issue upon conversion of the outstanding shares of Class B Common, such number of shares of Class A Common as shall be issuable upon the conversion of all such outstanding shares, provided that the foregoing shall not be considered to preclude the Corporation from satisfying its obligations in respect of the conversion of the outstanding

shares of Class B Common by delivery of shares of Class A Common which are held in the treasury of the Corporation.

(e) Rights Upon Liquidation. Holders of Class A Common and Class B Common shall have identical rights in the event of liquidation, and shall be treated as a single class for purposes thereof.

(ii) Preferred Stock. Subject to the terms contained in any designation of a series of Preferred Stock, the Board of Directors is expressly authorized, at any time and from time to time, to fix, by resolution or resolutions, the following provisions for shares of any class or classes of Preferred Stock of the Corporation or any series of any class of Preferred Stock:

(a) the designation of such class or series, the number of shares to constitute such class or series which may be increased or decreased (but not below the number of shares of that class or series then outstanding) by resolution of the Board of Directors, and the stated value thereof if different from the par value thereof;

(b) whether the shares of such class or series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights;

(c) the dividends, if any, payable on such class or series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, and the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of the same class;

(d) whether the shares of such class or series shall be subject to redemption by the Corporation, and, if so, the times, prices and other conditions of such redemption;

(e) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such class or series in, the voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets, of the Corporation;

(f) whether the shares of such class or series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such class or series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(g) whether the shares of such class or series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of the same class or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any shares of such class or series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation

of the Common Stock or shares of stock of any other class or any other series of the same class;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such class or series or of any other series of the same class or of any other class;

(j) the ranking (be it pari passu, junior or senior) of each class or series vis-a-vis any other class or series of any class of Preferred Stock as to the payment of dividends, the distribution of assets and all other matters; and

(k) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof, insofar as they are not inconsistent with the provisions of this Restated Certificate of Incorporation, to the full extent permitted in accordance with the laws of the State of Delaware.

The powers, preferences and relative, participating, optional and other special rights of each class or series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

6. By-Laws. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter or repeal the By-Laws of the Corporation.

7. Liability of Directors. A member of the Corporation’s Board of Directors shall not be personally liable to the Corporation or its shareholders for monetary damages for a breach of fiduciary duty as a director, except for liability of the director (i) for any breach of the director’s duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, relating to the payment of unlawful dividends or unlawful stock repurchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended after approval by the shareholders of this Paragraph to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. Any repeal or modification of this Paragraph by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

8. Indemnification.

(a) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an “indemnitee”), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent

or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in subparagraph (b) hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Paragraph shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"), provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Paragraph or otherwise.

(b) Right of Indemnitee to Bring Suit. If a claim under subparagraph (a) of this Paragraph is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstance because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not

met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Paragraph or otherwise shall be on the Corporation.

(c) Non-Exclusivity of Rights. The rights of indemnification and to the advancement of expenses conferred in this Paragraph shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, this Restated Certificate of Incorporation, by-law, agreement, vote of shareholders or disinterested directors or otherwise.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

(e) Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Paragraph with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

IN WITNESS WHEREOF, the undersigned has executed this Restated Certificate of Incorporation as of the 11th day of October, 2006.

/s/ Richard Sands

Name: Richard Sands
Title: Chairman of the Board and Chief Executive Officer

Exhibit 3.2

**CERTIFICATE OF AMENDMENT**

**OF THE**

**CERTIFICATE OF INCORPORATION**

**OF**

**CONSTELLATION BRANDS, INC.**

**Under Section 242 of the Delaware General Corporation Law**

Pursuant to the provisions of Section 242 of the Delaware General Corporation Law, the undersigned, being an authorized person of the Corporation, hereby certifies and sets forth as follows:

1. The name of the Corporation is Constellation Brands, Inc. (the "Company").

2. The name under which the Company was originally incorporated is Canandaigua Wine Company, Inc. and the date of filing of the original certificate of incorporation of the Company with the Secretary of State of the State of Delaware is December 4, 1972.

3. Pursuant to Section 242 of the Delaware General Corporation Law, the certificate of incorporation of the Company is hereby amended to increase the number of authorized shares of the Class A Common Stock of the Company from 300,000,000 shares to 315,000,000 shares, thereby increasing the total number of shares of stock which the Company has authority to issue from 331,000,000 shares to 346,000,000 shares. To effect this amendment, Article 4 of the restated certificate of incorporation is hereby amended to read in its entirety as follows:

"4. Capitalization: General Authorization. The total number of shares of stock which the Corporation shall have authority to issue is Three Hundred Forty-Six Million (346,000,000) shares consisting of:

(a) Class A Common. Three Hundred Fifteen Million (315,000,000) shares designated as Class A Common Stock, having a par value of One Cent ($.01) per share (the "Class A Common");

(b) Class B Common. Thirty Million (30,000,000) shares designated as Class B Common Stock, having a par value of One Cent ($.01) per share (the "Class B Common");

(c) Preferred Stock. One Million (1,000,000) shares designated as Preferred Stock, having a par value of One Cent ($.01) per share (the "Preferred Stock")."

4. The foregoing amendment has been duly adopted by the stockholders in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment as of the 26th day of July, 2007.

/s/ Robert Sands
Robert Sands, President and Chief Executive Officer

**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 August 31, 2007**

I, Robert Sands, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 10, 2007

/s/ Robert Sands
Robert Sands
President 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 August 31, 2007**

I, Robert Ryder, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 10, 2007

/s/ Robert Ryder
Robert Ryder
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 August 31, 2007**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2007, I, Robert Sands, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended August 31, 2007 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended August 31, 2007 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 10, 2007

/s/ Robert Sands
Robert Sands,
President and Chief Executive Officer

**Exhibit 32.2**

**SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2007**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2007, I, Robert Ryder, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended August 31, 2007 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the periodic report on Form 10-Q for the Fiscal Quarter Ended August 31, 2007 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 10, 2007

/s/ Robert Ryder
Robert Ryder,
Executive Vice President and
Chief Financial Officer