

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, 2005

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

(State or other jurisdiction of
incorporation or organization)

16-0716709

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

370 Woodcliff Drive, Suite 300, Fairport, New York

(Address of principal executive offices)

14450

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

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, 2005, is set forth below:

<u>Class</u>	<u>Number of Shares Outstanding</u>
Class A Common Stock, Par Value \$.01 Per Share	197,159,532
Class B Common Stock, Par Value \$.01 Per Share	23,888,038

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

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2005	2004	2005	2004
SALES	\$ 2,834,974	\$ 2,474,557	\$ 1,468,665	\$ 1,300,242
Less - Excise taxes	(546,480)	(510,311)	(276,706)	(263,301)
Net sales	2,288,494	1,964,246	1,191,959	1,036,941
COST OF PRODUCT SOLD	(1,634,488)	(1,424,101)	(843,959)	(747,258)
Gross profit	654,006	540,145	348,000	289,683
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(321,581)	(270,783)	(163,717)	(132,355)
ACQUISITION-RELATED INTEGRATION COSTS	(14,263)	-	(7,824)	-
RESTRUCTURING AND RELATED CHARGES	(4,142)	(2,782)	(2,262)	(1,169)
Operating income	314,020	266,580	174,197	156,159
EQUITY IN (LOSS) EARNINGS OF EQUITY METHOD INVESTEE	(796)	262	(254)	200
INTEREST EXPENSE, net	(94,180)	(60,681)	(46,885)	(30,400)
Income before income taxes	219,044	206,161	127,058	125,959
PROVISION FOR INCOME TAXES	(60,925)	(74,218)	(44,638)	(45,345)
NET INCOME	158,119	131,943	82,420	80,614
Dividends on preferred stock	(4,902)	(4,902)	(2,451)	(2,451)
INCOME AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ 153,217</u>	<u>\$ 127,041</u>	<u>\$ 79,969</u>	<u>\$ 78,163</u>
SHARE DATA:				
Earnings per common share:				
Basic - Class A Common Stock	<u>\$ 0.70</u>	<u>\$ 0.60</u>	<u>\$ 0.37</u>	<u>\$ 0.37</u>
Basic - Class B Common Stock	<u>\$ 0.64</u>	<u>\$ 0.54</u>	<u>\$ 0.33</u>	<u>\$ 0.33</u>
Diluted	<u>\$ 0.66</u>	<u>\$ 0.57</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>
Weighted average common shares outstanding:				
Basic - Class A Common Stock	196,042	190,171	196,520	190,902
Basic - Class B Common Stock	23,930	24,107	23,905	24,098
Diluted	238,611	231,176	239,071	232,293

The accompanying notes are an integral part of these statements.

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

	For the Six Months Ended August 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 158,119	\$ 131,943
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	54,087	43,311
Deferred tax provision	33,301	14,884
Proceeds from settlement of interest rate swap contracts	30,269	-
Amortization of intangible and other assets	4,051	5,756
Loss on disposal of assets	1,737	2,813
Equity in loss (earnings) of equity method investees	796	(262)
Stock-based compensation expense	67	53
Amortization of discount on long-term debt	39	35
Noncash portion of loss on extinguishment of debt	-	1,799
Change in operating assets and liabilities, net of effects from sales of businesses:		
Accounts receivable, net	(66,083)	(169,792)
Inventories	(74,478)	(119,808)
Prepaid expenses and other current assets	(5,526)	(36,251)
Accounts payable	44,561	145,195
Accrued excise taxes	(2,221)	22,085
Other accrued expenses and liabilities	(3,928)	20,502
Other, net	(669)	(8,113)
Total adjustments	16,003	(77,793)
Net cash provided by operating activities	174,122	54,150
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	111,963	1,024
Proceeds from sale of equity method investment	35,953	-
Proceeds from sale of businesses	17,861	-
	(62,962)	(50,910)
Purchases of property, plant and equipment	-	-
Investment in equity method investee	(2,286)	-
Payment of accrued earn-out amount	(1,648)	(1,339)
Other investing activities	(5,008)	-
Net cash provided by (used in) investing activities	93,873	(51,225)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of long-term debt	(336,677)	(234,676)
Payment of preferred stock dividends	(4,902)	(4,902)
Net proceeds from notes payable	55,050	192,472
Exercise of employee stock options	17,334	17,351
Proceeds from employee stock purchases	3,044	2,432
Payment of issuance costs of long-term debt	-	(901)
Net cash used in financing activities	(266,151)	(28,224)
Effect of exchange rate changes on cash and cash investments	(812)	(2,069)
NET INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	1,032	(27,368)
CASH AND CASH INVESTMENTS, beginning of period	17,635	37,136
CASH AND CASH INVESTMENTS, end of period	\$ 18,667	\$ 9,768

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2005

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, 2005. Results of operations for interim periods are not necessarily indicative of annual results.

During April 2005, the Board of Directors approved two-for-one stock splits of the Company's Class A Common Stock and Class B Convertible Common Stock, which were distributed in the form of stock dividends on May 13, 2005, to stockholders of record on April 29, 2005. Share and per share amounts are adjusted to give effect to these common stock splits.

2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS:

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. The AJCA includes a special one-time 85 percent dividends received deduction for certain foreign earnings that are repatriated. In December 2004, the FASB issued FASB Staff Position No. FAS 109-2 ("FSP FAS 109-2"), "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004." FSP FAS 109-2 provides accounting and disclosure guidance for this repatriation provision (see Note 8).

3) ACQUISITIONS:

On December 22, 2004, the Company acquired all of the outstanding capital stock of The Robert Mondavi Corporation ("Robert Mondavi"), a leading premium wine producer based in Napa, California. In connection with the production of its products, Robert Mondavi owns, operates and has an interest in certain wineries and controls certain vineyards. Robert Mondavi produces, markets and sells premium, super premium and fine California wines under the Woodbridge by Robert Mondavi, Robert Mondavi Private Selection and Robert Mondavi Winery brand names. As a result of the Robert Mondavi acquisition, the Company acquired an ownership interest in Opus One, a joint venture owned equally by Robert Mondavi and Baron Philippe de Rothschild, S.A. During September 2005, the Company's president and Baroness Philippine de Rothschild announced an agreement to maintain equal ownership of Opus One. Opus One produces fine wines at its Napa Valley winery.

The acquisition of Robert Mondavi supports the Company's strategy of strengthening the breadth of its portfolio across price segments to capitalize on the overall growth in the premium, super-premium and fine wine categories. The Company believes that the acquired Robert Mondavi brand names have strong brand recognition globally. The vast majority of Robert Mondavi's sales are generated in the United States. The Company intends to leverage the Robert Mondavi brands in the United States through its selling, marketing and distribution infrastructure. The Company also intends to further expand distribution for the Robert Mondavi brands in Europe through its Constellation Europe infrastructure.

The Robert Mondavi acquisition supports the Company's strategy of growth and breadth across categories and geographies, and strengthens its competitive position in its core markets. The Robert Mondavi acquisition provides the Company with a greater presence in the growing premium, super-premium and fine wine sectors within the United States and the ability to capitalize on the broader geographic distribution in strategic international markets. In particular, the Company believes there are growth opportunities for premium, super-premium and fine wines in the United Kingdom and other "new world" wine markets. Total consideration paid in cash to the Robert Mondavi shareholders was \$1,030.7 million. Additionally, the Company expects to incur direct acquisition costs of \$11.2 million. The purchase price was financed with borrowings under the Company's 2004 Credit Agreement (as defined in Note 7). 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 Robert Mondavi, including the factors described above, as well as an estimated benefit from operating cost synergies.

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

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed in the Robert Mondavi acquisition at the date of acquisition. The Company is in the process of obtaining third-party valuations of certain assets and liabilities, and refining its restructuring plan which is under development and will be finalized during the Company's year ending February 28, 2006 (see Note 15). Accordingly, the allocation of the purchase price is subject to refinement. Estimated fair values at December 22, 2004, are as follows:

<i>(in thousands)</i>	
Current assets	\$ 508,461
Property, plant and equipment	438,660
Other assets	129,329
Trademarks	138,000
Goodwill	<u>630,687</u>
Total assets acquired	1,845,137
Current liabilities	305,373
Long-term liabilities	<u>497,903</u>
Total liabilities assumed	<u>803,276</u>
Net assets acquired	<u>\$ 1,041,861</u>

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

In connection with the Robert Mondavi acquisition and Robert Mondavi's previously disclosed intention to sell certain of its winery properties and related assets, and other vineyard properties, the Company has realized net proceeds of \$164.0 million and \$18.6 million from the sale of certain of these assets during the six months and three months ended August 31, 2005, respectively. The remaining assets classified as held for sale as of August 31, 2005, are insignificant. No gain or loss has been recognized upon the sale of these assets.

The following table sets forth the unaudited historical and unaudited pro forma results of operations of the Company for the six months and three months ended August 31, 2005, and August 31, 2004, respectively. The unaudited pro forma results of operations for the six months and three months ended August 31, 2004, give effect to the Robert Mondavi acquisition as if it occurred on March 1, 2004. The unaudited pro forma results of operations are presented after giving effect to certain adjustments for depreciation, amortization of 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 do not purport to present what the Company's results of operations would actually have been if the aforementioned transaction had in fact occurred on such date or at the beginning of the period indicated, nor do they project the Company's financial position or results of operations at any future date or for any future period.

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2005	2004	2005	2004
<i>(in thousands, except per share data)</i>				
Net sales	\$ 2,288,494	\$ 2,183,614	\$ 1,191,959	\$ 1,140,696
Income before income taxes	\$ 219,044	\$ 234,701	\$ 127,058	\$ 141,302
Net income	\$ 158,119	\$ 150,398	\$ 82,420	\$ 90,508
Income available to common stockholders	\$ 153,217	\$ 145,496	\$ 79,969	\$ 88,057
Earnings per common share - basic:				
Class A Common Stock	\$ 0.70	\$ 0.69	\$ 0.37	\$ 0.41
Class B Common Stock	\$ 0.64	\$ 0.62	\$ 0.33	\$ 0.38
Earnings per common share - diluted	\$ 0.66	\$ 0.65	\$ 0.34	\$ 0.39
Weighted average common shares				
outstanding - basic:				
Class A Common Stock	196,042	190,171	196,520	190,902
Class B Common Stock	23,930	24,107	23,905	24,098
Weighted average common shares				
outstanding - diluted	238,611	231,176	239,071	232,293

4) INVENTORIES:

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

	August 31, 2005	February 28, 2005
<i>(in thousands)</i>		
Raw materials and supplies	\$ 78,535	\$ 71,562
In-process inventories	901,900	957,567
Finished case goods	635,136	578,606
	<u>\$ 1,615,571</u>	<u>\$ 1,607,735</u>

5) GOODWILL:

The changes in the carrying amount of goodwill for the six months ended August 31, 2005, are as follows:

	Constellation Wines	Constellation Beers and Spirits	Consolidated
<i>(in thousands)</i>			
Balance, February 28, 2005	\$ 2,031,244	\$ 151,425	\$ 2,182,669
Purchase accounting allocations	40,228	15	40,243
Foreign currency translation adjustments	(50,675)	550	(50,125)
Purchase price earn-out	1,438	-	1,438
Balance, August 31, 2005	<u>\$ 2,022,235</u>	<u>\$ 151,990</u>	<u>\$ 2,174,225</u>

6) INTANGIBLE ASSETS:

The major components of intangible assets are:

	August 31, 2005		February 28, 2005	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<i>(in thousands)</i>				
Amortizable intangible assets:				
Distributor relationships	\$ 3,700	\$ 3,618	\$ 3,700	\$ 3,679
Distribution agreements	18,882	8,002	12,884	1,666
Other	2,214	1,223	5,230	1,229
Total	<u>\$ 24,796</u>	<u>12,843</u>	<u>\$ 21,814</u>	<u>6,574</u>
Nonamortizable intangible assets:				
Trademarks		855,728		920,664
Agency relationships		18,412		18,412
Total		<u>874,140</u>		<u>939,076</u>
Total intangible assets		<u>\$ 886,983</u>		<u>\$ 945,650</u>

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 \$0.8 million and \$1.6 million for the six months ended August 31, 2005, and August 31, 2004, respectively, and \$0.4 million and \$0.9 million for the three months ended August 31, 2005, and August 31, 2004, respectively. Estimated amortization expense for the remaining six months of fiscal 2006 and for each of the five succeeding fiscal years and thereafter is as follows:

<i>(in thousands)</i>		
2006	\$	1,296
2007	\$	1,417
2008	\$	1,101
2009	\$	1,088
2010	\$	1,066
2011	\$	827
Thereafter	\$	6,048

7) BORROWINGS:

Senior credit facility -

In connection with the acquisition of Robert Mondavi, on December 22, 2004, the Company and its U.S. subsidiaries (excluding certain inactive subsidiaries), together with certain of its subsidiaries organized in foreign jurisdictions, 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 "2004 Credit Agreement"). The 2004 Credit Agreement provides for aggregate credit facilities of \$2.9 billion (subject to increase as therein provided to \$3.2 billion), consisting of a \$600.0 million tranche A term loan facility due in November 2010, a \$1.8 billion tranche B term loan facility due in November 2011, and a \$500.0 million revolving credit facility (including a sub-facility for letters of credit of up to \$60.0 million) which terminates in December 2010. Proceeds of the 2004 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the cash consideration payable in connection with its acquisition of Robert Mondavi, and to pay certain obligations of Robert Mondavi, including indebtedness outstanding under its bank facility and unsecured notes of \$355.4 million. The Company uses its revolving credit facility under the 2004 Credit Agreement for general corporate purposes, including working capital, on an as needed basis.

The tranche A term loan facility and the tranche B term loan facility were fully drawn on December 22, 2004. As of August 31, 2005, the required principal repayments of the tranche A term loan and the tranche B term loan are as follows:

	Tranche A Term Loan	Tranche B Term Loan	Total
<i>(in thousands)</i>			
2006	\$ -	\$ -	\$ -
2007	33,382	-	33,382
2008	89,853	15,299	105,152
2009	110,588	15,299	125,887
2010	117,500	15,299	132,799
Thereafter	103,677	1,449,603	1,553,280
	<u>\$ 455,000</u>	<u>\$ 1,495,500</u>	<u>\$ 1,950,500</u>

The rate of interest payable, at the Company's option, is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's debt ratio (as defined in the 2004 Credit Agreement) and, with respect to LIBOR borrowings, ranges between 1.00% and 1.75%. As of August 31, 2005, the LIBOR margin for the revolving credit facility and the tranche A term loan facility is 1.50%, while the LIBOR margin on the tranche B term loan facility is 1.75%.

The Company's obligations are guaranteed by substantially all of its U.S. subsidiaries and by certain of its foreign subsidiaries. These obligations are also secured by a pledge of (i) 100% of the ownership interests in most 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 customary lending covenants including those restricting additional liens, the incurrence of additional indebtedness (including guarantees of indebtedness), the sale of assets, the payment of dividends, transactions with affiliates, the disposition and acquisition of property and the making of certain investments, in each case subject to numerous baskets, exceptions and thresholds. The financial covenants are limited to maximum total debt and senior debt coverage ratios and minimum fixed charges and interest coverage ratios. As of August 31, 2005, the Company is in compliance with all of its covenants under its 2004 Credit Agreement.

As of August 31, 2005, under the 2004 Credit Agreement, the Company had outstanding tranche A term loans of \$455.0 million bearing a weighted average interest rate of 4.9%, tranche B term loans of \$1,495.5 million bearing a weighted average interest rate of 5.3%, revolving loans of \$42.5 million bearing a weighted average interest rate of 4.8%, undrawn revolving letters of credit of \$28.1 million, and \$429.4 million in revolving loans available to be drawn.

At February 28, 2005, the Company had outstanding five year interest rate swap agreements to minimize interest rate volatility. The swap agreements fixed LIBOR interest rates on \$1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.1% over the five-year term. In March 2005, the Company monetized the value of the interest rate swaps by replacing them with new five year delayed start interest rate swap agreements effective March 1, 2006, which extended the hedged period through fiscal 2010. The Company received \$30.3 million in proceeds from the unwinding of the original swaps. This amount will be reclassified from AOCI (as defined in Note 13) ratably into earnings in the same period in which the original hedged item is recorded in the Consolidated Statement of Income. The effective interest rate remains the same under the new swap structure at 4.1%.

Foreign subsidiary facilities -

The Company has additional credit arrangements available totaling \$176.7 million as of August 31, 2005. These arrangements support the financing needs of certain of the Company's foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of August 31, 2005, amounts outstanding under the foreign subsidiary credit arrangements were \$57.5 million.

8) INCOME TAXES:

The Company's effective tax rate for the six months ended August 31, 2005, and August 31, 2004, was 27.8% and 36%, respectively. The Company's effective tax rate for the three months ended August 31, 2005, and August 31, 2004, was 35.1% and 36%, respectively. The lower effective tax rate for the six months ended August 31, 2005, was partially due to adjustments to income tax accruals of \$16.2 million in connection with the completion of various income tax examinations. Additionally, the American Jobs Creation Act of 2004 ("AJCA") includes a special one-time 85 percent dividends received deduction for certain foreign earnings that are repatriated. During the three months ended August 31, 2005, the Company concluded its evaluation regarding the impact of the AJCA on distributions of certain foreign earnings. Management has concluded that a minimum of \$45.0 million of foreign earnings will be distributed under these provisions. Since the Company does not currently consider its foreign earnings as permanently reinvested, the second quarter provision included a benefit under the AJCA of approximately \$6.0 million related to this planned distribution. The Company continues to evaluate the potential for additional distributions of foreign earnings under the AJCA ranging from \$0 to \$80.0 million with an estimated additional benefit in the range of \$0 to \$7.0 million. This additional evaluation is expected to be complete prior to the end of fiscal 2006.

9) 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,	
	2005	2004	2005	2004
	<i>(in thousands)</i>			
Service cost	\$ 1,074	\$ 1,074	\$ 534	\$ 531
Interest cost	9,027	8,008	4,445	4,033
Expected return on plan assets	(8,683)	(8,458)	(4,276)	(4,257)
Amortization of prior service cost	96	5	48	3
Recognized net actuarial loss	1,468	1,251	722	630
Net periodic benefit cost	<u>\$ 2,982</u>	<u>\$ 1,880</u>	<u>\$ 1,473</u>	<u>\$ 940</u>

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,	
	2005	2004	2005	2004
	<i>(in thousands)</i>			
Service cost	\$ 107	\$ 103	\$ 54	\$ 51
Interest cost	151	166	75	83
Amortization of prior service cost	(27)	4	(13)	2
Recognized net actuarial loss	12	11	6	6
Net periodic benefit cost	<u>\$ 243</u>	<u>\$ 284</u>	<u>\$ 122</u>	<u>\$ 142</u>

Contributions of \$3.2 million and \$1.1 million have been made by the Company to fund its defined benefit pension plans for the six months and three months ended August 31, 2005, respectively. The Company presently anticipates contributing an additional \$5.1 million to fund its defined benefit pension plans during the year ending February 28, 2006, resulting in total employer contributions of \$8.3 million for the year ending February 28, 2006.

10) STOCKHOLDERS' EQUITY:

In July 2005, the stockholders of the Company approved an increase in the number of authorized shares of Class A Common Stock from 275,000,000 shares to 300,000,000 shares, thereby increasing the aggregate number of authorized shares of the Company's common and preferred stock to 331,000,000 shares.

11) EARNINGS PER COMMON SHARE:

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

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

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2005	2004	2005	2004
<i>(in thousands, except per share data)</i>				
Net income	\$ 158,119	\$ 131,943	\$ 82,420	\$ 80,614
Dividends on preferred stock	(4,902)	(4,902)	(2,451)	(2,451)
Income available to common stockholders	<u>\$ 153,217</u>	<u>\$ 127,041</u>	<u>\$ 79,969</u>	<u>\$ 78,163</u>
Weighted average common shares outstanding - basic:				
Class A Common Stock	196,042	190,171	196,520	190,902
Class B Convertible Common Stock	23,930	24,107	23,905	24,098
Total weighted average common shares outstanding - basic	219,972	214,278	220,425	215,000
Stock options	8,656	6,915	8,663	7,310
Preferred stock	9,983	9,983	9,983	9,983
Weighted average common shares outstanding - diluted	<u>238,611</u>	<u>231,176</u>	<u>239,071</u>	<u>232,293</u>
Earnings per common share - basic:				
Class A Common Stock	<u>\$ 0.70</u>	<u>\$ 0.60</u>	<u>\$ 0.37</u>	<u>\$ 0.37</u>
Class B Convertible Common Stock	<u>\$ 0.64</u>	<u>\$ 0.54</u>	<u>\$ 0.33</u>	<u>\$ 0.33</u>
Earnings per common share - diluted	<u>\$ 0.66</u>	<u>\$ 0.57</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>

Stock options to purchase 0.1 million shares of Class A Common Stock at a weighted average price per share of \$30.52 and \$30.15 were outstanding during the six months and three months ended August 31, 2005, respectively, but were not included in the computation of the diluted earnings per common share because the stock options' exercise price was greater than the average market price of the Class A Common Stock for the period. There were no anti-dilutive options outstanding during the six months and three months ended August 31, 2004.

12) STOCK-BASED COMPENSATION:

The Company applies the intrinsic value method described in Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock-based employee compensation plans. In accordance with APB No. 25, the compensation cost for stock options is recognized in income based on the excess, if any, of the quoted market price of the stock at the grant date of the award or other measurement date over the amount an employee must pay to acquire the stock. The Company utilizes the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," as amended. (See Note 18 for additional discussion regarding Statement of Financial Accounting Standards No. 123 (revised 2004) ("SFAS No. 123(R)"), "Share-Based Payment," which will become effective for the Company beginning March 1, 2006). Options granted under the Company's stock option plans have an exercise price equal to the market value of the underlying common stock on the date of grant; therefore, no incremental compensation expense has been recognized for grants made to employees under the Company's stock option plans. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2005	2004	2005	2004
<i>(in thousands, except per share data)</i>				
Net income, as reported	\$ 158,119	\$ 131,943	\$ 82,420	\$ 80,614
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	34	32	27	17
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(5,333)	(10,476)	(2,005)	(7,842)
Pro forma net income	<u>\$ 152,820</u>	<u>\$ 121,499</u>	<u>\$ 80,442</u>	<u>\$ 72,789</u>
Earnings per common share - basic:				
Class A Common Stock, as reported	<u>\$ 0.70</u>	<u>\$ 0.60</u>	<u>\$ 0.37</u>	<u>\$ 0.37</u>
Class B Convertible Common Stock, as reported	<u>\$ 0.64</u>	<u>\$ 0.54</u>	<u>\$ 0.33</u>	<u>\$ 0.33</u>
Class A Common Stock, pro forma	<u>\$ 0.68</u>	<u>\$ 0.55</u>	<u>\$ 0.36</u>	<u>\$ 0.33</u>
Class B Convertible Common Stock, pro forma	<u>\$ 0.62</u>	<u>\$ 0.50</u>	<u>\$ 0.32</u>	<u>\$ 0.30</u>
Earnings per common share - diluted, as reported	<u>\$ 0.66</u>	<u>\$ 0.57</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>
Earnings per common share - diluted, pro forma	<u>\$ 0.64</u>	<u>\$ 0.52</u>	<u>\$ 0.34</u>	<u>\$ 0.31</u>

13) COMPREHENSIVE INCOME (LOSS):

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

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2005	2004	2005	2004
<i>(in thousands)</i>				
Net income	\$ 158,119	\$ 131,943	\$ 82,420	\$ 80,614
Other comprehensive income, net of tax:				
Foreign currency translation adjustments, net of tax benefit (expense) of \$7,414, (\$21,295), \$744 and \$1,458, respectively	(115,262)	(124,245)	(1,838)	(19,500)
Cash flow hedges:				
Net derivative losses, net of tax benefit of \$7,775, \$9,948, \$448 and \$484, respectively	(14,307)	(23,097)	(1,647)	(1,201)
Reclassification adjustments, net of tax benefit (expense) of \$1,778, (\$659), \$692 and \$844, respectively	(3,109)	1,434	(856)	(1,977)
Net cash flow hedges	(17,416)	(21,663)	(2,503)	(3,178)
Unrealized gains (losses) on marketable equity securities, net of tax (expense) benefit of (\$17) and \$62, respectively	-	39	-	(143)
Minimum pension liability adjustment, net of tax expense of (\$1,927), (\$813), (\$135) and (\$316), respectively	4,511	1,921	336	790
Total comprehensive income	<u>\$ 29,952</u>	<u>\$ (12,005)</u>	<u>\$ 78,415</u>	<u>\$ 58,583</u>

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

<i>(in thousands)</i>	Foreign Currency Translation Adjustments	Net Unrealized Gains on Derivatives	Unrealized Gain (Loss) on Marketable Equity Securities	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
Balance, February 28, 2005	\$ 473,949	\$ 37,316	\$ -	\$ (79,422)	\$ 431,843
Current period change	(115,262)	(17,416)	-	4,511	(128,167)
Balance, August 31, 2005	<u>\$ 358,687</u>	<u>\$ 19,900</u>	<u>\$ -</u>	<u>\$ (74,911)</u>	<u>\$ 303,676</u>

14) ACQUISITION-RELATED INTEGRATION COSTS:

For the six months ended August 31, 2005, the Company recorded \$14.3 million of acquisition-related integration costs associated with the Company’s decision to restructure and integrate the operations of Robert Mondavi (the “Robert Mondavi Plan”). Acquisition-related integration costs included \$4.7 million of employee-related costs and \$9.6 million of facilities and other one-time costs.

For the three months ended May 31, 2005, the Company recorded \$6.4 million of acquisition-related integration costs associated with Robert Mondavi Plan. Acquisition-related integration costs included \$1.4 million of employee-related costs and \$5.0 million of facilities and other one-time costs.

For the three months ended August 31, 2005, the Company recorded \$7.8 million of acquisition-related integration costs associated with the Robert Mondavi Plan. Acquisition-related integration costs included \$3.3 million of employee-related costs and \$4.5 million of facilities and other one-time costs.

15) RESTRUCTURING AND RELATED CHARGES:

For the six months ended August 31, 2005, the Company recorded \$4.1 million of restructuring and related charges associated primarily with the Robert Mondavi Plan which included \$2.2 million of employee termination benefit costs, \$0.6 million of contract termination costs and \$1.3 million of facility consolidation and relocation costs. For the six months ended August 31, 2004, the Company recorded \$2.8 million of restructuring and related charges associated with the realignment of business operations within the Constellation Wines segment.

For the three months ended May 31, 2005, the Company recorded \$1.9 million of restructuring and related charges associated primarily with the Robert Mondavi Plan which included \$1.2 million of employee termination benefit costs and \$0.7 million of facility consolidation and relocation costs. For the three months ended May 31, 2004, the Company recorded \$1.6 million of restructuring and related charges associated with the realignment of business operations within the Constellation Wines segment.

For the three months ended August 31, 2005, the Company recorded \$2.3 million of restructuring and related charges associated primarily with the Robert Mondavi Plan which included \$1.0 million of employee termination benefit costs, \$0.6 million of contract termination costs and \$0.6 million of facility consolidation and relocation costs. For the three months ended August 31, 2004, the Company recorded \$1.2 million of restructuring and related charges associated with the realignment of business operations within the Constellation Wines segment.

The Company is in the process of refining the Robert Mondavi Plan which will be finalized during the Company's year ending February 28, 2006. Subject to the finalization of the Robert Mondavi Plan, which could result in additional restructuring charges, the Company estimates that the restructuring plans will include (i) a total of \$13.4 million of employee termination benefit costs through February 28, 2006, of which \$12.7 million has been incurred through August 31, 2005, (ii) a total of \$20.0 million of contract termination costs, of which \$19.9 million has been incurred through August 31, 2005, and (iii) a total of \$4.7 million of facility consolidation and relocation costs through February 28, 2006, of which \$4.3 million has been incurred through August 31, 2005.

In connection with the Robert Mondavi acquisition, the Company accrued \$49.1 million of liabilities for exit costs as of the acquisition date. The Robert Mondavi acquisition line item in the table below reflects adjustments to the fair value of liabilities assumed in the acquisition. The balance of these purchase accounting accruals was \$13.5 million and \$37.6 million as of August 31, 2005, and February 28, 2005, respectively.

The following table illustrates the changes in the restructuring liability balance since February 28, 2005:

	Employee Termination Benefit Costs	Contract Termination Costs	Facility Consolidation/ Relocation Costs	Total
<i>(in thousands)</i>				
Balance, February 28, 2005	\$ 15,270	\$ 23,204	\$ 743	\$ 39,217
Robert Mondavi acquisition	635	658	459	1,752
Restructuring charges	1,176	-	704	1,880
Cash expenditures	(9,506)	(5,016)	(161)	(14,683)
Foreign currency adjustments	(36)	(115)	(42)	(193)
Balance, May 31, 2005	7,539	18,731	1,703	27,973
Robert Mondavi acquisition	1,889	2,038	(787)	3,140
Restructuring charges	1,025	629	608	2,262
Cash expenditures	(5,391)	(11,304)	(817)	(17,512)
Foreign currency adjustments	(19)	(52)	(1)	(72)
Balance, August 31, 2005	<u>\$ 5,043</u>	<u>\$ 10,042</u>	<u>\$ 706</u>	<u>\$ 15,791</u>

Subsequent to August 31, 2005, the Company initiated a program to consolidate certain west coast production processes in the U.S. through a combination of investment in new assets, reconfiguration of certain existing assets and certain personnel reductions, as well as other personnel reductions in the Constellation Wines segment. For fiscal 2006, the Company expects to incur total restructuring and related charges of \$6.1 million and accelerated depreciation charges of \$13.2 million in connection with these initiatives.

16) CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of August 31, 2005, and February 28, 2005, the condensed consolidating statements of income for the six months and three months ended August 31, 2005, and August 31, 2004, and the condensed consolidating statements of cash flows for the six months ended August 31, 2005, and August 31, 2004, 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 Matthew Clark and Hardy and their subsidiaries, which are included in the Constellation Wines segment ("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, 2005, 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.

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
<i>(in thousands)</i>					
<u>Condensed Consolidating Balance Sheet at August 31, 2005</u>					
Current assets:					
Cash and cash investments	\$ 3,736	\$ 7,928	\$ 7,003	\$ -	\$ 18,667
Accounts receivable, net	169,022	260,592	461,025	-	890,639
Inventories	35,726	876,988	722,229	(19,372)	1,615,571
Prepaid expenses and other current assets	1,034	163,866	44,729	-	209,629
Intercompany receivable (payable)	118,898	(786,211)	667,313	-	-
Total current assets	328,416	523,163	1,902,299	(19,372)	2,734,506
Property, plant and equipment, net	38,376	747,947	653,412	-	1,439,735
Investments in subsidiaries	5,140,900	1,867,962	-	(7,008,862)	-
Goodwill	-	1,283,777	890,448	-	2,174,225
Intangible assets, net	-	545,345	341,638	-	886,983
Other assets, net	30,036	127,007	70,881	-	227,924
Total assets	<u>\$ 5,537,728</u>	<u>\$ 5,095,201</u>	<u>\$ 3,858,678</u>	<u>\$ (7,028,234)</u>	<u>\$ 7,463,373</u>
Current liabilities:					
Notes payable to banks	\$ 42,500	\$ -	\$ 29,009	\$ -	\$ 71,509
Current maturities of long-term debt	200,071	3,874	9,413	-	213,358
Accounts payable	4,093	135,081	222,910	-	362,084
Accrued excise taxes	9,769	33,575	27,358	-	70,702
Other accrued expenses and liabilities	104,368	204,613	286,270	(5,966)	589,285
Total current liabilities	360,801	377,143	574,960	(5,966)	1,306,938
Long-term debt, less current maturities	2,679,762	5,634	19,071	-	2,704,467
Deferred income taxes	(4,622)	327,868	32,992	-	356,238
Other liabilities	5,671	116,069	139,971	-	261,711

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
<i>(in thousands)</i>					
Stockholders' equity:					
Preferred stock	2	-	-	-	2
Class A and Class B common stock	2,306	6,443	141,583	(148,026)	2,306
Additional paid-in capital	1,125,219	2,301,961	2,498,737	(4,800,698)	1,125,219
Retained earnings	1,446,719	1,815,292	244,846	(2,076,787)	1,430,070
Accumulated other comprehensive (loss) income	(50,876)	144,791	206,518	3,243	303,676
Treasury stock and other	(27,254)	-	-	-	(27,254)
Total stockholders' equity	<u>2,496,116</u>	<u>4,268,487</u>	<u>3,091,684</u>	<u>(7,022,268)</u>	<u>2,834,019</u>
Total liabilities and stockholders' equity	<u>\$ 5,537,728</u>	<u>\$ 5,095,201</u>	<u>\$ 3,858,678</u>	<u>\$ (7,028,234)</u>	<u>\$ 7,463,373</u>

Condensed Consolidating Balance Sheet at February 28, 2005

Current assets:

Cash and cash investments	\$ -	\$ 10,095	\$ 7,540	\$ -	\$ 17,635
Accounts receivable, net	132,997	293,588	423,057	-	849,642
Inventories	35,719	943,711	637,556	(9,251)	1,607,735
Prepaid expenses and other current assets	41,515	163,910	53,598	-	259,023
Intercompany receivable (payable)	450,781	(1,111,951)	661,170	-	-
Total current assets	<u>661,012</u>	<u>299,353</u>	<u>1,782,921</u>	<u>(9,251)</u>	<u>2,734,035</u>
Property, plant and equipment, net	37,476	884,690	674,201	-	1,596,367
Investments in subsidiaries	4,961,521	1,844,354	-	(6,805,875)	-
Goodwill	-	1,242,132	940,537	-	2,182,669
Intangible assets, net	-	587,075	358,575	-	945,650
Other assets, net	28,559	221,642	95,250	-	345,451
Total assets	<u>\$ 5,688,568</u>	<u>\$ 5,079,246</u>	<u>\$ 3,851,484</u>	<u>\$ (6,815,126)</u>	<u>\$ 7,804,172</u>

Current liabilities:

Notes payable to banks	\$ 14,000	\$ -	\$ 2,475	\$ -	\$ 16,475
Current maturities of long-term debt	60,068	4,307	3,719	-	68,094
Accounts payable	4,237	146,116	194,901	-	345,254
Accrued excise taxes	13,633	41,070	19,653	-	74,356
Other accrued expenses and liabilities	146,837	191,438	298,529	(2,896)	633,908
Total current liabilities	<u>238,775</u>	<u>382,931</u>	<u>519,277</u>	<u>(2,896)</u>	<u>1,138,087</u>
Long-term debt, less current maturities	3,167,852	9,089	27,766	-	3,204,707
Deferred income taxes	(17,255)	377,423	29,718	-	389,886
Other liabilities	1,101	126,173	164,305	-	291,579
Stockholders' equity:					
Preferred stock	2	-	-	-	2
Class A and Class B common stock	2,288	6,443	141,583	(148,026)	2,288
Additional paid-in capital	1,097,177	2,301,961	2,498,737	(4,800,698)	1,097,177
Retained earnings	1,285,762	1,715,182	141,969	(1,866,060)	1,276,853
Accumulated other comprehensive (loss) income	(58,884)	160,044	328,129	2,554	431,843
Treasury stock and other	(28,250)	-	-	-	(28,250)
Total stockholders' equity	<u>2,298,095</u>	<u>4,183,630</u>	<u>3,110,418</u>	<u>(6,812,230)</u>	<u>2,779,913</u>
Total liabilities and stockholders' equity	<u>\$ 5,688,568</u>	<u>\$ 5,079,246</u>	<u>\$ 3,851,484</u>	<u>\$ (6,815,126)</u>	<u>\$ 7,804,172</u>

(in thousands)

Condensed Consolidating Statement of Income for the Six Months Ended August 31, 2005

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Gross sales	\$ 543,575	\$ 1,518,481	\$ 1,316,386	\$ (543,468)	\$ 2,834,974
Less - excise taxes	(73,052)	(228,491)	(244,937)	-	(546,480)
Net sales	470,523	1,289,990	1,071,449	(543,468)	2,288,494
Cost of product sold	(378,862)	(913,402)	(874,574)	532,350	(1,634,488)
Gross profit	91,661	376,588	196,875	(11,118)	654,006
Selling, general and administrative expenses	(82,230)	(129,053)	(110,298)	-	(321,581)
Acquisition-related integration costs	-	(13,166)	(1,097)	-	(14,263)
Restructuring and related charges	-	(2,740)	(1,402)	-	(4,142)
Operating income (loss)	9,431	231,629	84,078	(11,118)	314,020
Equity in earnings (loss) of equity method investees and subsidiaries	179,379	23,447	(635)	(202,987)	(796)
Interest (expense) income, net	(44,334)	(114,830)	64,984	-	(94,180)
Income before income taxes	144,476	140,246	148,427	(214,105)	219,044
Benefit from (provision for) income taxes	21,383	(40,136)	(45,550)	3,378	(60,925)
Net income	165,859	100,110	102,877	(210,727)	158,119
Dividends on preferred stock	(4,902)	-	-	-	(4,902)
Income available to common stockholders	\$ 160,957	\$ 100,110	\$ 102,877	\$ (210,727)	\$ 153,217

Condensed Consolidating Statement of Income for the Six Months Ended August 31, 2004

Gross sales	\$ 386,014	\$ 1,043,690	\$ 1,222,083	\$ (177,230)	\$ 2,474,557
Less - excise taxes	(66,335)	(224,885)	(219,091)	-	(510,311)
Net sales	319,679	818,805	1,002,992	(177,230)	1,964,246
Cost of product sold	(292,303)	(487,190)	(818,003)	173,395	(1,424,101)
Gross profit	27,376	331,615	184,989	(3,835)	540,145
Selling, general and administrative expenses	(72,987)	(102,139)	(95,657)	-	(270,783)
Acquisition-related integration costs	-	-	-	-	-
Restructuring and related charges	-	(1,535)	(1,247)	-	(2,782)
Operating (loss) income	(45,611)	227,941	88,085	(3,835)	266,580
Equity in earnings (loss) of equity method investees and subsidiaries	156,774	46,473	262	(203,247)	262
Interest income (expense), net	10,796	(55,596)	(15,881)	-	(60,681)
Income before income taxes	121,959	218,818	72,466	(207,082)	206,161
Benefit from (provision for) income taxes	13,819	(62,044)	(25,993)	-	(74,218)
Net income	135,778	156,774	46,473	(207,082)	131,943
Dividends on preferred stock	(4,902)	-	-	-	(4,902)
Income available to common stockholders	\$ 130,876	\$ 156,774	\$ 46,473	\$ (207,082)	\$ 127,041

(in thousands)

Condensed Consolidating Statement of Income for the Three Months Ended August 31, 2005

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Gross sales	\$ 295,622	\$ 816,641	\$ 645,697	\$ (289,295)	\$ 1,468,665
Less - excise taxes	(39,652)	(118,397)	(118,657)	-	(276,706)
Net sales	255,970	698,244	527,040	(289,295)	1,191,959
Cost of product sold	(202,206)	(493,887)	(426,395)	278,529	(843,959)
Gross profit	53,764	204,357	100,645	(10,766)	348,000
Selling, general and administrative expenses	(44,283)	(66,939)	(52,495)	-	(163,717)
Acquisition-related integration costs	-	(6,738)	(1,086)	-	(7,824)
Restructuring and related charges	-	(1,549)	(713)	-	(2,262)
Operating income (loss)	9,481	129,131	46,351	(10,766)	174,197
Equity in earnings (loss) of equity method investees and subsidiaries	143,394	1,340	436	(145,424)	(254)
Interest (expense) income, net	(81,174)	(39,414)	73,703	-	(46,885)
Income before income taxes	71,701	91,057	120,490	(156,190)	127,058
Benefit from (provision for) income taxes	18,185	(29,438)	(36,686)	3,301	(44,638)
Net income	89,886	61,619	83,804	(152,889)	82,420
Dividends on preferred stock	(2,451)	-	-	-	(2,451)
Income available to common stockholders	\$ 87,435	\$ 61,619	\$ 83,804	\$ (152,889)	\$ 79,969

Condensed Consolidating Statement of Income for the Three Months Ended August 31, 2004

Gross sales	\$ 215,474	\$ 554,942	\$ 636,445	\$ (106,619)	\$ 1,300,242
Less - excise taxes	(34,480)	(115,666)	(113,155)	-	(263,301)
Net sales	180,994	439,276	523,290	(106,619)	1,036,941
Cost of product sold	(161,191)	(263,446)	(426,237)	103,616	(747,258)
Gross profit	19,803	175,830	97,053	(3,003)	289,683
Selling, general and administrative expenses	(34,143)	(50,072)	(48,140)	-	(132,355)
Acquisition-related integration costs	-	-	-	-	-
Restructuring charges	-	(234)	(935)	-	(1,169)
Operating (loss) income	(14,340)	125,524	47,978	(3,003)	156,159
Equity in earnings of equity method investees and subsidiaries	88,396	25,461	200	(113,857)	200
Interest income (expense), net	5,297	(27,188)	(8,509)	-	(30,400)
Income before income taxes	79,353	123,797	39,669	(116,860)	125,959
Benefit from (provision for) income taxes	4,264	(35,401)	(14,208)	-	(45,345)
Net income	83,617	88,396	25,461	(116,860)	80,614
Dividends on preferred stock	(2,451)	-	-	-	(2,451)
Income available to common stockholders	\$ 81,166	\$ 88,396	\$ 25,461	\$ (116,860)	\$ 78,163

(in thousands)

Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2005

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Net cash (used in) provided by operating activities	\$ (75,725)	\$ 294,483	\$ (44,636)	\$ -	\$ 174,122
Cash flows from investing activities:					
Proceeds from sale of assets	-	111,175	788	-	111,963
Proceeds from sale of equity method investment	-	35,953	-	-	35,953
Proceeds from sale of businesses	-	17,861	-	-	17,861
Purchases of property, plant and equipment	(2,959)	(27,032)	(32,971)	-	(62,962)
Investment in equity method investee	-	-	(2,286)	-	(2,286)
Payment of accrued earn-out amount	-	(1,648)	-	-	(1,648)
Other investing activities	-	(5,008)	-	-	(5,008)
Net cash (used in) provided by investing activities	(2,959)	131,301	(34,469)	-	93,873
Cash flows from financing activities:					
Intercompany financings, net	368,477	(422,949)	54,472	-	-
Principal payments of long-term debt	(330,033)	(4,809)	(1,835)	-	(336,677)
Payment of preferred stock dividends	(4,902)	-	-	-	(4,902)
Net proceeds of notes payable	28,500	-	26,550	-	55,050
Exercise of employee stock options	17,334	-	-	-	17,334
Proceeds from employee stock purchases	3,044	-	-	-	3,044
Net cash provided by (used in) financing activities	82,420	(427,758)	79,187	-	(266,151)
Effect of exchange rate changes on cash and cash investments	-	(193)	(619)	-	(812)
Net increase (decrease) in cash and cash investments	3,736	(2,167)	(537)	-	1,032
Cash and cash investments, beginning of period	-	10,095	7,540	-	17,635
Cash and cash investments, end of period	\$ 3,736	\$ 7,928	\$ 7,003	\$ -	\$ 18,667

Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2004

Net cash (used in) provided by operating activities	\$ (20,696)	\$ 122,696	\$ (47,850)	\$ -	\$ 54,150
Cash flows from investing activities:					
Proceeds from sale of assets	5	3	1,016	-	1,024
Proceeds from sale of equity method investment	-	-	-	-	-
Proceeds from sale of businesses	-	-	-	-	-
Purchases of property, plant and equipment	(4,581)	(19,870)	(26,459)	-	(50,910)
Investment in equity method investee	-	-	-	-	-
Payment of accrued earn-out amount	-	(1,339)	-	-	(1,339)
Other investing activities	-	-	-	-	-
Net cash used in investing activities	(4,576)	(21,206)	(25,443)	-	(51,225)

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
<i>(in thousands)</i>					
Cash flows from financing activities:					
Intercompany financing activities, net	102,059	(102,059)	-	-	-
Principal payments of long-term debt	(230,029)	(2,489)	(2,158)	-	(234,676)
Payment of preferred stock dividends	(4,902)	-	-	-	(4,902)
Payment of issuance costs of long-term debt	(901)	-	-	-	(901)
Net proceeds from notes payable	139,000	-	53,472	-	192,472
Exercise of employee stock options	17,351	-	-	-	17,351
Proceeds from employee stock purchases	2,432	-	-	-	2,432
Net cash provided by (used in) financing activities	<u>25,010</u>	<u>(104,548)</u>	<u>51,314</u>	<u>-</u>	<u>(28,224)</u>
Effect of exchange rate changes on cash and cash investments	<u>(49)</u>	<u>(315)</u>	<u>(1,705)</u>	<u>-</u>	<u>(2,069)</u>
Net decrease in cash and cash investments	(311)	(3,373)	(23,684)	-	(27,368)
Cash and cash investments, beginning of period	<u>1,048</u>	<u>4,664</u>	<u>31,424</u>	<u>-</u>	<u>37,136</u>
Cash and cash investments, end of period	<u>\$ 737</u>	<u>\$ 1,291</u>	<u>\$ 7,740</u>	<u>\$ -</u>	<u>\$ 9,768</u>

17) BUSINESS SEGMENT INFORMATION:

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

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

For the six months ended August 31, 2005, acquisition-related integration costs, restructuring and related charges and unusual costs consist of acquisition-related integration costs, the flow through of adverse grape cost (as described below), the flow through of inventory step-up, and restructuring and related charges associated primarily with the Robert Mondavi acquisition, and the write-off of due diligence costs associated with the Company's evaluation of a potential offer for Allied Domecq of \$14.3 million, \$13.9 million, \$4.6 million, \$4.1 million and \$3.8 million, respectively. For the six months ended August 31, 2004, acquisition-related integration costs, restructuring and related charges and unusual costs consist of financing costs associated with the redemption of the Company's senior subordinated notes of \$10.3 million, restructuring and related charges of \$2.8 million, and the flow through of inventory step-up associated with the Hardy Acquisition of \$2.3 million. For the three months ended August 31, 2005, acquisition-related integration costs, restructuring and related charges and unusual costs consist of acquisition-related integration costs and the flow through of adverse grape cost associated with the Robert Mondavi acquisition, the write-off of due diligence costs associated with the Company's evaluation of a potential offer for Allied Domecq, the flow through of inventory step-up and restructuring and related charges associated primarily with the Robert Mondavi acquisition of \$7.8 million, \$6.4 million, \$3.8 million, \$2.5 million and \$2.3 million, respectively. For the three months ended August 31, 2004, acquisition-related integration costs, restructuring and related charges and unusual costs consist of restructuring and related charges of \$1.2 million, and the flow through of inventory step-up associated with the Hardy Acquisition of \$0.9 million. 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.

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, 2005, and include the recently adopted accounting pronouncements described in Note 2 herein. Transactions between segments consist mainly of sales of products and are accounted for at cost plus an applicable margin.

Segment information is as follows:

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2005	2004	2005	2004
<i>(in thousands)</i>				
<u>Constellation Wines:</u>				
Net sales:				
Branded wine	\$ 1,051,723	\$ 777,446	\$ 556,367	\$ 413,563
Wholesale and other	499,079	505,396	243,852	258,161
Net sales	\$ 1,550,802	\$ 1,282,842	\$ 800,219	\$ 671,724
Segment operating income	\$ 219,735	\$ 155,404	\$ 123,742	\$ 87,745
Equity in (loss) earnings of equity method investees	\$ (796)	\$ 262	\$ (254)	\$ 200
Long-lived assets	\$ 1,340,035	\$ 968,760	\$ 1,340,035	\$ 968,760
Investment in equity method investees	\$ 162,385	\$ 7,806	\$ 162,385	\$ 7,806
Total assets	\$ 6,561,407	\$ 4,832,163	\$ 6,561,407	\$ 4,832,163
Capital expenditures	\$ 57,870	\$ 46,358	\$ 27,520	\$ 26,829
Depreciation and amortization	\$ 48,970	\$ 38,572	\$ 24,030	\$ 19,640

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2005	2004	2005	2004
<i>(in thousands)</i>				
<u>Constellation Beers and Spirits:</u>				
Net sales:				
Imported beers	\$ 574,632	\$ 526,033	\$ 314,199	\$ 289,137
Spirits	163,060	155,371	77,541	76,080
Net sales	\$ 737,692	\$ 681,404	\$ 391,740	\$ 365,217
Segment operating income	\$ 163,575	\$ 151,663	\$ 87,585	\$ 83,811
Long-lived assets	\$ 84,339	\$ 79,356	\$ 84,339	\$ 79,356
Total assets	\$ 844,868	\$ 783,270	\$ 844,868	\$ 783,270
Capital expenditures	\$ 3,678	\$ 3,093	\$ 2,924	\$ 1,267
Depreciation and amortization	\$ 5,182	\$ 5,478	\$ 2,613	\$ 2,718
<u>Corporate Operations and Other:</u>				
Net sales	\$ -	\$ -	\$ -	\$ -
Segment operating loss	\$ (28,583)	\$ (25,125)	\$ (14,290)	\$ (13,256)
Long-lived assets	\$ 15,361	\$ 13,162	\$ 15,361	\$ 13,162
Total assets	\$ 57,098	\$ 40,217	\$ 57,098	\$ 40,217
Capital expenditures	\$ 1,414	\$ 1,459	\$ 678	\$ 701
Depreciation and amortization	\$ 3,986	\$ 5,017	\$ 2,216	\$ 2,454
<u>Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs:</u>				
Operating loss	\$ (40,707)	\$ (15,362)	\$ (22,840)	\$ (2,141)
<u>Consolidated:</u>				
Net sales	\$ 2,288,494	\$ 1,964,246	\$ 1,191,959	\$ 1,036,941
Operating income	\$ 314,020	\$ 266,580	\$ 174,197	\$ 156,159
Equity in (loss) earnings of equity method investees	\$ (796)	\$ 262	\$ (254)	\$ 200
Long-lived assets	\$ 1,439,735	\$ 1,061,278	\$ 1,439,735	\$ 1,061,278
Investment in equity method investees	\$ 162,385	\$ 7,806	\$ 162,385	\$ 7,806
Total assets	\$ 7,463,373	\$ 5,655,650	\$ 7,463,373	\$ 5,655,650
Capital expenditures	\$ 62,962	\$ 50,910	\$ 31,122	\$ 28,797
Depreciation and amortization	\$ 58,138	\$ 49,067	\$ 28,859	\$ 24,812

18) ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED:

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 151 ("SFAS No. 151"), "Inventory Costs - an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends the guidance in Accounting Research Bulletin No. 43 ("ARB No. 43"), "Restatement and Revision of Accounting Research Bulletins," Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS No. 151 requires that those items be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company is required to adopt SFAS No. 151 for fiscal years beginning March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 151 on its consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) (“SFAS No. 123(R)”), “Share-Based Payment.” SFAS No. 123(R) replaces Statement of Financial Accounting Standards No. 123 (“SFAS No. 123”), “Accounting for Stock-Based Compensation,” and supersedes Accounting Principles Board Opinion No. 25 (“APB Opinion No. 25”), “Accounting for Stock Issued to Employees.” SFAS No. 123(R) requires the cost resulting from all share-based payment transactions be recognized in the financial statements. In addition, SFAS No. 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a grant date fair-value-based measurement method in accounting for share-based payment transactions. SFAS No. 123(R) also amends Statement of Financial Accounting Standards No. 95 (“SFAS No. 95”), “Statement of Cash Flows,” to require that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. SFAS No. 123(R) applies to all awards granted, modified, repurchased, or cancelled after the required effective date (see below). In addition, SFAS No. 123(R) requires entities that used the fair-value-based method for either recognition or disclosure under SFAS No. 123 to apply SFAS No. 123(R) using a modified version of prospective application. This application requires compensation cost to be recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered based on the grant date fair value of those awards as calculated under SFAS No. 123 for either recognition or pro forma disclosures. For periods before the required effective date, those entities may elect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by SFAS No. 123. In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 (“SAB No. 107”), “Share Based Payment,” to express the views of the staff regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and to provide the staff’s views regarding the valuation of share-based payment arrangements for public companies. The Company is required to adopt SFAS No. 123(R) for interim periods beginning March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 123(R) on its consolidated financial statements and will take into consideration the additional guidance provided by SAB No. 107 in connection with the Company’s adoption of SFAS No. 123(R).

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153 (“SFAS No. 153”), “Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29.” SFAS No. 153 amends Accounting Principles Board Opinion No. 29 (“APB No. 29”), “Accounting for Nonmonetary Transactions,” to eliminate the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replace it with a general exception from fair value measurement for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company is required to adopt SFAS No. 153 for fiscal years beginning March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 153 on its consolidated financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47 (“FIN No. 47”), “Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143.” FIN No. 47 clarifies the term conditional asset retirement obligation as used in FASB Statement No. 143, “Accounting for Asset Retirement Obligations.” A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Therefore, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN No. 47 is effective for the Company no later than the end of the year ending February 28, 2006. The Company is currently assessing the financial impact of FIN No. 47 on its consolidated financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154 (“SFAS No. 154”), “Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3.” SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle and requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change of estimate effected by a change in accounting principle. SFAS No. 154 also carries forward without change the guidance in APB Opinion No. 20 with respect to accounting for changes in accounting estimates, changes in the reporting unit and correction of an error in previously issued financial statements. The Company is required to adopt SFAS No. 154 for accounting changes and corrections of errors made in fiscal years beginning after March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 154 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, imported beer and spirits categories. The Company has the largest wine business in the world and is the largest multi-category supplier of beverage alcohol in the United States; a leading producer and exporter of wine from Australia and New Zealand; and both a major producer and independent drinks wholesaler in the United Kingdom.

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

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, imported beer and spirits. 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 geographic market. Market dynamics and consumer trends vary significantly across the Company's three core geographic markets - North America (primarily the U.S.), Europe (primarily the U.K.) and Australasia (primarily Australia and New Zealand). Within the U.S. market, the Company offers a wide range of beverage alcohol products across the Constellation Wines segment and the Constellation Beers and Spirits segment. In Europe, the Company leverages its position as the largest wine supplier in the U.K. In addition, the Company leverages its U.K. wholesale business as a strategic route-to-market for its imported wine portfolio and as a key supplier of a full range of beverage alcohol products primarily to large national on-premise accounts. Within Australasia, where consumer trends favor domestic wine products, the Company leverages its position as one of the largest wine producers in Australia.

The Company remains committed to its long-term financial model of growing sales (both through acquisitions and organically), 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 key geographic markets, due, in part, to industry and retail consolidation. Specifically, in the U.K., the market for branded wine continues to be challenging; furthermore, retailer consolidation is contributing to increased competition and promotional activities among suppliers. Competition in the U.S. beers and spirits markets is normally intense, with domestic beer producers increasing brand spending in an effort to gain market share.

Additionally, the supply of certain raw materials, particularly grapes, as well as consumer demand, can affect the overall competitive environment. Two years of lighter than expected California grape harvests in calendar 2004 and 2003, combined with a reduction in wine grape acreage in California, has brought the U.S. grape supply more into balance with demand. This has led to an overall firming of the pricing of wine grape varietals from California. Two years of record Australian grape harvests have contributed to an oversupply of certain red grape varietals. This has led to an overall reduction in grape costs for these varietals, which may affect markets for Australian red wines around the world.

In Second Quarter 2006 (as defined below), the Company's results of operations benefited from the inclusion of a full quarter of operations of Robert Mondavi (as defined below). The Company's net sales increased 15% over Second Quarter 2005 (as defined below) primarily from increases in branded wine net sales and imported beer net sales. Operating income increased 12% over the comparable prior year period primarily due to the favorable sales mix shift to higher margin wine brands acquired in the Robert Mondavi acquisition partially offset by increased acquisition-related integration costs, restructuring and related charges and unusual costs. Lastly, as a result of the above factors partially offset by increased interest expense for Second Quarter 2006, net income increased 2% over the comparable prior year period.

In Six Months 2006 (as defined below), the Company's results of operations benefited from the inclusion of a full six months of operations of Robert Mondavi. The Company's net sales increased 17% over Six Months 2005 (as defined below) primarily from increases in branded wine net sales and imported beer net sales. Operating income increased 18% over the comparable prior year period primarily due to the favorable sales mix shift to higher margin wine brands acquired in the Robert Mondavi acquisition partially offset by increased acquisition-related integration costs, restructuring and related charges and unusual costs. Net income increased 20% over the comparable prior year period as a result of the above factors combined with a lower income tax provision and increased interest expense.

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for the three months ended August 31, 2005 (“Second Quarter 2006”), compared to the three months ended August 31, 2004 (“Second Quarter 2005”), and for the six months ended August 31, 2005 (“Six Months 2006”), compared to the six months ended August 31, 2004 (“Six Months 2005”), and (ii) financial liquidity and capital resources for Six Months 2006. This discussion and analysis also identifies certain acquisition-related integration costs, restructuring and related charges and unusual items expected to affect consolidated results of operations of the Company for the year ending February 28, 2006 (“Fiscal 2006”). 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, 2005 (“Fiscal 2005”).

Common Stock Splits

During April 2005, the Board of Directors of the Company approved two-for-one stock splits of the Company’s Class A Common Stock and Class B Common Stock, which were distributed in the form of stock dividends on May 13, 2005, to stockholders of record on April 29, 2005. Share and per share amounts in this Quarterly Report on Form 10-Q are adjusted to give effect to these common stock splits.

Acquisition in Fiscal 2005 and Equity Method Investment

Acquisition of Robert Mondavi

On December 22, 2004, the Company acquired all of the outstanding capital stock of The Robert Mondavi Corporation (“Robert Mondavi”), a leading premium wine producer based in Napa, California. In connection with the production of its products, Robert Mondavi owns, operates and has an interest in certain wineries and controls certain vineyards. Robert Mondavi produces, markets and sells premium, super premium and fine California wines under the Woodbridge by Robert Mondavi, Robert Mondavi Private Selection and Robert Mondavi Winery brand names. In the United States, Woodbridge is the leading domestic premium wine brand and Robert Mondavi Private Selection is the leading super-premium wine brand. As a result of the Robert Mondavi acquisition, the Company acquired an ownership interest in Opus One, a joint venture owned equally by Robert Mondavi and Baron Philippe de Rothschild, S.A. During September 2005, the Company’s president and Baroness Philippine de Rothschild announced an agreement to maintain equal ownership of Opus One. Opus One produces fine wines at its Napa Valley winery.

The acquisition of Robert Mondavi supports the Company’s strategy of strengthening the breadth of its portfolio across price segments to capitalize on the overall growth in the premium, super-premium and fine wine categories. The Company believes that the acquired Robert Mondavi brand names have strong brand recognition globally. The vast majority of Robert Mondavi’s sales are generated in the United States. The Company intends to leverage the Robert Mondavi brands in the United States through its selling, marketing and distribution infrastructure. The Company also intends to further expand distribution for the Robert Mondavi brands in Europe through its Constellation Europe infrastructure. Distribution of the Robert Mondavi Woodbridge brand in the U.K. market is underway and the brand has been introduced into certain U.K. retailers as of the end of August.

The Robert Mondavi acquisition supports the Company's strategy of growth and breadth across categories and geographies, and strengthens its competitive position in its core markets. The Robert Mondavi acquisition provides the Company with a greater presence in the growing premium, super-premium and fine wine sectors within the United States and the ability to capitalize on the broader geographic distribution in strategic international markets. In particular, the Company believes there are growth opportunities for premium, super-premium and fine wines in the United Kingdom and other "new world" wine markets. Total consideration paid in cash to the Robert Mondavi shareholders was \$1,030.7 million. Additionally, the Company expects to incur direct acquisition costs of \$11.2 million. The purchase price was financed with borrowings under the Company's 2004 Credit Agreement (as defined below). 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 Robert Mondavi, including the factors described above, as well as an estimated benefit from operating cost synergies.

The results of operations of the Robert Mondavi business are reported in the Constellation Wines segment and are included in the consolidated results of operations of the Company from the date of acquisition. The acquisition of Robert Mondavi is significant and the Company expects it to have a material impact on the Company's future results of operations, financial position and cash flows. In particular, the Company expects its future results of operations to be significantly impacted by, among other things, the flow through of anticipated inventory step-up and adverse grape cost, acquisition-related integration costs, restructuring and related charges, and interest expense associated with the 2004 Credit Agreement. 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.

In connection with the Robert Mondavi acquisition and Robert Mondavi's previously disclosed intention to sell certain of its winery properties and related assets, and other vineyard properties, the Company has realized net proceeds of \$164.0 million and \$18.6 million from the sale of certain of these assets during Six Months 2006 and Second Quarter 2006, respectively. Sales of these assets are essentially complete, and, since the date of acquisition through August 31, 2005, net proceeds from these asset sales total \$173.1 million. No gain or loss has been recognized upon the sale of these assets.

Investment in Ruffino

On December 3, 2004, the Company purchased a 40 percent interest in Ruffino S.r.l. ("Ruffino"), the well-known Italian fine wine company, for \$89.2 million, including direct acquisition costs of \$7.0 million. As of February 1, 2005, the Constellation Wines segment began distributing Ruffino's products in the United States. The Company accounts for the investment under the equity method; accordingly, the results of operations of Ruffino from December 3, 2004, are included in the equity in (loss) earnings of equity method investees line in the Company's Consolidated Statements of Income.

Results of Operations

Second Quarter 2006 Compared to Second Quarter 2005

Net Sales

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Second Quarter 2006 and Second Quarter 2005.

	Second Quarter 2006 Compared to Second Quarter 2005		
	Net Sales		
	2006	2005	% Increase / (Decrease)
Constellation Wines:			
Branded wine	\$ 556.4	\$ 413.6	35%
Wholesale and other	243.9	258.1	(6)%
Constellation Wines net sales	<u>\$ 800.3</u>	<u>\$ 671.7</u>	19%
Constellation Beers and Spirits:			
Imported beers	\$ 314.2	\$ 289.1	9%
Spirits	77.5	76.1	2%
Constellation Beers and Spirits net sales	<u>\$ 391.7</u>	<u>\$ 365.2</u>	7%
Consolidated Net Sales	<u>\$ 1,192.0</u>	<u>\$ 1,036.9</u>	15%

Net sales for Second Quarter 2006 increased to \$1,192.0 million from \$1,036.9 million for Second Quarter 2005, an increase of \$155.1 million, or 15%. This increase resulted primarily from an increase in branded wine net sales of \$142.8 million and imported beer net sales of \$25.1 million partially offset by a decrease in other net sales of \$15.7 million. The increase in branded wine net sales is due primarily to \$110.2 million of net sales of branded wines acquired in the Robert Mondavi acquisition and \$11.8 million of net sales of Ruffino brands, which the Company began distributing in the U.S. on February 1, 2005. The decrease in other net sales is primarily due to the Company's fiscal 2004 decision to exit the commodity concentrate business during fiscal 2005. The impact of foreign currency on the Company's Second Quarter 2006 net sales was insignificant.

Constellation Wines

Net sales for Constellation Wines increased to \$800.3 million for Second Quarter 2006 from \$671.7 million in Second Quarter 2005, an increase of \$128.6 million, or 19%. Branded wine net sales increased \$142.8 million primarily from \$110.2 million of net sales of branded wines acquired in the Robert Mondavi acquisition and \$11.8 million of net sales of Ruffino brands. Wholesale and other net sales decreased \$14.2 million as growth in the U.K. wholesale business was more than offset by a decrease in other net sales, including a reduction in net sales from the Company's divested commodity concentrate business (as noted above), cider and bottled water. The impact of foreign currency on the segment's Second Quarter 2006 net sales was insignificant.

Constellation Beers and Spirits

Net sales for Constellation Beers and Spirits increased to \$391.7 million for Second Quarter 2006 from \$365.2 million for Second Quarter 2005, an increase of \$26.5 million, or 7%. This increase resulted primarily from an increase in imported beers net sales of \$25.1 million. The growth in imported beers net sales is due to volume growth in the Company's Mexican beer portfolio.

Gross Profit

The Company's gross profit increased to \$348.0 million for Second Quarter 2006 from \$289.7 million for Second Quarter 2005, an increase of \$58.3 million, or 20%. The Constellation Wines segment's gross profit increased \$60.9 million primarily from the additional gross profit of \$57.5 million due to the Robert Mondavi acquisition. The Constellation Beers and Spirits segment's gross profit increased \$5.4 million primarily due to volume growth in the Company's Mexican beer portfolio. In addition, unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, were higher by \$8.0 million in Second Quarter 2006 versus Second Quarter 2005. This increase resulted from increased flow through of inventory step-up and adverse grape cost associated with the Robert Mondavi acquisition. Gross profit as a percent of net sales increased to 29.2% for Second Quarter 2006 from 27.9% for Second Quarter 2005 primarily due to sales of higher-margin wine brands acquired in the Robert Mondavi acquisition partially offset by the higher unusual costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$163.7 million for Second Quarter 2006 from \$132.4 million for Second Quarter 2005, an increase of \$31.4 million, or 24%. The Constellation Wines segment's selling, general and administrative expenses increased \$24.9 million due to increased advertising expenses, selling expenses, and general and administrative expenses to support the growth in the segment's business, primarily due to the costs related to the brands acquired in the Robert Mondavi acquisition. The Constellation Beers and Spirits segment's selling, general and administrative expenses increased slightly as increased selling and advertising expenses were partially offset by lower general and administrative expenses. The Corporate Operations and Other segment's selling, general and administrative expenses increased \$1.0 million primarily due to increased general and administrative expenses to support the Company's growth. Lastly, there was an increase of \$3.8 million of unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment. Second Quarter 2006 included costs associated with professional service fees incurred for due diligence in connection with the Company's evaluation of a potential offer for Allied Domecq. There were no unusual costs in Second Quarter 2005. Selling, general and administrative expenses as a percent of net sales increased to 13.7% for Second Quarter 2006 as compared to 12.8% for Second Quarter 2005 primarily due to the increase in the Constellation Wines segment's selling, general and administrative expenses growing at a faster rate than the increase in the segment's net sales and the increase in the unusual costs in Second Quarter 2006. The Constellation Wines segment's selling, general and administrative expenses as a percent of net sales was impacted by the inclusion of the Robert Mondavi business, which has a higher percentage of selling, general and administrative expenses to net sales than the segment's base business.

Acquisition-Related Integration Costs

The Company recorded \$7.8 million of acquisition-related integration costs for Second Quarter 2006 in connection with the Company's decision to restructure and integrate the operations of Robert Mondavi (the "Robert Mondavi Plan"). Acquisition-related integration costs included \$3.3 million of employee-related costs and \$4.5 million of facilities and other one-time costs. For Fiscal 2006, the Company expects to incur total acquisition-related integration costs of \$17.3 million.

Restructuring and Related Charges

The Company recorded \$2.3 million of restructuring and related charges for Second Quarter 2006 associated primarily with the Robert Mondavi Plan. Restructuring and related charges included \$1.0 million of employee termination benefit costs, \$0.6 million of contract termination costs and \$0.6 million of facility consolidation and relocation costs. The Company recorded \$1.2 million of restructuring and related charges for Second Quarter 2005 associated with the realignment of business operations within the Constellation Wines segment (the "Fiscal 2004 Plan").

The Company is in the process of refining the Robert Mondavi Plan which will be finalized during Fiscal 2006. For Fiscal 2006, subject to finalization of the Robert Mondavi Plan, which could result in additional restructuring charges, the Company expects to incur total restructuring and related charges of \$5.3 million associated primarily with the Robert Mondavi Plan.

Subsequent to August 31, 2005, the Company initiated a program to consolidate certain west coast production processes in the U.S. through a combination of investment in new assets, reconfiguration of certain existing assets and certain personnel reductions, as well as other personnel reductions in the Constellation Wines segment. For Fiscal 2006, the Company expects to incur total restructuring and related charges of \$6.1 million and accelerated depreciation charges of \$13.2 million in connection with these initiatives. The accelerated depreciation charges will be recorded on the Cost of Product Sold line within the Consolidated Statement of Income.

Operating Income

The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Second Quarter 2006 and Second Quarter 2005.

	Second Quarter 2006 Compared to Second Quarter 2005		
	Operating Income (Loss)		
	2006	2005	% Increase
Constellation Wines	\$ 123.7	\$ 87.8	41%
Constellation Beers and Spirits	87.6	83.8	5%
Corporate Operations and Other	<u>(14.3)</u>	<u>(13.3)</u>	8%
Total Reportable Segments	197.0	158.3	24%
Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs	<u>(22.8)</u>	<u>(2.1)</u>	986%
Consolidated Operating Income	<u>\$ 174.2</u>	<u>\$ 156.2</u>	12%

As a result of the factors discussed above, consolidated operating income increased to \$174.2 million for Second Quarter 2006 from \$156.2 million for Second Quarter 2005, an increase of \$18.0 million, or 12%. Acquisition-related integration costs, restructuring and related charges and unusual costs of \$22.8 million for Second Quarter 2006 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs represent acquisition-related integration costs, adverse grape cost, and the flow through of inventory step-up associated with the Company's acquisition of Robert Mondavi of \$7.8 million, \$6.4 million and \$2.5 million, respectively, costs associated with professional service fees incurred for due diligence in connection with the Company's evaluation of a potential offer for Allied Domecq of \$3.8 million, and restructuring and related charges of \$2.3 million in the Constellation Wines segment associated primarily with the Robert Mondavi Plan. Acquisition-related integration costs, restructuring and related charges and unusual costs of \$2.1 million for Second Quarter 2005 represent restructuring and related charges associated with the Fiscal 2004 Plan of \$1.2 million, and the flow through of inventory step-up associated with the Hardy Acquisition of \$0.9 million.

Interest Expense, Net

Interest expense, net of interest income of \$0.8 million and \$0.3 million for Second Quarter 2006 and Second Quarter 2005, respectively, increased to \$46.9 million for Second Quarter 2006 from \$30.4 million for Second Quarter 2005, an increase of \$16.5 million, or 54%. The increase resulted from higher average borrowings in Second Quarter 2006 primarily due to the Robert Mondavi acquisition and the investment in Ruffino in the fourth quarter of fiscal 2005.

Provision for Income Taxes

The Company's effective tax rate was 35.1% for Second Quarter 2006 and 36.0% for Second Quarter 2005, a decrease of 0.9%. This decrease is due primarily to the repatriation provisions of the "American Jobs Creation Act of 2004" ("AJCA"). During Second Quarter 2006, the Company recorded a benefit in connection with its conclusion regarding the impact of the AJCA on distributions of certain foreign earnings. This benefit was partially offset by higher estimated residual U.S. income taxes associated with the timing and geographic composition of repatriating foreign earnings to take advantage of this one-time foreign dividends received deduction.

For Fiscal 2006, the Company expects the effective tax rate to more closely approximate its prior year's effective tax rate before giving effect to a non-cash reduction in the Company's provision for income taxes of \$16.2 million as a result of adjustments to income tax accruals in the first quarter of fiscal 2006 in connection with the completion of various income tax examinations.

Net Income

As a result of the above factors, net income increased to \$82.4 million for Second Quarter 2006 from \$80.6 million for Second Quarter 2005, an increase of \$1.8 million, or 2%.

Six Months 2006 Compared to Six Months 2005

Net Sales

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Six Months 2006 and Six Months 2005.

	Six Months 2006 Compared to Six Months 2005		
	Net Sales		% Increase / (Decrease)
	2006	2005	
Constellation Wines:			
B randed wine	\$ 1,051.7	\$ 777.4	35%
Wholesale and other	499.1	505.4	(1)%
Constellation Wines net sales	<u>\$ 1,550.8</u>	<u>\$ 1,282.8</u>	21%
Constellation Beers and Spirits:			
Imported beers	\$ 574.6	\$ 526.0	9%
Spirits	163.1	155.4	5%
Constellation Beers and Spirits net sales	<u>\$ 737.7</u>	<u>\$ 681.4</u>	8%
Consolidated Net Sales	<u><u>\$ 2,288.5</u></u>	<u><u>\$ 1,964.2</u></u>	17%

Net sales for Six Months 2006 increased to \$2,288.5 million from \$1,964.2 million for Six Months 2005, an increase of \$324.3 million, or 17%. This increase resulted primarily from an increase in branded wine net sales of \$261.6 million (on a constant currency basis) and imported beer net sales of \$48.6 million. The increase in branded wine net sales is due primarily to \$200.0 million of net sales of branded wines acquired in the Robert Mondavi acquisition and \$25.3 million of net sales of Ruffino brands, which the Company began distributing in the U.S. on February 1, 2005. In addition, net sales benefited from a favorable foreign currency impact of \$14.8 million.

Constellation Wines

Net sales for Constellation Wines increased to \$1,550.8 million for Six Months 2006 from \$1,282.8 million for Six Months 2005, an increase of \$268.0 million, or 21%. Branded wine net sales increased \$274.3 million primarily from \$200.0 million of net sales of branded wines acquired in the Robert Mondavi acquisition, \$25.3 million of net sales of Ruffino brands, an increase in branded wine net sales in the U.S. (excluding sales of Robert Mondavi and Ruffino brands) of \$30.4 million and a favorable foreign currency impact of \$12.6 million. Wholesale and other net sales decreased \$6.3 million (\$8.4 million on a constant currency basis) as growth in the U.K. wholesale business was more than offset by a decrease in other net sales. The decrease in other net sales is primarily due to the Company's fiscal 2004 decision to exit the commodity concentrate business during fiscal 2005.

Constellation Beers and Spirits

Net sales for Constellation Beers and Spirits increased to \$737.7 million for Six Months 2006 from \$681.4 million for Six Months 2005, an increase of \$56.3 million, or 8%. This increase resulted from increases in imported beers net sales of \$48.6 million and spirits net sales of \$7.7 million. The growth in imported beers net sales is primarily due to volume growth in the Company's Mexican beer portfolio. The growth in spirits net sales is attributable to an increase in the Company's contract production net sales partially offset by a slight decrease in branded spirits net sales.

Gross Profit

The Company's gross profit increased to \$654.0 million for Six Months 2006 from \$540.1 million for Six Months 2005, an increase of \$113.9 million, or 21%. The Constellation Wines segment's gross profit increased \$115.6 million primarily from the additional gross profit of \$103.0 million due to the Robert Mondavi acquisition. The Constellation Beers and Spirits segment's gross profit increased \$14.5 million primarily due to volume growth in the Company's Mexican beer portfolio. In addition, unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, were higher by \$16.2 million in Six Months 2006 versus Six Months 2005. This increase resulted from increased flow through of inventory step-up and adverse grape cost associated with the Robert Mondavi acquisition. Gross profit as a percent of net sales increased to 28.6% for Six Months 2006 from 27.5% for Six Months 2005 primarily due to sales of higher-margin wine brands acquired in the Robert Mondavi acquisition partially offset by the higher unusual costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$321.6 million for Six Months 2006 from \$270.8 million for Six Months 2005, an increase of \$50.8 million, or 19%. The Constellation Wines segment's selling, general and administrative expenses increased \$51.3 million due to increased selling expenses, advertising expenses, and general and administrative expenses to support the growth in the segment's business, primarily due to the costs related to the brands acquired in the Robert Mondavi acquisition. The Constellation Beers and Spirits segment's selling, general and administrative expenses increased slightly as increased selling and advertising expenses were partially offset by lower general and administrative expenses. The Corporate Operations and Other segment's selling, general and administrative expenses increased \$3.5 million primarily due to increased general and administrative expenses to support the Company's growth. Lastly, there was a decrease of \$6.5 million of unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment. Six Months 2006 included costs associated with professional service fees incurred for due diligence in connection with the Company's evaluation of a potential offer for Allied Domecq of \$3.8 million. Six Months 2005 costs consisted of financing costs recorded in connection with the Company's redemption of its \$200.0 million aggregate principal amount of 8 1/2% Senior Subordinated Notes due March 2009 (the "Senior Subordinated Notes") of \$10.3 million. Selling, general and administrative expenses as a percent of net sales increased to 14.1% for Six Months 2006 as compared to 13.8% for Six Months 2005 primarily due to the increase in the Constellation Wines segment's selling, general and administrative expenses growing at a faster rate than the increase in the segment's net sales partially offset by the lower unusual costs. The Constellation Wines segment's selling, general and administrative expenses as a percent of net sales was impacted by the inclusion of the Robert Mondavi business, which has a higher percentage of selling, general and administrative expenses to net sales than the segment's base business.

Acquisition-Related Integration Costs

The Company recorded \$14.3 million of acquisition-related integration costs for Six Months 2006 in connection with the Robert Mondavi Plan. Acquisition-related integration costs included \$4.7 million of employee-related costs and \$9.6 million of facilities and other one-time costs. For Fiscal 2006, the Company expects to incur total acquisition-related integration costs of \$17.3 million.

Restructuring and Related Charges

The Company recorded \$4.1 million of restructuring and related charges for Six Months 2006 associated primarily with the Robert Mondavi Plan. Restructuring and related charges included \$2.2 million of employee termination benefit costs, \$0.6 million of contract termination costs and \$1.3 million of facility consolidation and relocation costs. The Company recorded \$2.8 million of restructuring and related charges for Six Months 2005 associated with the Fiscal 2004 Plan.

The Company is in the process of refining the Robert Mondavi Plan which will be finalized during Fiscal 2006. For Fiscal 2006, subject to finalization of the Robert Mondavi Plan, which could result in additional restructuring charges, the Company expects to incur total restructuring and related charges of \$5.3 million associated primarily with the Robert Mondavi Plan.

Subsequent to August 31, 2005, the Company initiated a program to consolidate certain west coast production processes in the U.S. through a combination of investment in new assets, reconfiguration of certain existing assets and certain personnel reductions, as well as other personnel reductions in the Constellation Wines segment. For Fiscal 2006, the Company expects to incur total restructuring and related charges of \$6.1 million and accelerated depreciation charges of \$13.2 million in connection with these initiatives. The accelerated depreciation charges will be recorded on the Cost of Product Sold line within the Consolidated Statement of Income.

Operating Income

The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Six Months 2006 and Six Months 2005.

	Six Months 2006 Compared to Six Months 2005		
	Operating Income (Loss)		
	2006	2005	% Increase
Constellation Wines	\$ 219.7	\$ 155.4	41%
Constellation Beers and Spirits	163.6	151.7	8%
Corporate Operations and Other	(28.6)	(25.1)	14%
Total Reportable Segments	354.7	282.0	26%
Acquisition-Related Integration Costs, Restructuring and Related Charges and Unusual Costs	(40.7)	(15.4)	164%
Consolidated Operating Income	<u>\$ 314.0</u>	<u>\$ 266.6</u>	18%

As a result of the factors discussed above, consolidated operating income increased to \$314.0 million for Six Months 2006 from \$266.6 million for Six Months 2005, an increase of \$47.4 million, or 18%. Acquisition-related integration costs, restructuring and related charges and unusual costs of \$40.7 million for Six Months 2006 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs represent acquisition-related integration costs, adverse grape cost, and the flow through of inventory step-up associated with the Company's acquisition of Robert Mondavi of \$14.3 million, \$13.9 million and \$4.6 million, respectively; restructuring and related charges of \$4.1 million in the Constellation Wines segment associated primarily with the Robert Mondavi Plan; and costs associated with professional service fees incurred for due diligence in connection with the Company's evaluation of a potential offer for Allied Domecq of \$3.8 million. Acquisition-related integration costs, restructuring and related charges and unusual costs of \$15.4 million for Six Months 2005 represent financing costs associated with the redemption of the Company's Senior Subordinated Notes of \$10.3 million, restructuring and related charges associated with the Fiscal 2004 Plan of \$2.8 million, and the flow through of inventory step-up associated with the Hardy Acquisition of \$2.3 million.

Interest Expense, Net

Interest expense, net of interest income of \$1.7 million and \$0.8 million for Six Months 2006 and Six Months 2005, respectively, increased to \$94.2 million for Six Months 2006 from \$60.7 million for Six Months 2005, an increase of \$33.5 million, or 55%. The increase resulted primarily from higher average borrowings in Six Months 2006 primarily due to the Robert Mondavi acquisition and the investment in Ruffino in the fourth quarter of fiscal 2005.

Provision for Income Taxes

The Company's effective tax rate was 27.8% for Six Months 2006 and 36.0% for Six Months 2005, a decrease of 8.2%. This decrease is due primarily to a non-cash reduction in the Company's provision for income taxes of \$16.2 million, or 7.4%, as a result of adjustments to income tax accruals in connection with the completion of various income tax examinations. The Company expects the effective tax rate for Fiscal 2006 to more closely approximate its prior year's effective tax rate before giving effect to the \$16.2 million adjustment.

Net Income

As a result of the above factors, net income increased to \$158.1 million for Six Months 2006 from \$131.9 million for Six Months 2005, an increase of \$26.2 million, or 20%.

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, preferred stock dividend payment requirements, and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

Six Months 2006 Cash Flows

Operating Activities

Net cash provided by operating activities for Six Months 2006 was \$174.1 million, which resulted from \$158.1 million of net income, plus \$94.0 million of net non-cash items charged to the Consolidated Statement of Income and \$30.3 million of cash proceeds credited to accumulated other comprehensive income ("AOCI") within the Consolidated Balance Sheet, less \$108.3 million representing the net change in the Company's operating assets and liabilities. The net non-cash items consisted primarily of depreciation of property, plant and equipment and deferred tax provision. The net change in operating assets and liabilities resulted primarily from seasonal increases in accounts receivable and inventories, partially offset by a seasonal increase in accounts payable.

Investing Activities

Net cash provided by investing activities for Six Months 2006 was \$93.9 million, which resulted primarily from \$165.8 million of net proceeds from sales of assets, equity method investment, and businesses, primarily attributable to sales of non-strategic Robert Mondavi assets, partially offset by \$63.0 million of capital expenditures.

Financing Activities

Net cash used in financing activities for Six Months 2006 was \$266.2 million resulting primarily from principal payments of long-term debt of \$336.7 million partially offset by net proceeds of \$55.1 million from notes payable.

During June 1998, the Company's Board of Directors authorized the repurchase of up to \$100.0 million of its Class A Common Stock and Class B Common Stock. The repurchase of shares of common stock will be accomplished, from time to time, in management's discretion and depending upon market conditions, through open market or privately negotiated transactions. The Company may finance such repurchases through cash generated from operations or through its current senior credit facility. The repurchased shares will become treasury shares. As of October 11, 2005, the Company had purchased a total of 8,150,688 shares of Class A Common Stock at an aggregate cost of \$44.9 million, or at an average cost of \$5.51 per share. No shares were repurchased during Six Months 2006 under the Company's share repurchase program.

Debt

Total debt outstanding as of August 31, 2005, amounted to \$2,989.3 million, a decrease of \$299.9 million from February 28, 2005. The ratio of total debt to total capitalization decreased to 51.3% as of August 31, 2005, from 54.2% as of February 28, 2005.

Senior Credit Facilities

2004 Credit Agreement

In connection with the acquisition of Robert Mondavi, on December 22, 2004, the Company and its U.S. subsidiaries (excluding certain inactive subsidiaries), together with certain of its subsidiaries organized in foreign jurisdictions, 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 "2004 Credit Agreement"). The 2004 Credit Agreement provides for aggregate credit facilities of \$2.9 billion (subject to increase as therein provided to \$3.2 billion), consisting of a \$600.0 million tranche A term loan facility due in November 2010, a \$1.8 billion tranche B term loan facility due in November 2011, and a \$500.0 million revolving credit facility (including a sub-facility for letters of credit of up to \$60.0 million) which terminates in December 2010. Proceeds of the 2004 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the cash consideration payable in connection with its acquisition of Robert Mondavi, and to pay certain obligations of Robert Mondavi, including indebtedness outstanding under its bank facility and unsecured notes of \$355.4 million. The Company uses its revolving credit facility under the 2004 Credit Agreement for general corporate purposes, including working capital, on an as needed basis.

The tranche A term loan facility and the tranche B term loan facility were fully drawn on December 22, 2004. As of August 31, 2005, the required principal repayments of the tranche A term loan and the tranche B term loan are as follows:

	<u>Tranche A Term Loan</u>	<u>Tranche B Term Loan</u>	<u>Total</u>
<i>(in thousands)</i>			
2006	\$ -	\$ -	\$ -
2007	33,382	-	33,382
2008	89,853	15,299	105,152
2009	110,588	15,299	125,887
2010	117,500	15,299	132,799
Thereafter	<u>103,677</u>	<u>1,449,603</u>	<u>1,553,280</u>
	<u>\$ 455,000</u>	<u>\$ 1,495,500</u>	<u>\$ 1,950,500</u>

The rate of interest payable, at the Company's option, is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's debt ratio (as defined in the 2004 Credit Agreement) and, with respect to LIBOR borrowings, ranges between 1.00% and 1.75%. As of August 31, 2005, the LIBOR margin for the revolving credit facility and the tranche A term loan facility is 1.50%, while the LIBOR margin on the tranche B term loan facility is 1.75%. Pursuant to the terms of the 2004 Credit Agreement, the Company is entitled to a 0.25% reduction in the LIBOR margin on both the tranche A and tranche B term loans, which reduction is expected to become effective during the third quarter of fiscal 2006.

The Company's obligations are guaranteed by substantially all of its U.S. subsidiaries and by certain of its foreign subsidiaries. These obligations are also secured by a pledge of (i) 100% of the ownership interests in most 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 customary lending covenants including those restricting additional liens, the incurrence of additional indebtedness (including guarantees of indebtedness), the sale of assets, the payment of dividends, transactions with affiliates, the disposition and acquisition of property and the making of certain investments, in each case subject to numerous baskets, exceptions and thresholds. The financial covenants are limited to maximum total debt and senior debt coverage ratios and minimum fixed charges and interest coverage ratios. As of August 31, 2005, the Company is in compliance with all of its covenants under its 2004 Credit Agreement.

As of August 31, 2005, under the 2004 Credit Agreement, the Company had outstanding tranche A term loans of \$455.0 million bearing a weighted average interest rate of 4.9%, tranche B term loans of \$1,495.5 million bearing a weighted average interest rate of 5.3%, revolving loans of \$42.5 million bearing a weighted average interest rate of 4.8%, undrawn revolving letters of credit of \$28.1 million, and \$429.4 million in revolving loans available to be drawn.

At February 28, 2005, the Company had outstanding five year interest rate swap agreements to minimize interest rate volatility. The swap agreements fixed LIBOR interest rates on \$1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.1% over the five-year term. In March 2005, the Company monetized the value of the interest rate swaps by replacing them with new five year delayed start interest rate swap agreements effective March 1, 2006, which extended the hedged period through fiscal 2010. The Company received \$30.3 million in proceeds from the unwinding of the original swaps. This amount will be reclassified from AOCI ratably into earnings in the same period in which the original hedged item is recorded in the Consolidated Statement of Income. The effective interest rate remains the same under the new swap structure at 4.1%.

Foreign Subsidiary Facilities

The Company has additional credit arrangements available totaling \$176.7 million as of August 31, 2005. These arrangements support the financing needs of certain of the Company's foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of August 31, 2005, amounts outstanding under the foreign subsidiary credit arrangements were \$57.5 million.

Senior Notes

As of August 31, 2005, the Company had outstanding \$200.0 million aggregate principal amount of 8 5/8% Senior Notes due August 2006 (the "Senior Notes"). The Senior Notes are currently redeemable, in whole or in part, at the option of the Company.

As of August 31, 2005, the Company had outstanding £1.0 million (\$1.8 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, 2005, the Company had outstanding £154.0 million (\$277.4 million, net of \$0.4 million unamortized discount) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 (the "Sterling Series C Senior Notes"). The Sterling Series B Senior Notes and Sterling Series C Senior Notes are currently redeemable, in whole or in part, at the option of the Company.

Also, as of August 31, 2005, the Company had outstanding \$200.0 million aggregate principal amount of 8% Senior Notes due February 2008 (the "February 2001 Senior Notes"). The February 2001 Senior Notes are currently redeemable, in whole or in part, at the option of the Company.

Senior Subordinated Notes

As of August 31, 2005, the Company had outstanding \$250.0 million aggregate principal amount of 8 1/8% Senior Subordinated Notes due January 2012 (the "January 2002 Senior Subordinated Notes"). The January 2002 Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 2007.

Accounting Pronouncements Not Yet Adopted

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 ("SFAS No. 151"), "Inventory Costs - an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends the guidance in Accounting Research Bulletin No. 43 ("ARB No. 43"), "Restatement and Revision of Accounting Research Bulletins," Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS No. 151 requires that those items be recognized as current period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company is required to adopt SFAS No. 151 for fiscal years beginning March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 151 on its consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004) (“SFAS No. 123(R)”), “Share-Based Payment.” SFAS No. 123(R) replaces Statement of Financial Accounting Standards No. 123 (“SFAS No. 123”), “Accounting for Stock-Based Compensation,” and supersedes Accounting Principles Board Opinion No. 25 (“APB Opinion No. 25”), “Accounting for Stock Issued to Employees.” SFAS No. 123(R) requires the cost resulting from all share-based payment transactions be recognized in the financial statements. In addition, SFAS No. 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a grant date fair-value-based measurement method in accounting for share-based payment transactions. SFAS No. 123(R) also amends Statement of Financial Accounting Standards No. 95 (“SFAS No. 95”), “Statement of Cash Flows,” to require that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. SFAS No. 123(R) applies to all awards granted, modified, repurchased, or cancelled after the required effective date (see below). In addition, SFAS No. 123(R) requires entities that used the fair-value-based method for either recognition or disclosure under SFAS No. 123 to apply SFAS No. 123(R) using a modified version of prospective application. This application requires compensation cost to be recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered based on the grant date fair value of those awards as calculated under SFAS No. 123 for either recognition or pro forma disclosures. For periods before the required effective date, those entities may elect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by SFAS No. 123. In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 (“SAB No. 107”), “Share Based Payment,” to express the views of the staff regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and to provide the staff’s views regarding the valuation of share-based payment arrangements for public companies. The Company is required to adopt SFAS No. 123(R) for interim periods beginning March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 123(R) on its consolidated financial statements and will take into consideration the additional guidance provided by SAB No. 107 in connection with the Company’s adoption of SFAS No. 123(R).

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153 (“SFAS No. 153”), “Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29.” SFAS No. 153 amends Accounting Principles Board Opinion No. 29 (“APB No. 29”), “Accounting for Nonmonetary Transactions,” to eliminate the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replace it with a general exception from fair value measurement for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The Company is required to adopt SFAS No. 153 for fiscal years beginning March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 153 on its consolidated financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47 (“FIN No. 47”), “Accounting for Conditional Asset Retirement Obligations - an interpretation of FASB Statement No. 143.” FIN No. 47 clarifies the term conditional asset retirement obligation as used in FASB Statement No. 143, “Accounting for Asset Retirement Obligations.” A conditional asset retirement obligation is an unconditional legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Therefore, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN No. 47 is effective for the Company no later than the end of the year ending February 28, 2006. The Company is currently assessing the financial impact of FIN No. 47 on its consolidated financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154 (“SFAS No. 154”), “Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3.” SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle and requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of changing to the new accounting principle. SFAS No. 154 requires that a change in depreciation, amortization, or depletion method for long-lived, nonfinancial assets be accounted for as a change of estimate effected by a change in accounting principle. SFAS No. 154 also carries forward without change the guidance in APB Opinion No. 20 with respect to accounting for changes in accounting estimates, changes in the reporting unit and correction of an error in previously issued financial statements. The Company is required to adopt SFAS No. 154 for accounting changes and corrections of errors made in fiscal years beginning after March 1, 2006. The Company is currently assessing the financial impact of SFAS No. 154 on its consolidated financial statements.

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control, which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q, including statements regarding the Company’s future financial position and prospects, are forward-looking statements. 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. In addition to the risks and uncertainties of ordinary business operations, the forward-looking statements of the Company contained in this Form 10-Q are also subject to the following risks and uncertainties: the successful integration of the Robert Mondavi business into that of the Company; final management determinations and independent appraisals vary materially from current management estimates of (i) the fair value of the assets acquired and the liabilities assumed in the Robert Mondavi acquisition and (ii) the fair value of assets and liabilities of Ruffino; the Company achieving certain sales projections and meeting certain cost targets; wholesalers and retailers may give higher priority to products of the Company’s competitors; raw material supply, production or shipment difficulties could adversely affect the Company’s ability to supply its customers; increased competitive activities in the form of pricing, advertising and promotions could adversely impact consumer demand for the Company’s products and/or result in higher than expected selling, general and administrative expenses; a general decline in alcohol consumption; increases in excise and other taxes on beverage alcohol products; and changes in interest rates and foreign currency exchange rates. For additional information about risks and uncertainties that could adversely affect the Company’s forward-looking statements, please refer to the Company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2005.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company, as a result of its global operating 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 and foreign currency options are used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales both to third parties as well as intercompany sales, and intercompany principal and interest payments. As of August 31, 2005, the Company had exposures to foreign currency risk primarily related to the Australian dollar, British pound sterling, euro, New Zealand dollar, Canadian dollar, Chilean peso and Mexican peso.

As of August 31, 2005, and August 31, 2004, the Company had outstanding foreign exchange derivative instruments with a notional value of \$741.7 million and \$694.6 million, respectively. Approximately 74% of the Company's total exposures were hedged as of August 31, 2005. 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, 2005, and August 31, 2004, the fair value of open foreign exchange contracts would have been decreased by \$77.9 million and \$68.8 million, respectively. Losses or gains from the revaluation or settlement of the related underlying positions would substantially offset such gains or losses on the derivative instruments.

The fair value of fixed rate debt is subject to interest rate risk, credit risk and foreign currency risk. The estimated fair value of the Company's total fixed rate debt, including current maturities, was \$1,031.8 million and \$1,062.1 million as of August 31, 2005, and August 31, 2004, respectively. A hypothetical 1% increase from prevailing interest rates as of August 31, 2005, and August 31, 2004, would have resulted in a decrease in fair value of fixed interest rate long-term debt by \$26.3 million and \$45.6 million, respectively.

As of August 31, 2005, the Company had outstanding five-year delayed start interest rate swap agreements effective March 1, 2006, 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% over the five-year term. A hypothetical 1% increase from prevailing interest rates as of August 31, 2005, would have increased the fair value of the interest rate swaps by \$43.7 million. As of August 31, 2004, the Company had no interest rate swap agreements outstanding.

In addition to the \$1,031.8 million and \$1,062.1 million estimated fair value of fixed rate debt outstanding as of August 31, 2005, and August 31, 2004, respectively, the Company also had variable rate debt outstanding (primarily LIBOR based) as of August 31, 2005, and August 31, 2004, of \$2,034.5 million and \$1,023.6 million, respectively. Using a sensitivity analysis based on a hypothetical 1% increase in prevailing interest rates over a 12-month period, the approximate increase in cash required for interest as of August 31, 2005, and August 31, 2004, is \$20.3 million and \$9.6 million, respectively.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

There has been no change in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's fiscal quarter ended August 31, 2005 that has materially affected, or is 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, 2005	-	\$ -	-	\$ 55,122,140
July 1 - 31, 2005	-	-	-	55,122,140
August 1 - 31, 2005	-	-	-	55,122,140
Total	-	\$ -	-	\$ 55,122,140

⁽¹⁾ In June 1998, the Company's Board of Directors authorized the repurchase from time to time of up to \$100.0 million of the Company's Class A and Class B Common Stock. The program does not have a specified expiration date. The Company did not repurchase any shares under this program during the period June 1, 2005 through and including August 31, 2005.

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

At the Annual Meeting of Stockholders of Constellation Brands, Inc. held on July 28, 2005 (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 28, 2006, and a proposal to amend the Company's Restated Certificate of Incorporation to increase the number of authorized shares of the Company's Class A Common Stock from 275,000,000 shares to 300,000,000 shares.

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:

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>
Thomas C. McDermott	167,323,183	11,034,368
Paul L. Smith	167,304,026	11,053,525

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

<u>Nominee</u>	<u>For</u>	<u>Withheld</u>
George Bresler	357,871,167	58,690,744
Jeananne K. Hauswald	405,507,236	11,054,675
James A. Locke III	358,245,003	58,316,908
Richard Sands	372,662,940	43,898,971
Robert Sands	371,482,428	45,079,483

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

For:	416,128,374
Against:	275,216
Abstain:	158,321
Broker Nonvotes:	0

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

For:	414,133,567
Against:	1,822,265
Abstain:	606,079
Broker Nonvotes:	0

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 46 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 11, 2005

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

Dated: October 11, 2005

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

INDEX TO EXHIBITS

Exhibit No.

- (2) **Plan of acquisition, reorganization, arrangement, liquidation or succession.**
- 2.1 Agreement and Plan of Merger, dated as of November 3, 2004, by and among Constellation Brands, Inc., a Delaware corporation, RMD Acquisition Corp., a California corporation and a wholly-owned subsidiary of Constellation Brands, Inc., and The Robert Mondavi Corporation, a California corporation (filed as Exhibit 2.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).
- 2.2 Support Agreement, dated as of November 3, 2004, by and among Constellation Brands, Inc., a Delaware corporation and certain shareholders of The Robert Mondavi Corporation (filed as Exhibit 2.7 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).
- (3) **Articles of Incorporation and By-Laws.**
- 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 Certificate of Designations of 5.75% Series A Mandatory Convertible Preferred Stock of the Company (filed herewith).
- 3.4 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) **Instruments defining the rights of security holders, including indentures.**
- 4.1 Indenture, dated as of February 25, 1999, among the Company, as issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 25, 1999 and incorporated herein by reference). ⁽¹⁾
- 4.2 Supplemental Indenture No. 2, with respect to 8 5/8% Senior Notes due 2006, dated as of August 4, 1999, 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 4.1 to the Company's Current Report on Form 8-K dated July 28, 1999 and incorporated herein by reference). ⁽¹⁾
-

- 4.3 Supplemental Indenture No. 3, dated as of August 6, 1999, by and among the Company, Canandaigua B.V., Barton Canada, Ltd., Simi Winery, Inc., Franciscan Vineyards, Inc., Allberry, Inc., M.J. Lewis Corp., Cloud Peak Corporation, Mt. Veeder Corporation, SCV-EPI Vineyards, Inc., and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference). ⁽¹⁾
- 4.4 Supplemental Indenture No. 4, with respect to 8 1/2% Senior Notes due 2009, dated as of May 15, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.17 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2000 and incorporated herein by reference). ⁽¹⁾
- 4.5 Supplemental Indenture No. 5, dated as of September 14, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to The Bank of New York), as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference). ⁽¹⁾
- 4.6 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).
- 4.7 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).
- 4.8 Supplemental Indenture No. 8, dated as of March 27, 2003, by and among the Company, CBI Australia Holdings Pty Limited (ACN 103 359 299), Constellation Australia Pty Limited (ACN 103 362 232) and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2003 and incorporated herein by reference).
- 4.9 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).
- 4.10 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).
-

- 4.11 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).
- 4.12 Indenture, with respect to 8 1/2% Senior Notes due 2009, dated as of November 17, 1999, among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-4 (Registration No. 333-94369) and incorporated herein by reference).
- 4.13 Supplemental Indenture No. 1, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).
- 4.14 Supplemental Indenture No. 2, dated as of March 27, 2003, among the Company, CBI Australia Holdings Pty Limited (ACN 103 359 299), Constellation Australia Pty Limited (ACN 103 362 232) and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.18 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2003 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 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).
-

- 4.19 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).
- 4.20 Supplemental Indenture No. 2, dated as of March 27, 2003, among the Company, CBI Australia Holdings Pty Limited (ACN 103 359 299), Constellation Australia Pty Limited (ACN 103 362 232) and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.21 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2003 and incorporated herein by reference).
- 4.21 Supplemental Indenture No. 3, dated as of July 8, 2004, by and among the Company, BRL Hardy Investments (USA) Inc., BRL Hardy (USA) Inc., Pacific Wine Partners LLC, Nobilo Holdings, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).
- 4.22 Supplemental Indenture No. 4, dated as of September 13, 2004, by and among the Company, Constellation Trading, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.21 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).
- 4.23 Supplemental Indenture No. 5, dated as of December 22, 2004, by and among the Company, The Robert Mondavi Corporation, R.M.E. Inc., Robert Mondavi Winery, Robert Mondavi Investments, Robert Mondavi 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).
- 4.24 Credit Agreement, dated as of December 22, 2004, among the Company, the Subsidiary Guarantors party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Merrill Lynch, Pierce Fenner & Smith, Incorporated, as Syndication Agent, J.P. Morgan Securities Inc., as Sole Lead Arranger and Bookrunner, and Bank of America, SunTrust Bank and Bank of Nova Scotia, as Co-Documentation Agents (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated December 22, 2004, filed December 29, 2004 and incorporated herein by reference).
- 4.25 Certificate of Designations of 5.75% Series A Mandatory Convertible Preferred Stock of the Company (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 24, 2003, filed July 30, 2003 and incorporated herein by reference).
- 4.26 Deposit Agreement, dated as of July 30, 2003, by and among the Company, Mellon Investor Services LLC and all holders from time to time of Depositary Receipts evidencing Depositary Shares Representing 5.75% Series A Mandatory Convertible Preferred Stock of the Company (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 24, 2003, filed July 30, 2003 and incorporated herein by reference).
- (10) Material contracts.**
- 10.1 Description of Compensation Arrangements for Non-Management Directors (filed herewith). ⁽²⁾
-

(11) Statement re computation of per share earnings.

Not applicable.

(15) Letter re unaudited interim financial information.

Not applicable.

(18) Letter re change in accounting principles.

Not applicable.

(19) Report furnished to security holders.

Not applicable.

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

Not applicable.

(23) Consents of experts and counsel.

Not applicable.

(24) Power of attorney.

Not applicable.

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

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

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

(32) Section 1350 Certifications.

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

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

(99) Additional Exhibits.

99.1 Not applicable.

(100) XBRL-Related Documents.

Not applicable.

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

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

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.

**Restated Certificate of Incorporation
of
Constellation Brands, Inc.**

**Duly Adopted in Accordance With Sections 245 and 242
of the Delaware General Corporation Law**

**Incorporated on December 4, 1972 under the name
Canandaigua Wine Company, Inc.**

This is a Restated Certificate of Incorporation which amends and restates the Restated Certificate of Incorporation of Constellation Brands, Inc. to increase its authorized capital stock.

1. (a) The present name of the corporation is Constellation Brands, Inc. (the "Corporation").

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

2. The restated certificate of incorporation of the Corporation is hereby amended by striking out Article 4 and by substituting in lieu thereof new Article 4, as follows:

"4. Capitalization; General Authorization. The total number of shares of stock which the Corporation shall have authority to issue is Three Hundred Six Million (306,000,000) consisting of:

(a) Class A Common. Two Hundred Seventy-Five Million (275,000,000) 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")."

3. The provisions of the restated certificate of incorporation of the Corporation as heretofore amended and/or supplemented, and as herein amended, are hereby restated and integrated into the single instrument which is hereinafter set forth, and which is entitled Restated Certificate of Incorporation of Constellation Brands, Inc. without any further amendments other than the amendments herein certified and without any discrepancy between the provisions of the restated certificate of incorporation as heretofore amended and supplemented and the provisions of the said single instrument hereinafter set forth.

4. The amendment and the restatement of the restated certificate of incorporation herein certified have been duly adopted by the stockholders in accordance with the provisions of Section 242 and 245 of the General Corporation Law of the state of Delaware.

5. The restated certificate of incorporation of the Corporation, as amended and restated herein, shall at the effective time of this Restated Certificate of Incorporation, read as follows:

**Restated Certificate of Incorporation
of
Constellation Brands, Inc.**

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 Six Million (306,000,000) consisting of:

(a) Class A Common. Two Hundred Seventy-Five Million (275,000,000) 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 23rd day of July, 2002.

/s/ Richard Sands
President 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 275,000,000 shares to 300,000,000 shares, thereby increasing the total number of shares of stock which the Company has authority to issue from 306,000,000 shares to 331,000,000 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 Thirty-One Million (331,000,000) shares 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");

(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 1st day of August, 2005.

/s/ Richard Sands

Richard Sands, Chairman of the Board and Chief
Executive Officer

Exhibit 3.3

CERTIFICATE OF DESIGNATIONS OF

5.75% SERIES A MANDATORY CONVERTIBLE PREFERRED STOCK

OF CONSTELLATION BRANDS, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

Constellation Brands, Inc., a Delaware corporation (the “*Company*”), certifies that, pursuant to the authority contained in Article 5 of its Restated Certificate of Incorporation, as amended (the “*Restated Certificate of Incorporation*”), and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware (the “*DGCL*”), a duly authorized committee of the Board of Directors of the Company (the “*Board of Directors*”) by resolution adopted by unanimous written consent, pursuant to Section 141(f) of the DGCL, on July 24, 2003, duly approved and adopted the following resolution, which resolution remains in full force and effect on the date hereof:

RESOLVED, that pursuant to the authority vested in the Board of Directors and by the Restated Certificate of Incorporation, a duly authorized committee of the Board of Directors does hereby designate, create, authorize and provide for the issue of a series of the Company’s preferred stock having a par value of \$.01 per share, with a liquidation preference of \$1,000 per share, subject to adjustment as provided herein, which shall be designated as 5.75% Series A Mandatory Convertible Preferred Stock, consisting of 170,500 shares, no shares of which have heretofore been issued by the Company, having the following powers, designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof:

Section 1. *Designation; Number of Shares; Ranking.* There is hereby created from the authorized and unissued shares of Preferred Stock, par value \$.01 per share, of the Company, a series of convertible Preferred Stock designated as the Company’s “5.75% Series A Mandatory Convertible Preferred Stock” (the “*Series A Convertible Preferred Stock*”) The number of shares of Series A Mandatory Convertible Preferred Stock shall be 170,500. The Series A Mandatory Convertible Preferred Stock shall rank, with respect to dividend distributions and distributions upon the liquidation, dissolution or winding-up of the Company, (i) senior to the Class A Common Stock, par value \$.01 per share, of the Company (the “*Class A Common Stock*”), the Class B Common Stock, par value \$.01 per share, of the Company (the “*Class B Common Stock*” and, together with the Class A Common Stock, the “*Common Stock*”) and to each other class or series of stock of the Company (including any series of preferred stock established after July 30, 2003 by the Board of Directors or a duly authorized committee thereof) the terms of which do not expressly provide that such class or series will rank senior to or *pari passu* with the Series A Mandatory Convertible Preferred Stock as to dividend distributions and distributions upon the liquidation, dissolution or winding-up of the Company (collectively referred to as “*Junior Securities*”); (ii) *pari passu* with each class or series of stock of the Company the terms of which expressly provide that such class or series will rank *pari passu* with the Series A Mandatory Convertible Preferred Stock as to dividend distributions and distributions upon liquidation, dissolution or winding-up of the Company (collectively referred to as “*Parity Securi-*

ties”); and (iii) junior to each class or series of stock of the Company, the terms of which expressly provide that such class or series will rank senior to the Series A Mandatory Convertible Preferred Stock as to dividend distributions and distributions upon liquidation, dissolution or winding-up of the Company (collectively referred to as “*Senior Securities*”).

Section 2. *Dividends.*

(i) *General.* Dividends on the Series A Mandatory Convertible Preferred Stock shall be payable quarterly, when, as and if declared by the Board of Directors or a duly authorized committee thereof, out of the assets of the Company legally available therefor, on the first calendar day (or the first following Business Day if the first calendar day is not a Business Day) of March, June, September and December of each year (each such date being referred to herein as a “*Dividend Payment Date*”) at the annual rate of \$57.5000 per share subject to adjustment as provided in Section 12(ii). The initial dividend on the Series A Mandatory Convertible Preferred Stock for the dividend period commencing on July 30, 2003, to but excluding December 1, 2003, shall be \$19.3264 per share, and shall be payable, when, as and if declared, on December 1, 2003. The dividend on the Series A Mandatory Convertible Preferred Stock for each subsequent dividend period shall be \$14.3750 per share. The amount of dividends payable for any other period that is shorter or longer than a full quarterly dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

A dividend period with respect to a Dividend Payment Date is the period commencing on the preceding Dividend Payment Date or, if none, the date of issue and ending on the day immediately prior to the next Dividend Payment Date. Dividends payable, when, as and if declared, on a Dividend Payment Date shall be payable to Holders of record as they appear on the stock books of the Company on the later of (i) the close of business on the 15th calendar day (or the first following Business Day if such 15th calendar day is not a Business Day) of the calendar month preceding the month in which the applicable Dividend Payment Date falls and (ii) the close of business on the day on which the Board of Directors or a duly authorized committee thereof declares the dividend payable (each, a “*Dividend Record Date*”).

Dividends on the Series A Mandatory Convertible Preferred Stock shall be cumulative if the Company fails to declare one or more dividends on the Series A Mandatory Convertible Preferred Stock in any amount, whether or not there are assets of the Company legally available for the payment of such dividends in whole or in part.

The Company may pay dividends, at its sole option, (a) in cash, (b) by delivering shares of Class A Common Stock to the Transfer Agent on behalf of the Holders, to be sold on the Holders’ behalf for cash or (c) in any combination thereof. By and upon acquiring the Series A Mandatory Convertible Preferred Stock, each Holder is deemed to appoint the Transfer Agent as such Holder’s agent for any such sale, and the Transfer Agent shall serve as a designated agent of the Holders in making any such sales. To pay dividends in shares of Class A Common Stock, the Company must deliver to the Transfer Agent, not *less* than five Business Days prior to the applicable Dividend Payment Date, a number of shares of Class A Common Stock which, when sold by the Transfer Agent on the Holders’ behalf, will result in net cash proceeds to be

distributed to the Holders in an amount equal to the cash dividend otherwise payable to the Holders. The Transfer Agent will sell such shares of Class A Common Stock on the Holders' behalf and make payment of the cash proceeds from the sale of such Class A Common Stock on or prior to the applicable Dividend Payment Date or such other date as is fixed by the Board of Directors or a duly authorized committee thereof pursuant to the terms and conditions set forth in the last paragraph of this Section 2(i).

If the Company pays dividends in shares of Class A Common Stock by delivering them to the Transfer Agent, those shares shall be owned beneficially by the Holders upon delivery to the Transfer Agent, and the Transfer Agent shall hold those shares and the net cash proceeds from the sale of those shares for the exclusive benefit of the Holders until the Dividend Payment Date, or such other date as is fixed by the Board of Directors or a duly authorized committee thereof pursuant to the terms and conditions set forth in the last paragraph of this Section 2(i), at which time the portion of such net cash proceeds equal to the non-cash component of the declared dividend on the Series A Mandatory Convertible Preferred Stock shall be distributed to the Holders entitled thereto with any remainder distributed to the Company.

Holders shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of the then applicable full dividends calculated pursuant to this Section 2(i) (including accrued dividends, if any) on shares of Series A Mandatory Convertible Preferred Stock. No interest or sum of money in lieu of interest shall be payable in respect of any dividend or payment which may be in arrears.

Dividends in arrears on the Series A Mandatory Convertible Preferred Stock not declared for payment or paid on any Dividend Payment Date may be declared by the Board of Directors or a duly authorized committee thereof and paid on any date fixed by the Board of Directors or a duly authorized committee thereof, whether or not a Dividend Payment Date, to the Holders of record as they appear on the stock register of the Company on a record date selected by the Board of Directors or a duly authorized committee thereof, which shall (i) not precede the date the Board of Directors or a duly authorized committee thereof declares the dividend payable and (ii) not be more than 60 days prior to such fixed dividend payment date.

(ii) In order to pay dividends on any Dividend Payment Date, or such other date as is fixed by the Board of Directors or a duly authorized committee thereof pursuant to the terms and conditions set forth in the last paragraph of Section 2(i) hereof, in shares of Class A Common Stock, (a) the shares of Class A Common Stock delivered to the Transfer Agent shall have been duly authorized, (b) the Company shall have provided to the Transfer Agent a prospectus and evidence of an effective registration statement under the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "*Securities Act*") permitting the immediate sale of the shares of Class A Common Stock in the public market, (c) the shares of Class A Common Stock, once purchased by the purchasers thereof, shall be validly issued, fully paid and non-assessable and (d) such shares shall have been registered under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, if required, and shall be listed or admitted for trading on each United States securities exchange on which the Class A Common Stock is then listed.

(iii) *Payment Restrictions.* The Company may not (x) declare or pay any dividend or make any distribution of assets (other than dividends paid or other distributions made in Junior Securities) on, whether in cash, property or otherwise, or (y) redeem, purchase or otherwise acquire (except upon conversion or exchange for Junior Securities), pay or make available any monies for a sinking fund for, Junior Securities, unless, in each case, all accrued and unpaid dividends on the Series A Mandatory Convertible Preferred Stock for all prior dividend periods have been or contemporaneously are declared and paid and the full quarterly dividend on the Series A Mandatory Convertible Preferred Stock for the current dividend period has been or contemporaneously is declared and paid or declared and set apart for payment.

Unless all accrued and unpaid dividends on the Series A Mandatory Convertible Preferred Stock for all prior dividend periods have been or contemporaneously are declared and paid and the full quarterly dividend on the Series A Mandatory Convertible Preferred Stock for the current dividend period has been or contemporaneously is declared and paid or declared and set apart for payment, the Company may not redeem, purchase or otherwise acquire (except upon conversion or exchange for Parity Securities or Junior Securities) Parity Securities.

Section 3. *Liquidation Preference.* In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Holders shall be entitled to receive out of the assets of the Company available for distribution to stockholders, before any distribution of assets is made on the Common Stock of the Company or any other class or series of stock of the Company ranking junior to the Series A Mandatory Convertible Preferred Stock as to the distribution of assets upon the liquidation, dissolution or winding-up of the Company, \$1,000.00 per share, subject to adjustment as provided in Section 12(ii) hereof (the "*Liquidation Preference*"), plus an amount equal to the sum of all accrued and unpaid dividends (whether or not declared) for the then-current dividend period and all dividend periods prior thereto.

Neither the sale of all or substantially all of the property or business of the Company (other than in connection with the voluntary or involuntary liquidation, dissolution or winding-up of the Company), nor the merger, conversion or consolidation of the Company into or with any other Person, nor the merger, conversion or consolidation of any other Person into or with the Company shall constitute a voluntary or involuntary liquidation, dissolution or winding-up of the Company for the purposes of the foregoing paragraph. After the payment to the Holders of the full preferential amounts provided for above, the Holders as such shall have no right or claim to any of the remaining assets of the Company.

In the event the assets of the Company available for distribution to the Holders upon any voluntary or involuntary liquidation, dissolution or winding-up of the Company shall be insufficient to pay in full all amounts to which such Holders are entitled as provided above, no such distribution shall be made on account of any other stock of the Company ranking *pari passu* with the Series A Mandatory Convertible Preferred Stock as to the distribution of assets upon such liquidation, dissolution or winding-up, unless a *pro rata* distribution is made on the Series A Mandatory Convertible Preferred Stock and such other Capital Stock of the Company, with the amount allocable to each series of such stock determined on the basis of the aggregate liqui-

ation preference of the outstanding shares of each series and distributions to the shares of each series being made on a *pro rata* basis.

Section 4. *Voting Rights.*

(i) The Holders shall have no voting rights, except as set forth below or as expressly required by applicable state law. In exercising any such vote, each outstanding share of Series A Mandatory Convertible Preferred Stock shall be entitled to one vote.

(ii) So long as any shares of Series A Mandatory Convertible Preferred Stock are outstanding, in addition to any other vote of stockholders of the Company required under applicable law or the Restated Certificate of Incorporation, the affirmative vote or consent of the Holders of at least 66 2/3% of the outstanding shares of the Series A Mandatory Convertible Preferred Stock will be required for the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any provision of the Restated Certificate of Incorporation or of this Certificate of Designations which would materially and adversely affect any right, preference, privilege or voting power of the Series A Mandatory Convertible Preferred Stock or of the Holders.

(iii) So long as any shares of Series A Mandatory Convertible Preferred Stock are outstanding, in addition to any other vote of stockholders of the Company required under applicable law or the Restated Certificate of Incorporation, the affirmative vote or consent of the Holders of at least 66 2/3% of the outstanding shares of the Series A Mandatory Convertible Preferred Stock and all shares of any other series of our preferred stock which expressly provide that such class or series will rank *pari passu* with the Series A Mandatory Convertible Preferred Stock as to dividend distributions and distributions upon liquidation, dissolution or winding-up of the Company, voting together as a single class, will be required to (a) issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, by merger, consolidation or otherwise, any class or series of stock ranking senior to the Series A Mandatory Convertible Preferred Stock as to dividend distributions or distributions upon the liquidation, dissolution or winding-up of the Company or (b) reclassify, by merger, consolidation or otherwise, any authorized stock of the Company into any class or series of stock, or any obligation or security convertible into or evidencing a right to purchase any class or series of stock, ranking senior to the Series A Mandatory Convertible Preferred Stock as to dividend distributions or distributions upon the liquidation, dissolution or winding-up of the Company; *provided, however*, that no such vote shall be required for the Company to issue, authorize or increase the authorized amount of, or issue or authorize any obligation or security convertible into or evidencing a right to purchase, any class or series of stock ranking *pari passu* with or junior to the Series A Mandatory Convertible Preferred Stock as to dividend distributions or distributions upon the liquidation, dissolution or winding-up of the Company.

Section 5. *Automatic Conversion.* Each share of Series A Mandatory Convertible Preferred Stock will automatically convert (unless previously converted at the option of the Company in accordance with Section 6 or at the option of the Holder in accordance with

Section 7, or a Merger Early Conversion has occurred in accordance with Section 8), on September 1, 2006 (the “*Automatic Conversion Date*”), into a number of newly issued shares of Class A Common Stock equal to the Automatic Conversion Rate (as defined below). The Holders on the Automatic Conversion Date shall have the right to receive a dividend payment of cash, shares of Class A Common Stock, or any combination thereof, as the Company determines in its sole discretion, in an amount equal to any accrued and unpaid dividends on the Series A Mandatory Convertible Preferred Stock as of the Automatic Conversion Date (other than previously declared dividends on the Series A Mandatory Convertible Preferred Stock payable to a Holder of record as of a prior date), whether or not declared, out of legally available assets of the Company. To the extent the Company pays some or all of such dividend in shares of Class A Common Stock, the number of shares of Class A Common Stock issuable to a Holder in respect of such accrued and unpaid dividends shall equal the amount of accrued and unpaid dividends on the Series A Mandatory Convertible Preferred Stock on the Automatic Conversion Date that the Company determines to pay in shares of Class A Common Stock divided by the Current Market Price (as defined below) of the Class A Common Stock on the Automatic Conversion Date.

Dividends on the shares of Series A Mandatory Convertible Preferred Stock shall cease to accrue and such shares of Series A Mandatory Convertible Preferred Stock shall cease to be outstanding on the Automatic Conversion Date. The Company shall make such arrangements as it deems appropriate for the issuance of certificates, if any, representing shares of Class A Common Stock (both for purposes of the automatic conversion of shares of Series A Mandatory Convertible Preferred Stock and for purposes of any dividend payment by the Company of shares of Class A Common Stock in respect of accrued and unpaid dividends on the Series A Mandatory Convertible Preferred Stock), and for any payment of cash in respect of accrued and unpaid dividends on the Series A Mandatory Convertible Preferred Stock or cash in lieu of fractional shares, if any, in exchange for and contingent upon the surrender of certificates representing the shares of Series A Mandatory Convertible Preferred Stock (if such shares are held in certificated form), and the Company may defer the payment of dividends on such shares of Class A Common Stock and the voting thereof until, and make such payment and voting contingent upon, the surrender of such certificates representing the shares of Series A Mandatory Convertible Preferred Stock; *provided, however*, that the Company shall give the Holders such notice of any such actions as the Company deems appropriate and upon such surrender such Holders shall be entitled to receive such dividends declared and paid on such shares of Class A Common Stock subsequent to the Automatic Conversion Date. Amounts payable in cash in respect of the shares of Series A Mandatory Convertible Preferred Stock or in respect of such shares of Class A Common Stock shall not bear interest.

Section 6. *Provisional Conversion at the Option of the Company.*

(i) Prior to the Automatic Conversion Date, if the Closing Price of the Class A Common Stock has exceeded 150% of the Threshold Appreciation Price (as defined below) for at least 20 Trading Days (as defined below) within a period of 30 consecutive Trading Days the Company may, at its option, cause the conversion of all, but not *less* than all, the shares of Series A Mandatory Convertible Preferred Stock then outstanding into shares of Class A Common Stock at a rate of 29.2760 shares of Class A Common Stock for each share of Series A

Mandatory Convertible Preferred Stock (the “*Provisional Conversion Rate*”), subject to adjustment as set forth in Section 9(ii) below (as though references in Section 9(ii) to the Automatic Conversion Rate were replaced with references to the Provisional Conversion Rate); *provided*, that the Company notifies the Holders (pursuant to paragraph (ii) below) that it is exercising its option to cause the conversion of the Series A Mandatory Convertible Preferred Stock pursuant to this Section 6 (the “*Provisional Conversion Notice Date*”) prior to the end of such thirty (30) day period. The Company shall be able to cause this conversion only if, in addition to issuing the Holders shares of Class A Common Stock, the Company pays the Holders (a) in cash, (b) by delivering shares of Class A Common Stock to the Transfer Agent on behalf of the Holders, to be sold on the Holders’ behalf for cash (in accordance with the procedures set forth in Section 2(i)) or (c) in any combination thereof, (x) an amount equal to any accrued and unpaid dividends on the shares of Series A Mandatory Convertible Preferred Stock then outstanding, whether or not declared, and (y) the present value of all remaining dividend payments on the shares of Series A Mandatory Convertible Preferred Stock then outstanding, through and including September 1, 2006, in each case, out of legally available assets of the Company. The present value of the remaining dividend payments will be computed using a discount rate equal to the Treasury Yield.

(ii) A written notice (the “*Provisional Conversion Notice*”) shall be sent by or on behalf of the Company, by first class mail, postage prepaid, to the Holders of record as they appear on the stock register of the Company on the Provisional Conversion Notice Date (a) notifying such Holders of the election of the Company to convert and of the Provisional Conversion Date (as defined below), which date shall not be *less* than 30 days nor be more than 60 days after the Provisional Conversion Notice Date, and (b) stating the Corporate Trust Office of the Transfer Agent at which the shares of Series A Mandatory Convertible Preferred Stock called for conversion shall, upon presentation and surrender of the certificate(s) (if such shares are held in certificated form) evidencing such shares, be converted, and the Provisional Conversion Rate to be applied thereto.

(iii) The Company shall deliver to the Transfer Agent irrevocable written instructions authorizing the Transfer Agent, on behalf and at the expense of the Company, to cause the Provisional Conversion Notice to be duly mailed as soon as practicable after receipt of such irrevocable instructions from the Company and in accordance with the above provisions. The shares of Class A Common Stock to be issued upon conversion of the Series A Mandatory Convertible Preferred Stock pursuant to this Section 6 and all funds necessary for the payment (a) in cash, (b) by delivering shares of Class A Common Stock to the Transfer Agent on behalf of the Holders, to be sold on the Holders’ behalf for cash (in accordance with the procedures set forth in Section 2(i)) or (c) in any combination thereof, of (x) any accrued and unpaid dividends on the shares of Series A Mandatory Convertible Preferred Stock then outstanding, whether or not declared, and (y) the present value of all remaining dividend payments on the shares of Series A Mandatory Convertible Preferred Stock then outstanding through and including September 1, 2006, shall be deposited with the Transfer Agent in trust at least two Business Days prior to the Provisional Conversion Date, for the *pro rata* benefit of the Holders of record as they appear on the stock register of the Company, so as to be and continue to be available therefor. Neither failure to mail such Provisional Conversion Notice to one or more such Holders nor any defect in

such Provisional Conversion Notice shall affect the sufficiency of the proceedings for conversion as to other Holders.

(iv) If a Provisional Conversion Notice shall have been given as hereinbefore provided, then each Holder shall be entitled to all preferences and relative, participating, optional and other special rights accorded by this Certificate of Designations until and including the Provisional Conversion Date. From and after the Provisional Conversion Date, upon delivery by the Company of the Class A Common Stock and payment of the funds and/or delivery of the shares of Class A Common Stock, as the case may be, to the Transfer Agent as described in paragraph (iii) above, the Series A Mandatory Convertible Preferred Stock shall no longer be deemed to be outstanding, and all rights of such Holders shall cease and terminate, except the right of the Holders, upon surrender of certificates therefor, to receive Class A Common Stock and any amounts to be paid hereunder.

(v) The deposit of monies and/or shares of Class A Common Stock, as the case may be, in trust with the Transfer Agent shall be irrevocable except that the Company shall be entitled to receive from the Transfer Agent the interest or other earnings, if any, earned on any monies and/or shares of Class A Common Stock, as the case may be, so deposited in trust, and the Holders of the shares converted shall have no claim to such interest or other earnings, and any balance of monies so deposited by the Company and unclaimed by the Holders entitled thereto at the expiration of two years from the Provisional Conversion Date shall be repaid, together with any interest or other earnings thereon, to the Company, and after any such repayment, the Holders of the shares entitled to the funds so repaid to the Company shall look only to the Company for such payment without interest.

Section 7. Early Conversion at the Option of the Holder.

(i) Shares of Series A Mandatory Convertible Preferred Stock are convertible, in whole or in part, at the option of the Holders thereof (“*Optional Conversion*”), at any time prior to the Automatic Conversion Date, into shares of Class A Common Stock at a rate of 29.2760 shares of Class A Common Stock for each share of Series A Mandatory Convertible Preferred Stock (the “*Optional Conversion Rate*”), subject to adjustment as set forth in Section 9(ii) below (as though references in Section 9(ii) to the Automatic Conversion Rate were replaced with references to the Optional Conversion Rate).

(ii) Optional Conversion of shares of Series A Mandatory Convertible Preferred Stock may be effected by delivering certificates evidencing such shares (if such shares are held in certificated form), together with written notice of conversion and a proper assignment of such certificates to the Company or in blank (and, if applicable, payment of an amount equal to the dividend payable on such shares pursuant to paragraph (iii) below), to the Corporate Trust Office of the Transfer Agent for the Series A Mandatory Convertible Preferred Stock or to any other office or agency maintained by the Company for that purpose. Each Optional Conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the foregoing requirements shall have been satisfied.

(iii) Holders of shares of Series A Mandatory Convertible Preferred Stock at the close of business on a Dividend Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date (if such dividend has been declared) notwithstanding the Optional Conversion of such shares following such Dividend Record Date and prior to such Dividend Payment Date. However, shares of Series A Mandatory Convertible Preferred Stock surrendered for Optional Conversion after the close of business on a Dividend Record Date and before the opening of business on the corresponding Dividend Payment Date must be accompanied by payment in cash of an amount equal to the dividend payable on such shares on such Dividend Payment Date. Except as provided above, upon any Optional Conversion of shares of Series A Mandatory Convertible Preferred Stock, the Company shall make no payment or allowance for unpaid preferred dividends, whether or not in arrears, on such shares of Series A Mandatory Convertible Preferred Stock as to which Optional Conversion has been effected or for dividends or distributions on the shares of Class A Common Stock issued upon such Optional Conversion.

Section 8. *Early Conversion upon Cash Merger.*

(i) In the event of a merger or consolidation of the Company of the type described in Section 9(iii)(a) in which all or any class of Common Stock outstanding immediately prior to such merger or consolidation is exchanged for consideration consisting of at least 30% cash or cash equivalents (any such event, a “*Cash Merger*”), then the Company (or the successor to the Company hereunder) shall be required to offer all Holders of shares of Series A Mandatory Convertible Preferred Stock that remain outstanding after the Cash Merger (if any) the right to convert their shares of Series A Mandatory Convertible Preferred Stock prior to the Automatic Conversion Date (“*Merger Early Conversion*”) as provided herein.

On or before the fifth Business Day after the consummation of a Cash Merger, the Company or, at the request and expense of the Company, the Transfer Agent, shall give all Holders notice of the occurrence of the Cash Merger and of the right of Merger Early Conversion arising as a result thereof. The Company shall also deliver a copy of such notice to the Transfer Agent. Each such notice shall contain:

- (a) the date, which shall be not *less* than 20 nor more than 30 calendar days after the date of such notice, on which the Merger Early Conversion will be effected (the “*Merger Early Conversion Date*”);
- (b) the date, which shall be on or one Business Day prior to the Merger Early Conversion Date, by which the Merger Early Conversion right must be exercised;
- (c) the Automatic Conversion Rate in effect immediately before such Cash Merger and the kind and amount of securities, cash and other property receivable by the Holder upon conversion of its shares of Series A Mandatory Convertible Preferred Stock pursuant to Section 9(iii); and

(d) the instructions a Holder must follow to exercise the Merger Early Conversion right.

(ii) To exercise a Merger Early Conversion right, a Holder shall deliver to the Transfer Agent at the Corporate Trust Office (as defined below) by 5:00 p.m., New York City time, on or before the date by which the Merger Early Conversion right must be exercised as specified in the notice, the certificate(s) (if such shares are held in certificated form) evidencing the shares of Series A Mandatory Convertible Preferred Stock with respect to which the Merger Early Conversion right is being exercised duly endorsed for transfer to the Company or in blank with a written notice to the Company stating the Holder's intention to convert early in connection with the Cash Merger and providing the Company with payment instructions.

(iii) On the Merger Early Conversion Date, the Company shall deliver or cause to be delivered the cash, securities and other property to be received by such exercising Holder determined by assuming the Holder had converted the shares of Series A Mandatory Convertible Preferred Stock for which such Merger Early Conversion right was exercised into Class A Common Stock immediately before the Cash Merger at the Automatic Conversion Rate (as adjusted pursuant to Section 9(ii)).

(iv) Upon a Merger Early Conversion, the Transfer Agent shall, in accordance with the instructions provided by the Holder thereof on the notice provided to the Company as set forth in paragraph (ii) above, deliver to the Holder such cash, securities or other property issuable upon such Merger Early Conversion together with payment in lieu of any fractional shares, as provided herein.

(v) In the event that Merger Early Conversion is effected with respect to shares of Series A Mandatory Convertible Preferred Stock representing *less* than all the shares of Series A Mandatory Convertible Preferred Stock held by a Holder, upon such Merger Early Conversion the Company (or the successor to the Company hereunder) shall execute and the Transfer Agent shall authenticate, countersign and deliver to the Holder thereof, at the expense of the Company, a certificate evidencing the shares as to which Merger Early Conversion was not effected.

Section 9. *Definition of Automatic Conversion Rate; Anti-dilution Adjustments.*

(i) Subject to the immediately following sentence, the "*Automatic Conversion Rate*" is equal to:

(a) if the Applicable Market Value (as defined below) is greater than or equal to \$34.16 (the "*Threshold Appreciation Price*"), 29.2760 shares of Class A Common Stock per share of Series A Mandatory Convertible Preferred Stock;

(b) if the Applicable Market Value is *less* than the Threshold Appreciation Price, but is greater than \$28.00, the number of shares of Class A Common Stock per

share of Series A Mandatory Convertible Preferred Stock equal to (1) \$25.00 divided by the Applicable Market Value times (2) \$40.00; and

(c) if the Applicable Market Value is equal to or less than \$28.00, 35.7160 shares of Class A Common Stock per share of Series A Mandatory Convertible Preferred Stock,

in each case subject to adjustment as provided in Section 9(ii) (and in each case rounded upward or downward to the nearest 1/10,000th of a share). In each of the clauses in the immediately preceding sentence, the number of newly issued shares of Class A Common Stock issuable upon conversion of each share of the Series A Mandatory Convertible Preferred Stock on the Automatic Conversion Date in respect of a conversion pursuant to Section 5 shall be increased by an amount equal to any accrued and unpaid dividends on the Series A Mandatory Convertible Preferred Stock on the Automatic Conversion Date (taking into account any payment of such dividends on the Automatic Conversion Date) divided by the Current Market Price of the Class A Common Stock on the Automatic Conversion Date.

(ii) In connection with the Automatic Conversion Rate as set forth in Section 9(i), the formula for determining the Automatic Conversion Rate and the number of shares of Class A Common Stock to be delivered on any conversion date upon an early conversion as set forth in Section 6, 7 or 8 shall be subject to the following adjustments (in the case of an early conversion as set forth in Section 6, 7 or 8, as though references to the Automatic Conversion Rate were replaced with references to the number of shares of Class A Common Stock to be delivered on such early conversion):

(a) *Stock Dividends*. In case the Company shall pay or make a dividend or other distribution on any class of Common Stock in shares of Common Stock, the Automatic Conversion Rate, as in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution, shall be increased by dividing such Automatic Conversion Rate by:

(1) in the case such class of Common Stock on which the dividend or other distribution is declared is Class A Common Stock, a fraction of which the numerator shall be the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination, and the total number of shares constituting such dividend or other distribution;

(2) in the case such class of Common Stock on which the dividend or other distribution is declared is Class B Common Stock, a fraction of which the numerator shall be the sum of the number of shares of Class A Common Stock and the number of shares of Class B Common Stock, in each case outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of (x) the number of shares of Class A Common Stock outstanding at the close of business on the date fixed

for such determination, (y) the number of shares of Class B Common Stock outstanding at the close of business on the date fixed for such determination and (z) the total number of shares constituting such dividend or other distribution with respect to the Class B Common Stock; or

(3) in the case such class of Common Stock on which the dividend or other distribution is declared is both Class A Common Stock and Class B Common Stock, the greater of:

(i) the fraction described in clause (1) above; or

(ii) a fraction of which the numerator shall be the sum of the number of shares of Class A Common Stock and the number of shares of Class B Common Stock, in each case outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of (w) the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination, (x) the number of shares of Class B Common Stock outstanding at the close of business on the date fixed for such determination, (y) the total number of shares constituting such dividend or other distribution with respect to the Class A Common Stock and (z) the total number of shares constituting such dividend or other distribution with respect to the Class B Common Stock;

in each of clauses (1), (2) and (3) with such increase to become effective immediately after the opening of business on the day following the date fixed for such determination

(b) *Stock Purchase Rights*. In case the Company shall issue to all holders of any class of Common Stock (such issuance not being available on an equivalent basis to Holders of the shares of Series A Mandatory Convertible Preferred Stock upon conversion) (1) rights, options or warrants entitling them to subscribe for or purchase shares of such class of Common Stock, or (2) securities convertible or exchangeable into shares of such class of Common Stock or rights, options or warrants to purchase or acquire securities convertible or exchangeable into shares of such class of Common Stock, in each case at a price per share of such class of Common Stock *less* than the Current Market Price of such class of Common Stock on the date fixed for the determination of stockholders entitled to receive such rights, options, warrants or securities (other than pursuant to a dividend reinvestment, share purchase or similar plan), the Automatic Conversion Rate in effect at the opening of business on the day following the date fixed for such determination shall be increased by dividing such Automatic Conversion Rate by:

(1) in the case such class of Common Stock is Class A Common Stock, a fraction, the numerator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination *plus* the number of shares of Class A Common Stock which the aggregate consideration expected to be received by the Company upon the exercise, conversion or exchange of such rights, options, warrants or securities (as determined in good faith by the Board of Directors or a

duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) would purchase at such Current Market Price of the Class A Common Stock and the denominator of which shall be the sum of (x) the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination and (y) the number of shares of Class A Common Stock so offered for subscription or purchase, either directly or indirectly, or into which such securities are convertible or exchangeable;

(2) in the case such class of Common Stock is Class B Common Stock, a fraction, the numerator of which shall be the sum of (x) the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination, (y) the number of shares of Class B Common Stock outstanding at the close of business on the date fixed for such determination and (z) the number of shares of Class B Common Stock which the aggregate consideration expected to be received by the Company upon the exercise, conversion or exchange of such rights, options, warrants or securities (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) would purchase at such Current Market Price of the Class B Common Stock and the denominator of which shall be the sum of (A) the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination, (B) the number of shares of Class B Common Stock outstanding at the close of business on the date fixed for such determination and (C) the number of shares of Class B Common Stock so offered for subscription or purchase, either directly or indirectly, or into which such securities are convertible or exchangeable; or

(3) in the case such class of Common Stock is both Class A Common Stock and Class B Common Stock, the greater of:

(i) the fraction described in clause (1) above; or

(ii) a fraction, the numerator of which shall be the sum of (w) the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination, (x) the number of shares of Class B Common Stock outstanding at the close of business on the date fixed for such determination, (y) the number of shares of Class A Common Stock which the aggregate consideration expected to be received by the Company upon the exercise, conversion or exchange of such rights, options, warrants or securities (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) would purchase at such Current Market Price of the Class A Common Stock and (z) the number of shares of Class B Common Stock which the aggregate consideration expected to be received by the Company upon the exercise, conversion or exchange of such rights, options, warrants or securities (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) would

purchase at such Current Market Price of the Class B Common Stock and the denominator of which shall be the sum of (A) the number of shares of Class A Common Stock outstanding at the close of business on the date fixed for such determination, (B) the number of shares of Class B Common Stock outstanding at the close of business on the date fixed for such determination, (C) the number of shares of Class A Common Stock so offered for subscription or purchase, either directly or indirectly, or into which such securities are convertible or exchangeable and (D) the number of shares of Class B Common Stock so offered for subscription or purchase, either directly or indirectly, or into which such securities are convertible or exchangeable; or

in each of clauses (1), (2) and (3) with such increase to become effective immediately after the opening of business on the day following the date fixed for such determination

(c) *Stock Splits, Reverse Splits and Combinations.* In case outstanding shares of any class of Common Stock shall be subdivided, split or reclassified into a greater number of shares of such class of Common Stock, the Automatic Conversion Rate in effect at the opening of business on the day following the day upon which such subdivision, split or reclassification becomes effective shall be proportionately increased (in the case of a subdivision, split or reclassification of the Class B Common Stock, assuming the Class A Common Stock and the Class B Common Stock were a single class), and, conversely, in case outstanding shares of any class of Common Stock shall each be combined or reclassified into a smaller number of shares of such class of Common Stock, the Automatic Conversion Rate in effect at the opening of business on the day following the day upon which such combination or reclassification becomes effective shall be proportionately reduced (in the case of a combination or reclassification of the Class B Common Stock, assuming the Class A Common Stock and the Class B Common Stock were a single class), such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision, split, reclassification or combination becomes effective.

(d) *Debt, Asset or Security Distributions.* (1) In case the Company shall, by dividend or otherwise, distribute to all holders of any class of the Common Stock evidences of its indebtedness, assets or securities (but excluding (w) dividend or distribution referred to in Section 9(ii)(a), (x) any rights, options, warrants or securities referred to in Section 9(ii)(b) with respect to such class of Common Stock, (y) any dividend, shares of capital stock of any class or series, or similar equity interests, of or relating to a Subsidiary or other business unit of the Company in the case of a Spin-Off referred to in Section 9(ii)(d) or (z) any dividend or distribution paid in cash referred to in Section 9(ii)(e)), the Automatic Conversion Rate shall be increased by dividing the Automatic Conversion Rate in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by:

(i) in the case such class of Common Stock on which the dividend or other distribution is declared is Class A Common Stock, a fraction, the numerator of which shall be the Aggregate Current Market Price of the Class A Common Stock on the date fixed

for such determination *less* the then aggregate fair market value (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to the Class A Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock;

(ii) in the case such class of Common Stock on which the dividend or other distribution is declared is Class B Common Stock, a fraction, the numerator of which shall be the Aggregate Current Market Price of the Class A Common Stock on the date fixed for such determination *plus* the Aggregate Current Market Price of the Class B Common Stock on the date fixed for such determination *less* the then aggregate fair market value (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to the Class B Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock *plus* such Aggregate Current Market Price of the Class B Common Stock; or

(iii) in the case such class of Common Stock on which the dividend or other distribution is declared is both Class A Common Stock and Class B Common Stock, the greater of:

(A) the fraction described in clause (i) above; or

(B) a fraction, the numerator of which shall be the Aggregate Current Market Price of the Class A Common Stock on the date fixed for such determination *plus* the Aggregate Current Market Price of the Class B Common Stock on the date fixed for such determination *less* the then aggregate fair market value (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to the Class A Common Stock *less* the then aggregate fair market value (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to the Class B Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock *plus* such Aggregate Current Market Price of the Class B Common Stock;

in each of clauses (i), (ii) and (iii) with such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such distribution. In any case in which this subparagraph (d)(1) is applicable, subparagraph (d)(2) of this Section 9(ii) shall not be applicable.

(2) In the case of a Spin-Off, the Automatic Conversion Rate in effect immediately before the close of business on the record date fixed for determination of such class of Common Stock stockholders entitled to receive that distribution will be increased by multiplying the Automatic Conversion Rate by:

(i) in the case such class of Common Stock on which the dividend or other distribution is declared is Class A Common Stock, a fraction, the numerator of which is the Aggregate Current Market Price of the Class A Common Stock on the date referred to in the succeeding sentence *plus* the aggregate Fair Market Value (as defined below) of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to the Class A Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock;

(ii) in the case such class of Common Stock on which the dividend or other distribution is declared is Class B Common Stock, a fraction, the numerator of which is the Aggregate Current Market Price of the Class A Common Stock on the date referred to in the succeeding sentence *plus* the Aggregate Current Market Price of the Class B Common Stock on the date referred to in the succeeding sentence *plus* the aggregate Fair Market Value of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to the Class B Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock *plus* such Aggregate Current Market Price of the Class B Common Stock; or

(iii) in the case such class of Common Stock on which the dividend or other distribution is declared is both Class A Common Stock and Class B Common Stock, the greater of:

(A) the fraction described in clause (i) above; or

(B) a fraction, the numerator of which is the Aggregate Current Market Price of the Class A Common Stock on the date referred to in the succeeding sentence *plus* the Aggregate Current Market Price of the Class B Common Stock on the date referred to in the succeeding sentence *plus* the aggregate Fair Market Value of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to the Class A Common Stock *plus* the aggregate Fair Market Value of the portion of those shares of Capital Stock or similar equity interests so distributed applicable to the Class B Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock *plus* such Aggregate Current Market Price of the Class B Common Stock.

Any adjustment to the Automatic Conversion Rate under this subparagraph (d)(2) will occur at the earlier of (A) the tenth Trading Day from, and including, the effective date of the Spin-Off and (B) the date of the securities being offered in the Initial Public Offering of the Spin-Off, if that Initial Public Offering is effected simultaneously with the Spin-Off.

(e) *Cash Distributions*. In case the Company shall by dividend or otherwise, distribute to all holders of any class of the Common Stock cash (excluding any cash that is distributed in a Reorganization Event to which Section 9(iii) applies), the Automatic Conversion Rate shall be increased by dividing the Automatic Conversion Rate in effect immediately prior to the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by:

(1) in the case such class of Common Stock on which the dividend or other distribution is declared is Class A Common Stock, a fraction, the numerator of which shall be equal to the Aggregate Current Market Price of the Class A Common Stock on the date fixed for such determination *less* an amount equal to the aggregate amount of such cash distribution applicable to the Class A Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock;

(2) in the case such class of Common Stock on which the dividend or other distribution is declared is Class B Common Stock, a fraction, the numerator of which shall be equal to the Aggregate Current Market Price of the Class A Common Stock on the date fixed for such determination *plus* the Aggregate Current Market Price of the Class B Common Stock on the date fixed for such determination *less* an amount equal to the aggregate amount of such cash distribution applicable to the Class B Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock *plus* such Aggregate Current Market Price of the Class B Common Stock; or

(3) in the case such class of Common Stock on which the dividend or other distribution is declared is both Class A Common Stock and Class B Common Stock, the greater of:

(i) the fraction described in clause (1) above; or

(ii) a fraction, the numerator of which shall be equal to the Aggregate Current Market Price of the Class A Common Stock on the date fixed for such determination *plus* the Aggregate Current Market Price of the Class B Common Stock on the date fixed for such determination *less* an amount equal to the aggregate amount of such cash distribution applicable to the Class A Common Stock *less* an amount equal to the aggregate amount of such cash distribution applicable to the Class B Common Stock and the denominator of which shall be such Aggregate Current Market Price of the Class A Common Stock *plus* such Aggregate Current Market Price of the Class B Common Stock;

in each of clauses (1), (2) and (3) with such increase to become effective immediately after the opening of business on the day following the date fixed for such determination

(f) *Tender Offers*. In case (x) a tender or exchange offer made by the Company or any Subsidiary of the Company for all or any portion of the Common Stock shall expire

and such tender or exchange offer (as amended through the expiration thereof) shall require the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution) that combined together with (y) the aggregate of the cash *plus* the fair market value (as determined in good faith by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of such tender or exchange offer, of consideration payable in respect of any other tender or exchange offer by the Company or any subsidiary of the Company for all or any portion of the Common Stock expiring within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to this Section 9(ii)(f), exceeds 10% of the product of the Current Market Price of the Class A Common Stock as of the last time (the “*Expiration Time*”) tenders could have been made pursuant to such tender or exchange offer (as amended through the expiration thereof) times the number of shares of Common Stock outstanding (including any tendered shares) at the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Automatic Conversion Rate shall be increased by dividing the Automatic Conversion Rate immediately prior to the close of business on the date of the Expiration Time by:

(1) in the case such class of Common Stock is Class A Common Stock, a fraction, the numerator of which shall be equal to (x) the product of (I) the Current Market Price of the Class A Common Stock on the date of the Expiration Time and (II) the number of shares of Class A Common Stock outstanding (including any tendered shares of Class A Common Stock) on the date of the Expiration Time *less* (y) the amount of cash *plus* the fair market value (determined as aforesaid) of the aggregate consideration payable to holders of Class A Common Stock based on the transactions described in clauses (1) and (2) of this paragraph (f) (assuming in the case of clause (1) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Class A Purchased Shares), and the denominator of which shall be equal to the product of (x) the Current Market Price of the Class A Common Stock on the date of the Expiration Time and (y) the number of shares of Class A Common Stock outstanding (including any tendered shares) on the date of the Expiration Time *less* the number of all shares of Class A Common Stock validly tendered, not withdrawn and accepted for payment on the date of the Expiration Time (such validly tendered shares, up to any such maximum, being referred to as the “*Class A Purchased Shares*”); and

(2) in the case such class of Common Stock is Class B Common Stock, a fraction, the numerator of which shall be equal to (x) the product of (I) the Current Market Price of the Class A Common Stock on the date of the Expiration Time and (II) the number of shares of Class A Common Stock outstanding (including any tendered shares of Class A Common Stock) on the date of the Expiration Time *plus* (y) the product of (I) the Current Market Price of the Class B Common Stock on the date of the Expiration Time and (II) the number of shares of Class B Common Stock outstanding (including any tendered shares of Class B Common Stock) on the date of the Expiration Time *less*

(z) the amount of cash *plus* the fair market value (determined as aforesaid) of the aggregate consideration payable to holders of Class B Common Stock based on the transactions described in clauses (1) and (2) of this paragraph (f) (assuming in the case of clause (1) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Class B Purchased Shares), and the denominator of which shall be equal to the sum of (x) the product of (I) the Current Market Price of the Class A Common Stock on the date of the Expiration Time and (II) the number of shares of Class A Common Stock outstanding (including any tendered shares of Class A Common Stock) on the date of the Expiration Time plus (y) the product of (I) the Current Market Price of the Class B Common Stock on the date of the Expiration Time and (II) the number of shares of Class B Common Stock outstanding (including any tendered shares of Class B Common Stock) on the date of the Expiration Time *less* the number of all shares of Class B Common Stock validly tendered, not withdrawn and accepted for payment on the date of the Expiration Time (such validly tendered shares, up to any such maximum, being referred to as the “*Class B Purchased Shares*”); or

(3) in the case such class of Common Stock on which the dividend or other distribution is declared is both Class A Common Stock and Class B Common Stock, the greater of:

(i) the fraction described in clause (1) above; or

(ii) a fraction, the numerator of which shall be equal to (w) the product of (I) the Current Market Price of the Class A Common Stock on the date of the Expiration Time and (II) the number of shares of Class A Common Stock outstanding (including any tendered shares of Class A Common Stock) on the date of the Expiration Time *plus* (x) the product of (I) the Current Market Price of the Class B Common Stock on the date of the Expiration Time and (II) the number of shares of Class B Common Stock outstanding (including any tendered shares of Class B Common Stock) on the date of the Expiration Time *less* (y) the amount of cash *plus* the fair market value (determined as aforesaid) of the aggregate consideration payable to holders of Class A Common Stock based on the transactions described in clauses (1) and (2) of this paragraph (f) (assuming in the case of clause (1) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Class A Purchased Shares) *less* (z) the amount of cash *plus* the fair market value (determined as aforesaid) of the aggregate consideration payable to holders of Class B Common Stock based on the transactions described in clauses (1) and (2) of this paragraph (f) (assuming in the case of clause (1) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Class B Purchased Shares), and the denominator of which shall be equal to the sum of (x) the product of (I) the Current Market Price of the Class A Common Stock on the date of the Expiration Time and (II) the number of shares of Class A Common Stock outstanding (including any tendered shares of Class A Common Stock) on the date of the Expiration Time *less* the number of Class A Purchased Shares plus (y) the product of (I) the Current Market Price of the Class

B Common Stock on the date of the Expiration Time and (II) the number of shares of Class B Common Stock outstanding (including any tendered shares of Class B Common Stock) on the date of the Expiration Time *less* the number of Class B Purchased Shares

(g) *Calculation of Adjustments.* All adjustments to the Automatic Conversion Rate shall be calculated to the nearest 1/10,000th of a share of Common Stock (or if there is not a nearest 1/10,000th of a share to the next lower 1/10,000th of a share). No adjustment in the Automatic Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least one percent therein; *provided, however*, that any adjustments which by reason of this paragraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment. If an adjustment is made to the Automatic Conversion Rate pursuant to paragraph (a), (b), (c), (d), (e), (f) or (h) of this Section 9(ii), an adjustment shall also be made to the Applicable Market Value solely to determine which of clause (a), (b) or (c) of the definition of Automatic Conversion Rate will apply on the applicable conversion date. Such adjustment shall be made by multiplying the Applicable Market Value by a fraction, the numerator of which shall be the Automatic Conversion Rate immediately before such adjustment and the denominator of which shall be the Automatic Conversion Rate immediately after such adjustment pursuant to paragraph (a), (b), (c), (d), (e), (f) or (h) of this Section 9(ii); *provided, however*, that if such adjustment to the Automatic Conversion Rate is required to be made pursuant to the occurrence of any of the events contemplated by paragraph (a), (b), (c), (d), (e), (f) or (h) of this Section 9(ii) during the period taken into consideration for determining the Applicable Market Value, appropriate and customary adjustments shall be made to the Automatic Conversion Rate.

(h) *Increase of Automatic Conversion Rate.* The Company may make such increases in the Automatic Conversion Rate, in addition to those required by this Section 9(ii), as it considers to be advisable in order to avoid or diminish any income tax to any holders of shares of Common Stock resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reasons.

(i) *Notice of Adjustment.* Whenever the Automatic Conversion Rate (or the number of shares of Class A Common Stock to be delivered on any conversion date upon an early conversion as set forth in Section 6, 7 or 8) is adjusted in accordance with this Section 9(ii), the Company shall: (1) forthwith compute the Automatic Conversion Rate (or the number of shares of Class A Common Stock to be delivered on any conversion date upon an early conversion as set forth in Section 6, 7 or 8) in accordance with this Section 9(ii) and prepare and transmit to the Transfer Agent and the Depositary an Officer's Certificate setting forth the Automatic Conversion Rate (or the number of shares of Class A Common Stock to be delivered on any conversion date upon an early conversion as set forth in Section 6, 7 or 8), the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and (2) as soon as practicable following the occurrence of an event that requires an adjustment to the Automatic Conversion Rate (or the number of shares of Class A Common Stock to be delivered on any conversion date upon an early conversion as set forth in

Section 6, 7 or 8) pursuant to this Section 9(ii) (or if the Company is not aware of such occurrence, as soon as practicable after becoming so aware), provide a written notice to the Holders of the occurrence of such event and a statement setting forth in reasonable detail the method by which the adjustment to the Automatic Conversion Rate (or the number of shares of Class A Common Stock to be delivered on any conversion date upon an early conversion as set forth in Section 6, 7 or 8) was determined and setting forth the adjusted Automatic Conversion Rate (or the number of shares of Class A Common Stock to be delivered on any conversion date upon an early conversion as set forth in Section 6, 7 or 8).

(iii) In the event of:

(a) any consolidation or merger of the Company with or into another Person or of another Person with or into the Company;

(b) any sale, transfer, lease or conveyance to another Person of the property of the Company as an entirety or substantially as an entirety; or

(c) any reclassification (other than a reclassification to which paragraph (c) of Section 9(ii) applies),

(any such event, a “*Reorganization Event*”), each share of Series A Mandatory Convertible Preferred Stock prior to such Reorganization Event shall, after such Reorganization Event, be converted into the right to receive the kind and amount of securities, cash and other property receivable in such Reorganization Event (without any interest thereon, and without any right to dividends or distributions thereon which have a record date that is prior to the date of the Reorganization Event) per share of Series A Mandatory Convertible Preferred Stock by a holder of Class A Common Stock that (1) is not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be (any such Person, a “*Constituent Person*”), or an Affiliate (as defined below) of a Constituent Person to the extent such Reorganization Event provides for different treatment of Common Stock held by Affiliates of the Company and non-Affiliates, and (2) has failed to exercise the rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such Reorganization Event (*provided, however*, that if the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each share of Class A Common Stock held immediately prior to such Reorganization Event by other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised (“*Non-electing Share*”), then for the purpose of this Section 9(iii) the kind and amount of securities, cash and other property receivable upon such Reorganization Event by each Non-electing Share shall be deemed to be the kind and amount so receivable per share by a plurality of the Non-electing Shares). On the Automatic Conversion Date, the Automatic Conversion Rate then in effect shall be applied to the value or amount on the Automatic Conversion Date of such securities, cash or other property.

On the occurrence of such a Reorganization Event, the Person formed by such consolidation or merger or the Person which acquires the assets of the Company shall execute

and deliver to the Transfer Agent an agreement supplemental hereto providing that the Holder of each share of Series A Mandatory Convertible Preferred Stock that remains outstanding after the Reorganization Event (if any) shall have the rights provided by this Section 9(iii). Such supplemental agreement shall provide for adjustments which, for events subsequent to the effective date of such supplemental agreement, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 9. The above provisions of this Section 9(iii) shall similarly apply to successive Reorganization Events.

Section 10. *Definitions.*

(i) “*Affiliate*” has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

(ii) “*Aggregate Market Price*” of any class of Common Stock as of any date means the product of the number of shares or such Class of Common Stock outstanding as of such date and the Current Market Price of such class of Common Stock as of such date.

(iii) “*Applicable Market Value*” means the average of the Closing Prices per share of Class A Common Stock on each of the 20 consecutive Trading Days ending on the third Trading Day immediately preceding the Automatic Conversion Date.

(iv) “*Board Resolution*” means a copy of a resolution certified by the Secretary or any Assistant Secretary of the Company to have been duly adopted by the Board of Directors or a duly authorized committee thereof and to be in full force and effect and filed with the Transfer Agent.

(v) “*Business Day*” means any day other than a Saturday or Sunday or any other day on which banks in The City of New York are authorized or required by law or executive order to close.

(vi) “*Capital Stock*” of any Person means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person.

(vii) “*Certificate of Designations*” means this Certificate of Designations of the 5.75% Series A Mandatory Convertible Preferred Stock of Constellation Brands, Inc.

(viii) The “*Closing Price*” of the Common Stock or any securities distributed in a Spin-Off, as the case may be, on any date of determination means the closing sale price (or, if no closing sale price is reported, the last reported sale price) per share on the New York Stock Exchange (“*NYSE*”) on such date or, if such security is not listed for trading on NYSE on any such date, as reported in the composite transactions for the principal U.S. securities exchange on which such security is so listed or quoted or, if such security is not so listed or quoted on a U.S. national or regional securities exchange, as reported by the Nasdaq stock market or, if such secu-

urity is not so reported, the last quoted bid price for such security in the over-the-counter market as reported by the National Quotation Bureau or similar organization or, if such bid price is not available, the market value of such security on such date as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company.

(ix) “*Corporate Trust Office*” means the principal corporate trust office of the Transfer Agent at which, at any particular time, its corporate trust business shall be administered.

(x) “*Current Market Price*” with respect to any class of Common Stock means (a) on any day the average of the Closing Prices of such class of Common Stock for the five consecutive Trading Days preceding the earlier of the day preceding the day in question and the day before the “ex date” with respect to the issuance or distribution requiring computation, (b) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of the securities being distributed in the Spin-Off, the Closing Price of such class of Common Stock on the Trading Day on which the initial public offering price of the securities being distributed in the Spin-Off is determined, and (c) in the case of any other Spin-Off, the average of the Closing Prices of such class of Common Stock over the first 10 Trading Days after the effective date of such Spin-Off. For purposes of this paragraph, the term “ex date,” when used with respect to any issuance or distribution, shall mean the first date on which such class of Common Stock trades in a regular way on such exchange or in such market without the right to receive such issuance or distribution.

(xi) “*Depository*” means Mellon Investor Services LLC, a New York limited liability company, and any successor as Depository relating to the Series A Mandatory Convertible Preferred Stock.

(xii) “*Fair Market Value*” means (a) in the case of any Spin-Off that is effected simultaneously with an Initial Public Offering of the securities being distributed in the Spin-Off, the initial public offering price of those securities, and (b) in the case of any other Spin-Off, the average of the Closing Prices of the securities being distributed in the Spin-Off over the first 10 Trading Days after the effective date of such Spin-Off.

(xiii) “*Holder*” means the Person in whose name a share of Series A Mandatory Convertible Preferred Stock is registered.

(xiv) “*Initial Public Offering*” means the first time securities of the same class or type as the securities being distributed in a Spin-Off are offered to the public for cash.

(xv) “*Officer*” means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary of the Company.

(xvi) “*Officer’s Certificate*” means a certificate signed by two Officers.

(xvii) “*Person*” means any individual, corporation, limited liability company, partnership, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

(xviii) “*Provisional Conversion Date*” means the date fixed for conversion of shares of Series A Mandatory Convertible Preferred Stock into shares of Class A Common Stock pursuant to Section 6 above or, if the Company shall default in the cash payment of (a) an amount equal to any accrued and unpaid dividends on the shares of Series A Mandatory Convertible Preferred Stock then outstanding, whether or not declared and (b) the present value of all remaining dividend payments on the shares of Series A Mandatory Convertible Preferred Stock then outstanding, through and including September 1, 2006, in connection with such conversion on such date, the date the Company actually makes such payment.

(xix) “*Spin-Off*” means a dividend or other distribution of shares of Capital Stock of any class or series, or similar equity interests, of or relating to a Subsidiary or other business unit of the Company.

(xx) “*Subsidiary*” means, with respect to any Person, (a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or a combination thereof) and (b) any partnership (1) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (2) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

(xxi) “*Trading Day*” means a day on which the applicable class of Common Stock or any security distributed in a Spin-Off, as the case may be, (A) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (B) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of such security.

(xxii) “*Transfer Agent*” means Mellon Investor Services LLC unless and until a successor is selected by the Company, and then such successor.

(xxiii) “*Treasury Yield*” means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the Provisional Conversion Date (or, if such Statistical Release is no longer published, any publicly available source for similar market data)) most nearly equal to the then remaining term to September 1, 2006; *provided, however*, that if the then remaining term to September 1, 2006 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of U.S. Treasury se-

curities for which such yields are given, except that if the then remaining term to September 1, 2006 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

Section 11. *Fractional Shares.*

No fractional shares of Class A Common Stock shall be issued to Holders upon conversion of the Series A Mandatory Convertible Preferred Stock. In lieu of any fraction of a share of Class A Common Stock which would otherwise be issuable in respect of the aggregate number of shares of the Series A Mandatory Convertible Preferred Stock surrendered by the same Holder upon a conversion as described in Section 5, 6, 7 or 8 or which would otherwise be issuable in respect of a stock dividend payment upon a conversion as described in Section 5, such Holder shall have the right to receive an amount in cash (computed to the nearest cent) equal to the same fraction of (a) in the case of Section 5, the Current Market Price of the Class A Common Stock or (b) in the case of Section 6, 7 or 8, the Closing Price of the Class A Common Stock determined as of the second Trading Day immediately preceding the effective date of conversion. If more than one share of Series A Mandatory Convertible Preferred Stock shall be surrendered for conversion at one time by or for the same Holder, the number of full shares of Class A Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of the Series A Mandatory Convertible Preferred Stock so surrendered.

Section 12. *Miscellaneous.*

(i) Procedures for conversion of shares of Series A Mandatory Convertible Preferred Stock, in accordance with Section 5, 6, 7 or 8, not held in certificated form will be governed by arrangements among the depository of the shares of Series A Mandatory Convertible Preferred Stock, its participants and Persons that may hold beneficial interests through such participants designed to permit settlement without the physical movement of certificates. Payments, transfers, deliveries, exchanges and other matters relating to beneficial interests in global security certificates may be subject to various policies and procedures adopted by the depository from time to time.

(ii) The Liquidation Preference and the annual dividend rate set forth herein each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving the Series A Mandatory Convertible Preferred Stock. Such adjustments shall be determined in good faith by the Board of Directors or a duly authorized committee thereof and submitted by the Company to the Transfer Agent.

(iii) For the purposes of Section 9, the number of shares of any class of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of such class of Common Stock.

(iv) If the Company shall take any action affecting all or any portion of the Common Stock, other than any action described in Section 9, that in the opinion of the Board of Directors or a duly authorized committee thereof would materially adversely affect the conversion rights of the Holders, then the Automatic Conversion Rate, the Provisional Conversion Rate and/or the Optional Conversion Rate for the Series A Mandatory Convertible Preferred Stock may be adjusted, to the extent permitted by law, in such manner, and at such time, as the Board of Directors or a duly authorized committee thereof may determine to be equitable in the circumstances.

(v) The Company covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Class A Common Stock for the purpose of effecting conversion of the Series A Mandatory Convertible Preferred Stock, the maximum number of shares of Class A Common Stock deliverable upon the conversion of all outstanding shares of Series A Mandatory Convertible Preferred Stock not theretofore converted. For purposes of this Section 12(v), the number of shares of Class A Common Stock that shall be deliverable upon the conversion of all outstanding shares of Series A Mandatory Convertible Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single Holder.

(vi) The Company covenants that any shares of Class A Common Stock issued upon conversion of the Series A Mandatory Convertible Preferred Stock or issued in respect of a stock dividend payment upon a conversion described in Section 5 shall be validly issued, fully paid and non-assessable.

(vii) The Company shall use its best efforts to list the shares of Class A Common Stock required to be delivered upon conversion of the Series A Mandatory Convertible Preferred Stock or upon issuance in respect of a stock dividend payment upon a conversion described in Section 5, prior to such delivery, upon each national securities exchange or quotation system, if any, upon which the outstanding Class A Common Stock is listed at the time of such delivery.

(viii) Prior to the delivery of any securities that the Company shall be obligated to deliver upon conversion of the Series A Mandatory Convertible Preferred Stock or upon issuance in respect of a stock dividend payment upon a conversion described in Section 5, the Company shall use its best efforts to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(ix) The Company shall pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock or other securities or property upon conversion of the Series A Mandatory Convertible Preferred Stock pursuant thereto or upon issuance in respect of a stock dividend payment upon a conversion described in Section 5; *provided, however*, that the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of shares of Class A Common Stock or other securities or property in a name other than that of the Holder

of the Series A Mandatory Convertible Preferred Stock to be converted and no such issue or delivery shall be made unless and until the Person requesting such issue or delivery has paid to the Company the amount of any such tax or established, to the reasonable satisfaction of the Company, that such tax has been paid or is not applicable.

(x) The Series A Mandatory Convertible Preferred Stock is not redeemable.

(xi) The Series A Mandatory Convertible Preferred Stock is not entitled to any preemptive or subscription rights in respect of any securities of the Company.

(xii) Whenever possible, each provision hereof shall be interpreted in a manner as to be effective and valid under applicable law, but if any provision hereof is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating or otherwise adversely affecting the remaining provisions hereof. If a court of competent jurisdiction should determine that a provision hereof would be valid or enforceable if a period of time were extended or shortened or a particular percentage were increased or decreased, then such court may make such change as shall be necessary to render the provision in question effective and valid under applicable law.

(xiii) Series A Mandatory Convertible Preferred Stock may be issued in fractions of a share which shall entitle the Holder, in proportion to such Holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of Holders of Series A Mandatory Convertible Preferred Stock.

(xiv) Subject to applicable escheat laws, any monies set aside by the Company in respect of any payment with respect to shares of the Series A Mandatory Convertible Preferred Stock, or dividends thereon, and unclaimed at the end of two years from the date upon which such payment is due and payable shall revert to the general funds of the Company, after which reversion the Holders of such shares shall look only to the general funds of the Company for the payment thereof. Any interest accrued on funds so deposited shall be paid to the Company from time to time.

(xv) Except as may otherwise be required by law, the shares of Series A Mandatory Convertible Preferred Stock shall not have any voting powers, preferences and relative, participating, optional or other special rights, other than those specifically set forth in this Certificate of Designations or the Restated Certificate of Incorporation.

(xvi) The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(xvii) If any of the voting powers, preferences and relative, participating, optional and other special rights of the Series A Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof set forth herein is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other voting powers, preferences and relative, participating, optional and other special rights of the Series A Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof set forth herein which can be given effect without the invalid, unlawful or unenforceable voting powers, preferences and relative, participating, optional and other special rights of the Series A Mandatory Converti-

ble Preferred Stock and qualifications, limitations and restrictions thereof shall, nevertheless, remain in full force and effect, and no voting powers, preferences and relative, participating, optional or other special rights of the Series A Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof herein set forth shall be deemed dependent upon any other such voting powers, preferences and relative, participating, optional or other special rights of the Series A Mandatory Convertible Preferred Stock and qualifications, limitations and restrictions thereof unless so expressed herein.

(xviii) Shares of Series A Mandatory Convertible Preferred Stock that (a) have not been issued on or before September 5, 2003 or (b) have been issued and reacquired in any manner, including shares purchased or exchanged or converted, shall (upon compliance with any applicable provisions of the laws of Delaware) have the status of authorized but unissued shares of preferred stock of the Company undesignated as to series and may be designated or redesignated and issued or reissued, as the case may be, as part of any series of preferred stock of the Company; *provided, however*, that any issuance of such shares as Series A Mandatory Convertible Preferred Stock must be in compliance with the terms hereof.

(xix) If any of the Series A Mandatory Convertible Preferred Stock certificates shall be mutilated, lost, stolen or destroyed, the Company shall issue, in exchange and in substitution for and upon cancellation of the mutilated Series A Mandatory Convertible Preferred Stock certificate, or in lieu of and substitution for the Series A Mandatory Convertible Preferred Stock certificate lost, stolen or destroyed, a new Series A Mandatory Convertible Preferred Stock certificate of like tenor and representing an equivalent number of shares of Series A Mandatory Convertible Preferred Stock, but only upon receipt of evidence of such loss, theft or destruction of such Series A Mandatory Convertible Preferred Stock certificate and indemnity, if requested, satisfactory to the Company and the Transfer Agent. The Company is not required to issue any certificates representing Series A Mandatory Convertible Preferred Stock on or after the Automatic Conversion Date. In place of the delivery of a replacement certificate following the Automatic Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, will deliver the shares of Class A Common Stock pursuant to the terms of the Series A Mandatory Convertible Preferred Stock evidenced by the certificate.

IN WITNESS WHEREOF, the Company has caused this certificate to be duly executed by Thomas S. Summer, Executive Vice President and Chief Financial Officer, and attested by H. Elaine Farry, its Assistant Secretary, this 29th day of July, 2003.

CONSTELLATION BRANDS, INC.

By: /s/ Thomas S. Summer
Name: Thomas S. Summer
Title: Executive Vice President
and Chief Financial Officer

ATTEST:

By: /s/ H. Elaine Farry
Name: H. Elaine Farry
Title: Assistant Secretary

Exhibit 10.1

Description of Compensation Arrangements for Non-Management Directors

Following is a description of the current compensation arrangements for the non-management directors of Constellation Brands, Inc.:

The Company's current compensation program for non-management directors for their services as directors includes cash, restricted stock, and stock option components.

The cash component consists of (i) an annual retainer of \$50,000, payable in quarterly installments of \$12,500 at the beginning of each fiscal quarter; (ii) a Board meeting fee of \$2,000 for each Board meeting attended (which includes regular, special and annual Board meetings and attendance in person or by conference telephone); (iii) a committee meeting fee of \$1,500 per meeting attended (including by conference telephone); and (iv) an annual fee of \$12,000 (payable in quarterly installments of \$3,000) to the Chair of the Audit Committee and an annual fee of \$9,000 (payable in quarterly installments of \$2,250) to the position of Chairs of each of the Human Resources Committee and the Corporate Governance Committee.

Long-term incentive awards in the form of options and restricted stock are another element of non-management director compensation. Long-term incentive awards in the form of, among others, stock options, stock appreciation rights and restricted stock are available for grant under the Company's Long-Term Stock Incentive Plan. Each non-management director receives annually, if and as approved by the Board of Directors, a stock option grant and a restricted stock award. The number of shares that may be subject to an annual option grant will not exceed the number obtained by dividing \$70,000 by the closing price of a share of the Company's Class A Common Stock on the date of the grant. The number of shares of restricted stock that may be awarded is calculated by dividing the sum of \$40,000 by the closing price of a share of the Company's Class A Common Stock on the date of grant. While the Board has the flexibility to determine at the time of each grant or award the vesting provisions for that grant or award, historically stock option grants vest six (6) months following the date of grant and annual awards of restricted stock vest one (1) year from the date of grant. The plan, the form of Terms and Conditions Memorandum provided to non-management directors who receive options and the form of restricted stock agreement are filed as Exhibits 10.4 through 10.10, 10.12 and 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2005.

Non-management directors are reimbursed for reasonable expenses incurred in connection with their attendance at Board and committee meetings. They also receive complimentary Company products and are eligible to participate in a matching contribution program of the Company whereby they can direct a portion of the Company's charitable contributions not in excess of \$5,000.

Members of the Board of Directors who are members of management serve without receiving any additional fee or other compensation for their service on the Board.

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, 2005**

I, Richard Sands, certify that:

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

Date: October 11, 2005

/s/ Richard Sands

Richard Sands
Chairman of the Board and
Chief Executive Officer

Exhibit 31.2

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

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2005**

I, Thomas S. Summer, certify that:

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

Date: October 11, 2005

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

Exhibit 32.1

**SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2005**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2005, I, Richard Sands, certify that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended August 31, 2005 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, 2005 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 11, 2005

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

Exhibit 32.2

**SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2005**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2005, I, Thomas S. Summer, certify that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended August 31, 2005 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, 2005 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 11, 2005

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