

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended August 31, 2009

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.)

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

(Address of principal executive offices)

14564

(Zip Code)

(585) 678-7100

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of September 30, 2009, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, par value \$.01 per share	197,846,374
Class B Common Stock, par value \$.01 per share	23,733,837
Class 1 Common Stock, par value \$.01 per share	None

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

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	August 31, 2009	February 28, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	\$ 19.7	\$ 13.1
Accounts receivable, net	787.3	524.6
Inventories	1,824.0	1,828.7
Prepaid expenses and other	187.6	168.1
Total current assets	2,818.6	2,534.5
PROPERTY, PLANT AND EQUIPMENT, net	1,622.5	1,547.5
GOODWILL	2,551.3	2,615.0
INTANGIBLE ASSETS, net	1,025.3	1,000.6
OTHER ASSETS, net	416.2	338.9
Total assets	<u>\$ 8,433.9</u>	<u>\$ 8,036.5</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable to banks	\$ 195.9	\$ 227.3
Current maturities of long-term debt	277.4	235.2
Accounts payable	298.5	288.7
Accrued excise taxes	81.6	57.6
Other accrued expenses and liabilities	575.4	517.6
Total current liabilities	1,428.8	1,326.4
LONG-TERM DEBT, less current maturities	3,690.8	3,971.1
DEFERRED INCOME TAXES	527.7	543.6
OTHER LIABILITIES	271.3	287.1
STOCKHOLDERS' EQUITY:		
Class A Common Stock, \$.01 par value- Authorized, 322,000,000 shares; Issued, 224,716,544 shares at August 31, 2009, and 223,584,959 shares at February 28, 2009	2.2	2.2
Class B Convertible Common Stock, \$.01 par value- Authorized, 30,000,000 shares; Issued, 28,739,637 shares at August 31, 2009, and 28,749,294 shares at February 28, 2009	0.3	0.3
Additional paid-in capital	1,458.4	1,426.3
Retained earnings	1,109.7	1,003.5
Accumulated other comprehensive income	556.0	94.2
	<u>3,126.6</u>	<u>2,526.5</u>
Less: Treasury stock -		
Class A Common Stock, 26,901,490 shares at August 31, 2009, and 28,184,448 shares at February 28, 2009, at cost	(609.1)	(616.0)
Class B Convertible Common Stock, 5,005,800 shares at August 31, 2009, and February 28, 2009, at cost	(2.2)	(2.2)
	<u>(611.3)</u>	<u>(618.2)</u>
Total stockholders' equity	2,515.3	1,908.3
Total liabilities and stockholders' equity	<u>\$ 8,433.9</u>	<u>\$ 8,036.5</u>

The accompanying notes are an integral part of these statements.

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

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2009	2008	2009	2008
SALES	\$ 2,094.5	\$ 2,451.2	\$ 1,090.7	\$ 1,239.2
Less — Excise taxes	(426.1)	(562.9)	(213.9)	(282.7)
Net sales	1,668.4	1,888.3	876.8	956.5
COST OF PRODUCT SOLD	(1,090.1)	(1,253.5)	(567.2)	(650.7)
Gross profit	578.3	634.8	309.6	305.8
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(334.4)	(458.7)	(167.8)	(225.2)
IMPAIRMENT OF INTANGIBLE ASSETS	—	(21.8)	—	(21.8)
RESTRUCTURING CHARGES	(22.1)	(36.0)	(3.2)	(35.5)
ACQUISITION-RELATED INTEGRATION COSTS	(0.1)	(6.1)	—	(1.8)
Operating income	221.7	112.2	138.6	21.5
EQUITY IN EARNINGS OF EQUITY METHOD INVESTEEES	136.0	142.2	73.2	70.1
INTEREST EXPENSE, net	(133.4)	(167.3)	(66.6)	(80.7)
Income before income taxes	224.3	87.1	145.2	10.9
PROVISION FOR INCOME TAXES	(118.1)	(65.2)	(45.5)	(33.6)
NET INCOME (LOSS)	<u>\$ 106.2</u>	<u>\$ 21.9</u>	<u>\$ 99.7</u>	<u>\$ (22.7)</u>

SHARE DATA:

Earnings (loss) per common share:

Basic — Class A Common Stock	<u>\$ 0.49</u>	<u>\$ 0.10</u>	<u>\$ 0.46</u>	<u>\$ (0.11)</u>
Basic — Class B Common Stock	<u>\$ 0.44</u>	<u>\$ 0.09</u>	<u>\$ 0.42</u>	<u>\$ (0.10)</u>
Diluted — Class A Common Stock	<u>\$ 0.48</u>	<u>\$ 0.10</u>	<u>\$ 0.45</u>	<u>\$ (0.11)</u>
Diluted — Class B Common Stock	<u>\$ 0.44</u>	<u>\$ 0.09</u>	<u>\$ 0.41</u>	<u>\$ (0.10)</u>

Weighted average common shares outstanding:

Basic — Class A Common Stock	195,571	193,262	195,910	193,733
Basic — Class B Common Stock	23,740	23,762	23,736	23,754
Diluted — Class A Common Stock	220,274	219,828	220,714	193,733
Diluted — Class B Common Stock	23,740	23,762	23,736	23,754

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)
(unaudited)

	For the Six Months Ended August 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 106.2	\$ 21.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	77.1	79.3
Stock-based compensation expense	25.4	22.3
Amortization of intangible and other assets	6.0	5.9
Loss on business sold	0.8	15.8
Deferred tax (benefit) provision	(28.7)	11.8
Equity in earnings of equity method investees, net of distributed earnings	(12.3)	3.1
(Gain) loss on disposal or impairment of long-lived assets, net	(1.4)	28.6
Write-down of inventory associated with the Australian Initiative	—	47.6
Impairment of intangible assets	—	21.8
Change in operating assets and liabilities, net of effects from purchases and sales of businesses:		
Accounts receivable, net	(204.5)	(76.0)
Inventories	91.3	(28.3)
Prepaid expenses and other current assets	1.0	9.7
Accounts payable	(11.5)	10.2
Accrued excise taxes	17.6	9.5
Other accrued expenses and liabilities	8.8	(65.5)
Other, net	21.6	59.1
Total adjustments	(8.8)	154.9
Net cash provided by operating activities	<u>97.4</u>	<u>176.8</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of business	276.4	204.2
Proceeds from sales of assets	14.5	16.0
Purchases of property, plant and equipment	(65.1)	(52.0)
Investment in equity method investee	(0.5)	(0.6)
Purchase of business, net of cash acquired	—	0.6
Other investing activities	1.2	11.3
Net cash provided by investing activities	<u>226.5</u>	<u>179.5</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments of long-term debt	(271.4)	(99.5)
Net repayment of notes payable	(60.2)	(281.0)
Exercise of employee stock options	9.0	19.2
Proceeds from employee stock purchases	2.3	2.9
Excess tax benefits from share-based payment awards	2.2	6.4
Net cash used in financing activities	<u>(318.1)</u>	<u>(352.0)</u>
Effect of exchange rate changes on cash and cash investments	<u>0.8</u>	<u>0.1</u>
NET INCREASE IN CASH AND CASH INVESTMENTS	6.6	4.4
CASH AND CASH INVESTMENTS, beginning of period	<u>13.1</u>	<u>20.5</u>
CASH AND CASH INVESTMENTS, end of period	<u>\$ 19.7</u>	<u>\$ 24.9</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Fair value of assets acquired, including cash acquired	\$ —	\$ 19.2
Liabilities assumed	—	(6.2)
Net assets acquired	—	13.0
Plus — payment of direct acquisition costs previously accrued	—	0.7
Plus — settlement of note payable	—	0.6
Less — cash received from seller	—	(11.3)
Less — cash acquired	—	(2.8)
Less — amount due to seller	—	(0.7)
Less — direct acquisition costs accrued	—	(0.1)
Net cash paid for purchase of business	<u>\$ —</u>	<u>\$ (0.6)</u>
Note receivable from sale of value spirits business	<u>\$ 60.0</u>	<u>\$ —</u>

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

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, 2009. Results of operations for interim periods are not necessarily indicative of annual results.

2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS:

Effective March 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 141 (revised 2007) ("SFAS No. 141(R)", "Business Combinations." SFAS No. 141(R), among other things, establishes principles and requirements for how the acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired business, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of SFAS No. 141(R) did not have a material impact on the Company's consolidated financial statements.

Effective March 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 160 ("SFAS No. 160"), "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51." SFAS No. 160 amends Accounting Research Bulletin No. 51 ("ARB No. 51"), "Consolidated Financial Statements," to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This statement also amends certain of ARB No. 51's consolidation procedures for consistency with the requirements of SFAS No. 141(R). In addition, SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The adoption of SFAS No. 160 did not have a material impact on the Company's consolidated financial statements.

Effective March 1, 2009, the Company adopted Financial Accounting Standards Board Staff Position No. FAS 142-3, ("FSP No. 142-3"), "Determination of the Useful Life of Intangible Assets." FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets." The intent of FSP No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) and other U.S. generally accepted accounting principles. The adoption of FSP No. 142-3 did not have a material impact on the Company's consolidated financial statements.

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Effective June 1, 2009, the Company adopted Financial Accounting Standards Board Staff Position No. FAS 107-1 and APB Opinion No. 28-1 ("FSP No. 107-1 and APB No. 28-1"), "Interim Disclosures about Fair Value of Financial Instruments." FSP No. 107-1 and APB No. 28-1 requires publicly traded companies to include the fair value disclosures required by Statement of Financial Accounting Standards No. 107 in their interim reporting periods. The adoption of FSP No. 107-1 and APB No. 28-1 did not have a material impact on the Company's consolidated financial statements (see Note 5).

Effective June 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 165 ("SFAS No. 165"), "Subsequent Events." SFAS No. 165 establishes (i) the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (ii) the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements; and (iii) the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. The adoption of SFAS No. 165 did not have a material impact on the Company's consolidated financial statements. The Company has evaluated events and transactions through October 13, 2009, the date that the Company's consolidated financial statements were issued.

3) 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:

<i>(in millions)</i>	August 31, 2009	February 28, 2009
Raw materials and supplies	\$ 63.4	\$ 57.9
In-process inventories	1,142.9	1,218.4
Finished case goods	617.7	552.4
	<u>\$ 1,824.0</u>	<u>\$ 1,828.7</u>

4) DERIVATIVE INSTRUMENTS:

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

The Company enters into derivative instruments, primarily interest rate swaps and foreign currency forward and option contracts, to manage interest rate and foreign currency risks. In accordance with Statement of Financial Accounting Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended, the Company recognizes all derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value. The fair values of the Company's derivative instruments change with fluctuations in interest rates and/or currency rates and are expected to offset changes in the values of the underlying exposures. The Company's derivative instruments are held solely to hedge economic exposures. The Company follows strict policies to manage interest rate and foreign currency risks, including prohibitions on derivative market-making or other speculative activities.

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To qualify for hedge accounting under SFAS No. 133, the details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risk that is being hedged, the derivative instrument, how effectiveness is being assessed and how ineffectiveness will be measured. The derivative must be highly effective in offsetting either changes in the fair value or cash flows, as appropriate, of the risk being hedged. Effectiveness is evaluated on a retrospective and prospective basis based on quantitative measures.

Certain of the Company's derivative instruments do not qualify for SFAS No. 133 hedge accounting treatment; for others, the Company chooses not to maintain the required documentation to apply hedge accounting treatment. These undesignated instruments are used to economically hedge the Company's exposure to fluctuations in the value of foreign currency denominated receivables and payables; foreign currency investments, primarily consisting of loans to subsidiaries; and cash flows related primarily to repatriation of those loans or investments. Foreign currency contracts, generally less than 12 months in duration, are used to hedge some of these risks. The Company's derivative policy permits the use of undesignated derivatives when the derivative instrument is settled within the fiscal quarter or offsets a recognized balance sheet exposure. In these circumstances, the mark to fair value is reported currently through earnings in selling, general and administrative expenses on the Company's Consolidated Statements of Operations. As of August 31, 2009, the Company had undesignated foreign currency contracts outstanding with a notional value of \$499.3 million. In addition, the Company had offsetting undesignated interest rate swap agreements with an absolute notional amount of \$2,400.0 million outstanding at August 31, 2009 (see Note 9).

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

Cash flow hedges:

The Company is exposed to foreign denominated cash flow fluctuations in connection with third party and intercompany sales and purchases and third party financing arrangements. The Company primarily uses foreign currency forward and option contracts to hedge certain of these risks. In addition, the Company utilizes interest rate swaps to manage its exposure to changes in interest rates. Derivatives managing the Company's cash flow exposures generally mature within three years or less, with a maximum maturity of five years. Throughout the term of the designated cash flow hedge relationship, but at least quarterly, a retrospective evaluation and prospective assessment of hedge effectiveness is performed. In the event the relationship is no longer effective, the Company recognizes the change in the fair value of the hedging derivative instrument from the prior assessment date immediately in the Company's Consolidated Statements of Operations. In conjunction with its effectiveness testing, the Company also evaluates ineffectiveness associated with the hedge relationship. Resulting ineffectiveness, if any, is recognized immediately in the Company's Consolidated Statements of Operations. As of August 31, 2009, the Company had cash flow designated foreign currency contracts outstanding with a notional value of \$1,086.2 million. In addition, as of August 31, 2009, the Company had cash flow designated interest rate swap agreements outstanding with a notional value of \$1,200.0 million (see Note 9).

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The Company records the fair value of its foreign currency and interest rate swap contracts qualifying for cash flow hedge accounting treatment in its consolidated balance sheet with the effective portion of the related gain or loss on those contracts deferred in stockholders' equity (as a component of AOCI (as defined in Note 15)). These deferred gains or losses are recognized in the Company's Consolidated Statements of Operations in the same period in which the underlying hedged items are recognized and on the same line item as the underlying hedged items. However, to the extent that any derivative instrument is not considered to be highly effective in offsetting the change in the value of the hedged item, the amount related to the ineffective portion of this derivative instrument is immediately recognized in the Company's Consolidated Statements of Operations in selling, general and administrative expenses.

The Company expects \$2.9 million of net losses, net of income tax effect, to be reclassified from AOCI to earnings within the next 12 months. The amounts of hedge ineffectiveness associated with the Company's designated cash flow hedge instruments recognized in the Company's Consolidated Statements of Operations for the six months and three months ended August 31, 2009, were not material. All components of the Company's derivative instruments' gains or losses are included in the assessment of hedge effectiveness.

Fair value hedges:

Fair value hedges are hedges that offset the risk of changes in the fair values of recorded assets and liabilities, and firm commitments. The Company records changes in fair value of derivative instruments which are designated and deemed effective as fair value hedges, in earnings offset by the corresponding changes in the fair value of the hedged items. The Company did not designate any derivative instruments as fair value hedges for the six months and three months ended August 31, 2009.

Net investment hedges:

Net investment hedges are hedges that use derivative instruments or non-derivative instruments to hedge the foreign currency exposure of a net investment in a foreign operation. Historically, the Company has managed currency exposures resulting from certain of its net investments in foreign subsidiaries principally with debt denominated in the related foreign currency. Accordingly, gains and losses on these instruments were recorded as foreign currency translation adjustments in AOCI. In February 2009, the Company discontinued its net investment hedging relationship between the Company's sterling senior notes and the Company's investment in its U.K. subsidiary. The Company did not designate any derivative or non-derivative instruments as net investment hedges for the six months and three months ended August 31, 2009.

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Fair values of derivative instruments:

The fair values and locations of the Company's derivative instruments on its Consolidated Balance Sheets are as follows (see Note 5):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	August 31, 2009	Balance Sheet Location	August 31, 2009
<i>(in millions)</i>				
Derivative instruments designated as hedging instruments under SFAS No. 133				
<u>Foreign currency contracts</u>				
Current	Prepaid expenses and other	\$ 35.9	Other accrued expenses and liabilities	\$ 18.8
Long-term	Other assets, net	23.3	Other liabilities	10.7
<u>Interest rate swap contracts</u>				
Current	Prepaid expenses and other	—	Other accrued expenses and liabilities	26.6
Total		<u>59.2</u>		<u>56.1</u>
Derivative instruments not designated as hedging instruments under SFAS No. 133				
<u>Foreign currency contracts</u>				
Current	Prepaid expenses and other	38.5	Other accrued expenses and liabilities	8.7
Long-term	Other assets, net	0.5	Other liabilities	0.4
<u>Interest rate swap contracts</u>				
Current	Prepaid expenses and other	6.2	Other accrued expenses and liabilities	18.0
Total		<u>45.2</u>		<u>27.1</u>
Total derivative instruments		<u>\$ 104.4</u>		<u>\$ 83.2</u>

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The effect of the Company's derivative instruments designated in SFAS No. 133 cash flow hedging relationships on its Consolidated Statements of Operations and Other Comprehensive Income ("OCI"), net of income tax effect, is as follows:

Derivative Instruments in SFAS No. 133 Cash Flow Hedging Relationships	Net Gain (Loss) Recognized in OCI (Effective portion)	Location of Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)	Net Gain (Loss) Reclassified from AOCI to Income (Effective portion)
<i>(in millions)</i>			
For the Six Months Ended August 31, 2009			
Foreign currency contracts	\$ 33.6	Sales	\$ 5.4
Foreign currency contracts	12.5	Cost of product sold	0.4
Foreign currency contracts	7.7	Selling, general and administrative expenses	14.0
Interest rate swap contracts	(4.5)	Interest expense, net	(12.9)
Total	<u>\$ 49.3</u>	Total	<u>\$ 6.9</u>
For the Three Months Ended August 31, 2009			
Foreign currency contracts	\$ 2.5	Sales	\$ 2.9
Foreign currency contracts	(0.3)	Cost of product sold	0.7
Foreign currency contracts	(0.2)	Selling, general and administrative expenses	(2.1)
Interest rate swap contracts	(1.3)	Interest expense, net	(7.1)
Total	<u>\$ 0.7</u>	Total	<u>\$ (5.6)</u>
For the Six Months Ended August 31, 2009			
Derivative Instruments in SFAS No. 133 Cash Flow Hedging Relationships	Location of Net Gain (Loss) Recognized in Income (Ineffective portion)		Net Gain (Loss) Recognized in Income (Ineffective portion)
<i>(in millions)</i>			
For the Six Months Ended August 31, 2009			
Foreign currency contracts	Selling, general and administrative expenses		<u>\$ 0.1</u>
For the Three Months Ended August 31, 2009			
Foreign currency contracts	Selling, general and administrative expenses		<u>\$ 0.2</u>

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

Derivative Instruments not Designated as Hedging Instruments under SFAS No. 133	Location of Net Gain (Loss) Recognized in Income	Net Gain (Loss) Recognized in Income
<i>(in millions)</i>		
For the Six Months Ended August 31, 2009		
Foreign currency contracts	Selling, general and administrative expenses	\$ 8.0
Interest rate swap contracts	Interest expense, net	(0.7)
Total		<u>\$ 7.3</u>
For the Three Months Ended August 31, 2009		
Foreign currency contracts	Selling, general and administrative expenses	\$ 5.3
Interest rate swap contracts	Interest expense, net	(0.4)
Total		<u>\$ 4.9</u>

Credit risk:

The Company enters into master agreements with its bank derivative trading counterparties that allow netting of certain derivative positions in order to manage credit risk. The Company's derivative instruments are not subject to credit rating contingencies or collateral requirements. As of August 31, 2009, the fair value of derivative instruments in a net liability position due to counterparties was \$52.6 million. If the Company were required to settle the net liability position under these derivative instruments on August 31, 2009, the Company would have had sufficient availability under its revolving credit facility to satisfy this obligation.

Counterparty credit risk:

Counterparty credit risk relates to losses the Company could incur if a counterparty defaults on a derivative contract. The Company manages exposure to counterparty credit risk by requiring specified minimum credit standards and diversification of counterparties. The Company enters into master agreements with its bank derivative trading counterparties that allow netting of certain derivative positions in order to manage counterparty credit risk. As of August 31, 2009, all of the Company's counterparty exposures are with financial institutions which have investment grade ratings. The Company has procedures to monitor counterparty credit risk for both current and future potential credit exposures. As of August 31, 2009, the fair value of derivative instruments in a net receivable position due from counterparties was \$73.8 million.

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5) FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

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

(in millions)	August 31, 2009		February 28, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash investments	\$ 19.7	\$ 19.7	\$ 13.1	\$ 13.1
Accounts receivable	\$ 787.3	\$ 787.3	\$ 524.6	\$ 524.6
Foreign currency contracts	\$ 98.2	\$ 98.2	\$ 78.7	\$ 78.7
Interest rate swap contracts	\$ 6.2	\$ 6.2	\$ —	\$ —
Liabilities:				
Notes payable to banks	\$ 195.9	\$ 195.9	\$ 227.3	\$ 227.3
Accounts payable	\$ 298.5	\$ 298.5	\$ 288.7	\$ 288.7
Long-term debt, including current portion	\$3,968.2	\$3,969.2	\$4,206.3	\$4,162.4
Foreign currency contracts	\$ 38.6	\$ 38.6	\$ 71.1	\$ 71.1
Interest rate swap contracts	\$ 44.6	\$ 44.6	\$ 51.1	\$ 51.1

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

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

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

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

Notes payable to banks: These instruments are variable interest rate bearing notes for which the carrying value approximates the fair value.

Long-term debt: The senior credit facility is subject to variable interest rates which are frequently reset; accordingly, the carrying value of this debt approximates its fair value. The fair value of the remaining long-term debt, which is all fixed rate, is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities.

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Fair Value Measurements —

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 157 (“SFAS No. 157”), “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing an asset or liability. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (“FSP No. 157-2”), “Effective Date of FASB Statement No. 157.” FSP No. 157-2 amended SFAS No. 157 to defer the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis, at least annually, including goodwill and trademarks. On March 1, 2008, the Company adopted the provisions of SFAS No. 157 that were not deferred by FSP No. 157-2. The adoption of these provisions of SFAS No. 157 did not have a material impact on the Company’s consolidated financial statements. On March 1, 2009, in accordance with FSP No. 157-2, the Company adopted the remaining provisions of SFAS No. 157. The adoption of the remaining provisions of SFAS No. 157 did not have a material impact on the Company’s consolidated financial statements.

SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs include data points that are observable such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) such as interest rates and yield curves that are observable for the asset and liability, either directly or indirectly; Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The following table presents the fair value hierarchy for the Company’s financial assets and liabilities measured at fair value on a recurring basis as of August 31, 2009, and February 28, 2009:

<i>(in millions)</i>	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring Fair Value Measurements as of August 31, 2009				
Assets:				
Foreign currency contracts	\$ —	\$ 98.2	\$ —	\$98.2
Interest rate swap contracts	\$ —	\$ 6.2	\$ —	\$ 6.2
Liabilities:				
Foreign currency contracts	\$ —	\$ 38.6	\$ —	\$38.6
Interest rate swap contracts	\$ —	\$ 44.6	\$ —	\$44.6
Recurring Fair Value Measurements as of February 28, 2009				
Assets:				
Foreign currency contracts	\$ —	\$ 78.7	\$ —	\$78.7
Liabilities:				
Foreign currency contracts	\$ —	\$ 71.1	\$ —	\$71.1
Interest rate swap contracts	\$ —	\$ 51.1	\$ —	\$51.1

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

6) GOODWILL:

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

<i>(in millions)</i>	Constellation Wines	Crown Imports	Consolidations and Eliminations	Consolidated
Balance, February 29, 2008				
Goodwill	\$ 3,723.8	\$ 13.0	\$ (13.0)	\$ 3,723.8
Accumulated impairment losses	(599.9)	—	—	(599.9)
	3,123.9	13.0	(13.0)	3,123.9
Purchase accounting allocations	23.8	—	—	23.8
Foreign currency translation adjustments	(249.7)	—	—	(249.7)
Sale of businesses	(30.3)	—	—	(30.3)
Impairment of goodwill	(252.7)	—	—	(252.7)
Balance, February 28, 2009				
Goodwill	3,467.6	13.0	(13.0)	3,467.6
Accumulated impairment losses	(852.6)	—	—	(852.6)
	2,615.0	13.0	(13.0)	2,615.0
Foreign currency translation adjustments	94.8	—	—	94.8
Sale of business	(158.5)	—	—	(158.5)
Balance, August 31, 2009				
Goodwill	3,403.9	13.0	(13.0)	3,403.9
Accumulated impairment losses	(852.6)	—	—	(852.6)
	<u>\$ 2,551.3</u>	<u>\$ 13.0</u>	<u>\$ (13.0)</u>	<u>\$ 2,551.3</u>

For the year ended February 28, 2009, the changes in the carrying amount of goodwill consist of the following components. The Constellation Wines segment's purchase accounting allocations totaling \$23.8 million consist primarily of purchase accounting allocations associated with the acquisition of all of the issued and outstanding capital stock of Beam Wine Estates, Inc. ("BWE") (the "BWE Acquisition") of \$14.5 million and purchase accounting allocations associated with the purchase of an immaterial business of \$6.4 million. The Constellation Wines segment's sale of businesses consists of (i) the Company's reduction of goodwill in connection with the June 2008 sale of the Pacific Northwest Business (as defined below) and (ii) the impairment of goodwill on an asset group held for sale as of February 28, 2009, in connection with the March 2009 sale of the value spirits business (as discussed below). Lastly, the Constellation Wines segment's impairment of goodwill consists of an impairment loss recorded in the fourth quarter of fiscal 2009 in connection with the Company's performance of its annual goodwill impairment analysis, pursuant to the Company's accounting policy. As a result of this analysis, the Company concluded that the carrying amount of goodwill assigned to the Constellation Wines segment's U.K. reporting unit exceeded its implied fair value and recorded an impairment loss of \$252.7 million, which is included in impairment of goodwill and intangible assets on the Company's Consolidated Statements of Operations for the year ended February 28, 2009.

For the six months ended August 31, 2009, the Constellation Wines segment's sale of business consists of the Company's reduction of goodwill in connection with the March 2009 sale of its value spirits business.

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Divestiture of Pacific Northwest Business —

In June 2008, the Company sold certain businesses consisting of several of the California wineries and wine brands acquired in the BWE Acquisition, as well as certain wineries and wine brands from the states of Washington and Idaho (collectively, the “Pacific Northwest Business”) for cash proceeds of \$204.2 million, net of direct costs to sell. In connection with the sale of the Pacific Northwest Business, the Company’s Constellation Wines segment recorded a loss of \$23.2 million for the six months ended August 31, 2008, which included a loss on business sold of \$15.8 million and losses on contractual obligations of \$7.4 million. This loss of \$23.2 million is included in selling, general and administrative expenses on the Company’s Consolidated Statements of Operations.

Divestiture of the Value Spirits Business —

In March 2009, the Company sold its value spirits business for \$336.4 million, net of direct costs to sell. The Company received \$276.4 million, net of direct costs to sell, in cash proceeds and a note receivable for \$60.0 million in connection with this divestiture. In connection with the classification of the value spirits business as an asset group held for sale as of February 28, 2009, the Company recorded a loss of \$15.6 million in the fourth quarter of fiscal 2009, primarily related to asset impairments, which is included in selling, general and administrative expenses on the Company’s Consolidated Statements of Operations for the year ended February 28, 2009. In the first quarter of fiscal 2010, the Company recognized a net gain of \$0.2 million, which included a gain on settlement of a postretirement obligation of \$1.0 million, partially offset by an additional loss of \$0.8 million. This net gain is included in selling, general and administrative expenses on the Company’s Consolidated Statements of Operations for the six months ended August 31, 2009.

7) INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

	August 31, 2009		February 28, 2009	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
<i>(in millions)</i>				
Amortizable intangible assets:				
Customer relationships	\$ 84.1	\$ 71.0	\$ 80.0	\$ 70.3
Other	2.9	0.5	11.4	5.4
Total	<u>\$ 87.0</u>	71.5	<u>\$ 91.4</u>	75.7
Nonamortizable intangible assets:				
Trademarks		947.4		915.2
Other		6.4		9.7
Total		<u>953.8</u>		<u>924.9</u>
Total intangible assets, net		<u>\$ 1,025.3</u>		<u>\$ 1,000.6</u>

The Company did not incur costs to renew or extend the term of acquired intangible assets during the six months and three months ended August 31, 2009, and August 31, 2008. The difference between the gross carrying amount and net carrying amount for each item presented is attributable to accumulated amortization. Amortization expense for intangible assets was \$2.8 million and \$2.6 million for the six months ended August 31, 2009, and August 31, 2008, respectively, and \$1.4 million and \$1.2 million for the three months ended August 31, 2009, and August 31, 2008, respectively. Estimated amortization expense for the remaining six months of fiscal 2010 and for each of the five succeeding fiscal years and thereafter is as follows:

<i>(in millions)</i>	
2010	\$ 2.9
2011	\$ 5.5
2012	\$ 4.9
2013	\$ 4.8
2014	\$ 4.8
2015	\$ 4.8
Thereafter	\$43.8

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During August 2008, as a result of the streamlining of the Company's Australian wine product portfolio in connection with the Constellation Wines segment's Australian Initiative (as defined in Note 16), the Company determined it was necessary to perform a review for impairment of its Australian long-lived assets and indefinite lived intangible assets. The Company determined that its Australian indefinite lived intangible assets, which consist of trademarks, were impaired due to the revised lower revenue forecasts associated with the streamlining of the Australian wine product portfolio. The Company measured the amount of impairment by calculating the amount by which the carrying value of these assets exceeded their estimated fair values. The estimated fair values were determined using a relief-from-royalty valuation model applied to the projected trademark revenues. As a result of this review, the Company recorded an impairment loss of \$21.8 million, which is included in impairment of intangible assets on the Company's Consolidated Statements of Operations for the six months and three months ended August 31, 2008. No instances of impairment were noted on the Company's indefinite lived intangible assets for the six months and three months ended August 31, 2009.

8) INVESTMENT IN EQUITY METHOD INVESTEES:

Crown Imports:

Constellation Beers Ltd. ("Constellation Beers") (previously known as Barton Beers, Ltd.), an indirect wholly-owned subsidiary of the Company, and Diblo, S.A. de C.V. ("Diblo"), an entity owned 76.75% by Grupo Modelo, S.A.B. de C.V. ("Modelo") and 23.25% by Anheuser-Busch Companies, Inc., each have, directly or indirectly, equal interests in a joint venture, Crown Imports LLC ("Crown Imports"). Crown Imports has the exclusive right to import, market and sell Modelo's Mexican beer portfolio (the "Modelo Brands") in the U.S. and Guam. In addition, Crown Imports also has the exclusive rights to import, market and sell the Tsingtao and St. Pauli Girl brands in the U.S.

The Company accounts for the investment in Crown Imports under the equity method. Accordingly, the results of operations of Crown Imports are included in equity in earnings of equity method investees on the Company's Consolidated Statements of Operations. As of August 31, 2009, and February 28, 2009, the Company's investment in Crown Imports was \$148.3 million and \$136.9 million, respectively. The carrying amount of the investment is greater than the Company's equity in the underlying assets of Crown Imports by \$13.6 million due to the difference in the carrying amounts of the indefinite lived intangible assets contributed to Crown Imports by each party. The Company received \$123.7 million and \$144.3 million of cash distributions from Crown Imports for the six months ended August 31, 2009, and August 31, 2008, respectively, all of which represent distributions of earnings.

Constellation Beers provides certain administrative services to Crown Imports. Amounts related to the performance of these services for the six months and three months ended August 31, 2009, and August 31, 2008, were not material. In addition, as of August 31, 2009, and February 28, 2009, amounts receivable from Crown Imports were not material.

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Matthew Clark:

The Company and Punch Taverns plc each have, directly or indirectly, equal interests in a joint venture ("Matthew Clark") which consists of a U.K. wholesale business.

The Company accounts for the investment in Matthew Clark under the equity method. Accordingly, the results of operations of Matthew Clark are included in equity in earnings of equity method investees on the Company's Consolidated Statements of Operations. As of August 31, 2009, and February 28, 2009, the Company's investment in Matthew Clark was \$35.1 million and \$28.8 million, respectively. The Company did not receive any cash distributions from Matthew Clark for the six months ended August 31, 2009, and August 31, 2008.

Amounts sold to Matthew Clark for the six months and three months ended August 31, 2009, and August 31, 2008, were not material. As of August 31, 2009, and February 28, 2009, amounts receivable from Matthew Clark were not material.

Ruffino:

The Company has a 40% interest in Ruffino S.r.l. ("Ruffino"), the well-known Italian fine wine company. The Company does not have a controlling interest in Ruffino or exert any managerial control. The Company accounts for the investment in Ruffino under the equity method; accordingly, the results of operations of Ruffino are included in equity in earnings of equity method investees on the Company's Consolidated Statements of Operations. As of August 31, 2009, and February 28, 2009, the Company's investment in Ruffino was \$27.5 million and \$24.8 million, respectively. In connection with the Company's December 2004 investment in Ruffino, the Company granted separate irrevocable and unconditional options to the two other shareholders of Ruffino to sell to the Company all of the ownership interests held by these shareholders for a price as calculated in the joint venture agreement. Each option may be exercised during the period starting from January 1, 2010, and ending on December 31, 2010, with the closing date for the sale of the ownership interests to occur as soon as reasonably practicable after the date of exercise of each option, but no earlier than May 15, 2010. The price of one of the options, which represents an incremental 9.9% interest in Ruffino, is subject to a specified minimum value of €23.5 million (\$33.7 million as of August 31, 2009). The other option, which represents the remaining 50.1% interest in Ruffino, is not subject to a specified minimum value.

The Company's Constellation Wines segment distributes Ruffino's products, primarily in the U.S. Amounts purchased from Ruffino under this arrangement for the six months and three months ended August 31, 2009, and August 31, 2008, were not material. As of August 31, 2009, and February 28, 2009, amounts payable to Ruffino were not material.

The following table presents summarized financial information for the Company's Crown Imports equity method investment and the other material equity method investments discussed above. The amounts shown represent 100% of these equity method investments' results of operations.

<i>(in millions)</i>	Crown Imports	Other	Total
<u>For the Six Months Ended August 31, 2009</u>			
Net sales	\$1,328.8	\$529.8	\$1,858.6
Gross profit	\$ 405.4	\$ 71.6	\$ 477.0
Income from continuing operations	\$ 270.2	\$ 5.2	\$ 275.4
Net income	\$ 270.2	\$ 5.2	\$ 275.4

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<i>(in millions)</i>	Crown Imports	Other	Total
For the Six Months Ended August 31, 2008			
Net sales	\$1,404.6	\$602.1	\$2,006.7
Gross profit	\$ 424.4	\$ 94.9	\$ 519.3
Income from continuing operations	\$ 288.2	\$ 3.4	\$ 291.6
Net income	\$ 288.2	\$ 3.4	\$ 291.6
For the Three Months Ended August 31, 2009			
Net sales	\$ 693.0	\$274.7	\$ 967.7
Gross profit	\$ 209.6	\$ 37.4	\$ 247.0
Income from continuing operations	\$ 144.5	\$ 4.0	\$ 148.5
Net income	\$ 144.5	\$ 4.0	\$ 148.5
For the Three Months Ended August 31, 2008			
Net sales	\$ 732.1	\$302.1	\$1,034.2
Gross profit	\$ 220.0	\$ 44.9	\$ 264.9
Income from continuing operations	\$ 148.8	\$ 0.5	\$ 149.3
Net income	\$ 148.8	\$ 0.5	\$ 149.3

9) BORROWINGS:

Senior credit facility -

On June 5, 2006, the Company and certain of its U.S. subsidiaries, JPMorgan Chase Bank, N.A. as a lender and administrative agent, and certain other agents, lenders, and financial institutions entered into a new credit agreement (the "June 2006 Credit Agreement"). On February 23, 2007, and on November 19, 2007, the June 2006 Credit Agreement was amended (collectively, the "2007 Amendments"). The June 2006 Credit Agreement together with the 2007 Amendments is referred to as the "2006 Credit Agreement". The 2006 Credit Agreement provides for aggregate credit facilities of \$3,900.0 million, consisting of a \$1,200.0 million tranche A term loan facility due in June 2011, a \$1,800.0 million tranche B term loan facility due in June 2013, and a \$900 million revolving credit facility (including a sub-facility for letters of credit of up to \$200 million) which terminates in June 2011. Proceeds of the June 2006 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the June 5, 2006, acquisition of all of the issued and outstanding common shares of Vincor International Inc. ("Vincor") (the "Vincor Acquisition"), and to repay certain indebtedness of Vincor. The Company uses its revolving credit facility under the 2006 Credit Agreement for general corporate purposes.

As of August 31, 2009, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining six months of fiscal 2010 and for each of the four succeeding fiscal years are as follows:

<i>(in millions)</i>	Tranche A Term Loan	Tranche B Term Loan	Total
2010	\$ —	\$ —	\$ —
2011	171.1	—	171.1
2012	150.0	3.4	153.4
2013	—	613.1	613.1
2014	—	611.5	611.5
	<u>\$ 321.1</u>	<u>\$ 1,228.0</u>	<u>\$ 1,549.1</u>

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The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is fixed with respect to the tranche B term loan facility and is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) with respect to the tranche A term loan facility and the revolving credit facility. As of August 31, 2009, the LIBOR margin for the revolving credit facility and the tranche A term loan facility is 1.25%, while the LIBOR margin on the tranche B term loan facility is 1.50%.

The February 23, 2007, amendment amended the June 2006 Credit Agreement to, among other things, (i) increase the revolving credit facility from \$500.0 million to \$900.0 million, which increased the aggregate credit facilities from \$3,500.0 million to \$3,900.0 million; (ii) increase the aggregate amount of cash payments the Company is permitted to make in respect or on account of its capital stock; (iii) remove certain limitations on the incurrence of senior unsecured indebtedness and the application of proceeds thereof; (iv) increase the maximum permitted total "Debt Ratio" and decrease the required minimum "Interest Coverage Ratio"; and (v) eliminate the "Senior Debt Ratio" covenant and the "Fixed Charges Ratio" covenant. The November 19, 2007, amendment clarified certain provisions governing the incurrence of senior unsecured indebtedness and the application of proceeds thereof under the June 2006 Credit Agreement, as previously amended.

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

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

As of August 31, 2009, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of \$321.1 million bearing an interest rate of 1.6%, tranche B term loans of \$1,228.0 million bearing an interest rate of 1.8%, revolving loans of \$93.2 million bearing an interest rate of 1.5%, outstanding letters of credit of \$35.9 million, and \$770.9 million in revolving loans available to be drawn.

In April 2009, the Company transitioned its interest rate swap agreements to a one-month LIBOR base rate versus the then existing three-month LIBOR base rate. Accordingly, the Company entered into new interest rate swap agreements which were designated as cash flow hedges of \$1,200.0 million of the Company's floating LIBOR rate debt. In addition, the then existing interest rate swap agreements were redesignated by the Company and the Company entered into additional undesignated interest rate swap agreements for \$1,200.0 million to offset the prospective impact of the newly undesignated interest rate swap agreements. As a result, the Company has fixed its interest rates on \$1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.0% through fiscal 2010. For the six months ended August 31, 2009, and August 31, 2008, the Company reclassified net losses of \$12.9 million and \$5.6 million, net of income tax effect, respectively, from AOCI to interest expense, net on the Company's Consolidated Statements of Operations. For the three months ended August 31, 2009, and August 31, 2008, the Company reclassified net losses of \$7.1 million and \$3.2 million, net of income tax effect, respectively, from AOCI to interest expense, net on the Company's Consolidated Statements of Operations. This non-cash operating activity is included in other, net in the Company's Consolidated Statements of Cash Flows.

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Subsidiary credit facilities —

The Company has additional credit arrangements totaling \$345.9 million and \$334.6 million as of August 31, 2009, and February 28, 2009, respectively. These arrangements primarily support the financing needs of the Company's domestic and foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of August 31, 2009, and February 28, 2009, amounts outstanding under these arrangements were \$127.4 million and \$193.9 million, respectively.

10) INCOME TAXES:

The Company's effective tax rate for the six months ended August 31, 2009, of 52.7%, resulted primarily from \$37.5 million of taxes associated with the sale of the value spirits business, primarily related to the write-off of nondeductible goodwill, partially offset by a decrease in uncertain tax positions of \$16.7 million in connection with the completion of various income tax examinations during the second quarter of fiscal 2010. The Company's effective tax rate for the six months ended August 31, 2008, of 74.9%, was driven primarily by the recognition of a valuation allowance against net operating losses in Australia, associated predominantly with the Australian Initiative, partially offset by a decrease in uncertain tax positions of \$12.3 million in connection with the completion of various income tax examinations during the second quarter of fiscal 2009.

The Company's effective tax rate for the three months ended August 31, 2009, of 31.3%, resulted primarily from a decrease in uncertain tax positions of \$16.7 million in connection with the completion of various income tax examinations during the second quarter of fiscal 2010. The Company's effective tax rate for the three months ended August 31, 2008, of 308.3%, was driven primarily by the recognition of a valuation allowance against net operating losses in Australia, associated predominantly with the Australian Initiative, partially offset by a decrease in uncertain tax positions of \$12.3 million in connection with the completion of various income tax examinations during the second quarter of fiscal 2009.

The effective tax rate for the six months and three months ended August 31, 2009, includes the recognition of \$16.7 million of previously unrecognized tax benefits and accrued interest due to the resolution of various tax matters during the periods indicated. The decrease in uncertain tax positions is due to the Company's determination that certain tax positions have been effectively settled.

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11) DEFINED BENEFIT PENSION PLANS:

Net periodic benefit cost reported in the Consolidated Statements of Operations for the Company's defined benefit pension plans includes the following components:

(in millions)	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2009	2008	2009	2008
Service cost	\$ 1.1	\$ 2.6	\$ 0.6	\$ 1.3
Interest cost	10.7	14.1	5.6	7.0
Expected return on plan assets	(12.5)	(16.7)	(6.6)	(8.3)
Amortization of prior service cost	—	0.1	—	0.1
Recognized net actuarial loss	2.2	4.1	1.2	2.0
Recognized loss due to curtailment	—	0.4	—	(0.1)
Recognized net loss due to settlement	1.1	8.3	1.1	8.3
Net periodic benefit cost	<u>\$ 2.6</u>	<u>\$ 12.9</u>	<u>\$ 1.9</u>	<u>\$ 10.3</u>

In connection with the Company's August 2008 sale of a nonstrategic Canadian distilling facility, the Company recognized a settlement loss and curtailment loss of \$9.2 million and \$0.4 million, respectively, during the six months ended August 31, 2008, associated with the settlement of the related pension and postretirement obligations.

Contributions of \$3.7 million have been made by the Company to fund its defined benefit pension plans for the six months ended August 31, 2009. The Company presently anticipates contributing an additional \$3.9 million to fund its defined benefit pension plans during the year ending February 28, 2010, resulting in total employer contributions of \$7.6 million for the year ending February 28, 2010.

12) STOCKHOLDERS' EQUITY:

Class A Common Stock and Class 1 Common Stock —

In July 2009, the stockholders of the Company approved an increase in the number of authorized shares of Class A Common Stock from 315,000,000 shares to 322,000,000 shares, and the number of authorized shares of Class 1 Common Stock from 15,000,000 shares to 25,000,000 shares, thereby increasing the aggregate number of authorized shares of the Company's common and preferred stock to 378,000,000 shares.

Long-term stock incentive plan —

In July 2009, the stockholders of the Company approved, among other things, an increase in the aggregate number of shares of the Company's Class A Common Stock and Class 1 Common Stock available for awards under the Company's Long-Term Stock Incentive Plan from 94,000,000 shares to 108,000,000 shares.

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13) EARNINGS PER COMMON SHARE:

The Company has two classes of outstanding common stock: Class A Common Stock and Class B Convertible Common Stock. Earnings per common share — basic excludes the effect of common stock equivalents and is computed using the two-class computation method. Earnings per common share — diluted for Class A Common Stock reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Earnings per common share — diluted for Class A Common Stock has been computed using the more dilutive of the if-converted or two-class computation method. Using the if-converted method, earnings per common share — diluted for Class A Common Stock assumes the exercise of stock options using the treasury stock method and the conversion of Class B Convertible Common Stock. Using the two-class computation method, earnings per common share — diluted for Class A Common Stock assumes the exercise of stock options using the treasury stock method and no conversion of Class B Convertible Common Stock. For the six months ended August 31, 2009, and August 31, 2008, earnings per common share — diluted has been calculated using the if-converted method. For the three months ended August 31, 2009, and August 31, 2008, earnings (loss) per common share — diluted for Class A Common Stock has been calculated using the if-converted method and the two-class computation method, respectively. Earnings per common share — diluted for Class B Convertible Common Stock is presented without assuming conversion into Class A Common Stock and is computed using the two-class computation method.

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

<i>(in millions, except per share data)</i>	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2009	2008	2009	2008
Income (loss) available to common stockholders	\$ 106.2	\$ 21.9	\$ 99.7	\$ (22.7)
Weighted average common shares outstanding — basic:				
Class A Common Stock	195.571	193.262	195.910	193.733
Class B Convertible Common Stock	23.740	23.762	23.736	23.754
Weighted average common shares outstanding — diluted:				
Class A Common Stock	195.571	193.262	195.910	193.733
Class B Convertible Common Stock	23.740	23.762	23.736	—
Stock-based awards, primarily stock options	0.963	2.804	1.068	—
Weighted average common shares outstanding — diluted	220.274	219.828	220.714	193.733
Earnings (loss) per common share — basic:				
Class A Common Stock	\$ 0.49	\$ 0.10	\$ 0.46	\$ (0.11)
Class B Convertible Common Stock	\$ 0.44	\$ 0.09	\$ 0.42	\$ (0.10)
Earnings (loss) per common share — diluted:				
Class A Common Stock	\$ 0.48	\$ 0.10	\$ 0.45	\$ (0.11)
Class B Convertible Common Stock	\$ 0.44	\$ 0.09	\$ 0.41	\$ (0.10)

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For the six months ended August 31, 2009, and August 31, 2008, stock-based awards, primarily stock options, which could result in the issuance of 32.8 million and 26.0 million shares, respectively, of Class A Common Stock were outstanding, but were not included in the computation of earnings per common share — diluted for Class A Common Stock because the effect of including such awards would have been antidilutive. For the three months ended August 31, 2009, stock-based awards, primarily stock options, which could result in the issuance of 32.5 million shares of Class A Common Stock were outstanding, but were not included in the computation of earnings per common share — diluted for Class A Common Stock because the effect of including such awards would have been antidilutive. For the three months ended August 31, 2008, the computation of loss per common share — diluted for Class A Common Stock excluded 23.8 million shares of Class B Convertible Common Stock and outstanding stock-based awards, primarily stock options, which could result in the issuance of 25.8 million shares of Class A Common Stock because the inclusion of such potentially dilutive common shares would have been antidilutive.

14) STOCK-BASED COMPENSATION:

The Company recorded \$25.4 million and \$22.3 million of stock-based compensation cost in its Consolidated Statements of Operations for the six months ended August 31, 2009, and August 31, 2008, respectively. The Company recorded \$13.2 million and \$11.5 million of stock-based compensation cost in its Consolidated Statements of Operations for the three months ended August 31, 2009, and August 31, 2008, respectively. Of the \$25.4 million, \$3.9 million is related to the granting of 7.6 million nonqualified stock options under the Company's Long-Term Stock Incentive Plan to employees and nonemployee directors during the year ending February 28, 2010. The remainder is related primarily to the amortization of employee and nonemployee director stock options granted during the years ended February 28, 2009, February 29, 2008, and February 28, 2007.

15) COMPREHENSIVE INCOME (LOSS):

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

<i>(in millions)</i>	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the Six Months Ended August 31, 2009			
Net income			\$ 106.2
Other comprehensive income (loss):			
Foreign currency translation adjustments	\$ 429.4	\$ (3.8)	425.6
Unrealized gain on cash flow hedges:			
Net derivative gains	74.1	(24.8)	49.3
Reclassification adjustments	(13.6)	6.6	(7.0)
Net gain recognized in other comprehensive income	60.5	(18.2)	42.3
Pension/postretirement			
Net losses arising during the period	(10.7)	2.9	(7.8)
Reclassification adjustments	2.2	(0.5)	1.7
Net loss recognized in other comprehensive income	(8.5)	2.4	(6.1)
Other comprehensive income	\$ 481.4	\$ (19.6)	461.8
Total comprehensive income			\$ 568.0

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<i>(in millions)</i>	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
For the Six Months Ended August 31, 2008			
Net income			\$ 21.9
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$ (197.4)	\$ (1.7)	(199.1)
Unrealized gain on cash flow hedges:			
Net derivative gains	29.4	(13.6)	15.8
Reclassification adjustments	4.4	(1.1)	3.3
Net gain recognized in other comprehensive income	33.8	(14.7)	19.1
Pension/postretirement:			
Net gains arising during the period	10.7	(3.2)	7.5
Reclassification adjustments	13.1	(3.7)	9.4
Net gain recognized in other comprehensive income	23.8	(6.9)	16.9
Other comprehensive loss	<u>\$ (139.8)</u>	<u>\$ (23.3)</u>	<u>(163.1)</u>
Total comprehensive loss			<u>\$ (141.2)</u>

For the Three Months Ended August 31, 2009			
Net income			\$ 99.7
Other comprehensive income (loss):			
Foreign currency translation adjustments	\$ 59.9	\$ 0.9	60.8
Unrealized gain on cash flow hedges:			
Net derivative gains	9.4	(8.7)	0.7
Reclassification adjustments	6.4	(1.0)	5.4
Net gain recognized in other comprehensive income	15.8	(9.7)	6.1
Pension/postretirement:			
Net losses arising during the period	(0.5)	—	(0.5)
Reclassification adjustments	2.2	(0.6)	1.6
Net loss recognized in other comprehensive income	1.7	(0.6)	1.1
Other comprehensive income	<u>\$ 77.4</u>	<u>\$ (9.4)</u>	<u>68.0</u>
Total comprehensive income			<u>\$ 167.7</u>

For the Three Months Ended August 31, 2008			
Net loss			\$ (22.7)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	\$ (212.3)	\$ (2.7)	(215.0)
Unrealized loss on cash flow hedges:			
Net derivative losses	(1.2)	(3.0)	(4.2)
Reclassification adjustments	0.7	(0.6)	0.1
Net loss recognized in other comprehensive income	(0.5)	(3.6)	(4.1)
Pension/postretirement:			
Net gains arising during the period	9.6	(2.9)	6.7
Reclassification adjustments	10.9	(3.1)	7.8
Net gain recognized in other comprehensive income	20.5	(6.0)	14.5
Other comprehensive loss	<u>\$ (192.3)</u>	<u>\$ (12.3)</u>	<u>(204.6)</u>
Total comprehensive loss			<u>\$ (227.3)</u>

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

<i>(in millions)</i>	Foreign Currency Translation Adjustments	Net Unrealized (Losses) Gains on Derivatives	Pension/ Postretirement Adjustments	Accumulated Other Comprehensive Income
Balance, February 28, 2009	\$ 175.4	\$ (29.0)	\$ (52.2)	\$ 94.2
Current period change	425.6	42.3	(6.1)	461.8
Balance, August 31, 2009	<u>\$ 601.0</u>	<u>\$ 13.3</u>	<u>\$ (58.3)</u>	<u>\$ 556.0</u>

16) RESTRUCTURING CHARGES:

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

Robert Mondavi Plan —

In January 2005, the Company announced a plan to restructure and integrate the operations of The Robert Mondavi Corporation (“Robert Mondavi”) (the “Robert Mondavi Plan”). The objective of the Robert Mondavi Plan is to achieve operational efficiencies and eliminate redundant costs resulting from the December 22, 2004, acquisition of Robert Mondavi. The Robert Mondavi Plan includes the elimination of certain employees, the consolidation of certain field sales and administrative offices, and the termination of various contracts. The Company does not expect any additional costs associated with the Robert Mondavi Plan to be recognized in its Consolidated Statements of Operations. The Company expects the related cash expenditures to be completed by February 29, 2012.

Fiscal 2006 Plan —

During fiscal 2006, the Company announced a plan to reorganize certain worldwide wine operations and a plan to consolidate certain west coast production processes in the U.S. (collectively, the “Fiscal 2006 Plan”). The Fiscal 2006 Plan’s principal features are to reorganize and simplify the infrastructure and reporting structure of the Company’s global wine business and to consolidate certain west coast production processes. All costs and related cash expenditures associated with the Fiscal 2006 Plan were complete as of February 28, 2009.

Vincor Plan —

In July 2006, the Company announced a plan to restructure and integrate the operations of Vincor (the “Vincor Plan”). The objective of the Vincor Plan is to achieve operational efficiencies and eliminate redundant costs resulting from the June 5, 2006, Vincor Acquisition, as well as to achieve greater efficiency in sales, marketing, administrative and operational activities. The Vincor Plan includes the elimination of certain employment redundancies, primarily in the U.S., U.K. and Australia, and the termination of various contracts. The Company does not expect any additional costs associated with the Vincor Plan to be recognized in its Consolidated Statements of Operations. The Company expects the related cash expenditures to be completed by February 29, 2012.

Fiscal 2007 Wine Plan —

In August 2006, the Company announced a plan to invest in new distribution and bottling facilities in the U.K. and to streamline certain Australian wine operations (collectively, the “Fiscal 2007 Wine Plan”). The U.K. portion of the plan includes new investments in property, plant and equipment and certain disposals of property, plant and equipment and is expected to increase wine bottling capacity and efficiency and reduce costs of transport, production and distribution. The U.K. portion of the plan also includes costs for employee terminations. The Australian portion of the plan includes the buy-out of certain grape supply and processing contracts and the sale of certain property, plant and equipment. The initiatives are part of the Company’s ongoing efforts to maximize asset utilization, further reduce costs and improve long-term return on invested capital throughout its international operations. The Company expects all costs associated with the Fiscal 2007 Wine Plan to be recognized in its Consolidated Statements of Operations by February 28, 2010, with the related cash expenditures to be completed by February 28, 2010.

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Fiscal 2008 Plan —

During November 2007, the Company initiated its plans to streamline certain of its international operations, including the consolidation of certain winemaking and packaging operations in Australia, the buy-out of certain grape processing and wine storage contracts in Australia, equipment relocation costs in Australia, and certain employee termination costs. In addition, the Company incurred certain other restructuring charges during the third quarter of fiscal 2008 in connection with the consolidation of certain spirits production processes in the U.S. In January 2008, the Company announced its plans to streamline certain of its operations in the U.S., primarily in connection with the restructuring and integration of the operations acquired in the BWE Acquisition. These initiatives are collectively referred to as the Fiscal 2008 Plan. The Fiscal 2008 Plan is part of the Company's ongoing efforts to maximize asset utilization, further reduce costs and improve long-term return on invested capital throughout its domestic and international operations. The Company expects all costs associated with the Fiscal 2008 Plan to be recognized in its Consolidated Statements of Operations by February 28, 2011, with the majority of the related cash expenditures to be completed by February 28, 2011.

Australian Initiative —

During August 2008, the Company announced a plan to sell certain assets and implement operational changes designed to improve the efficiencies and returns associated with the Australian business, primarily by consolidating certain winemaking and packaging operations and reducing the Company's overall grape supply due to reduced capacity needs resulting from a streamlining of the Company's product portfolio (the "Australian Initiative").

The Australian Initiative includes the planned sale of three wineries and more than 20 vineyard properties, a streamlining of the Company's wine product portfolio and production footprint, the buy-out and/or renegotiation of certain grape supply and other contracts, equipment relocation costs and costs for employee terminations. In connection with the Australian Initiative, the Company recorded restructuring charges on its Consolidated Statements of Operations for the year ended February 28, 2009, of \$46.5 million which represented non-cash charges related to the write-down of property, plant and equipment, held for sale. Of this \$46.5 million, \$31.5 million was recorded on the Company's Consolidated Statements of Operations for the six months and three months ended August 31, 2008. Included in the Company's restructuring charges on its Consolidated Statements of Operations for the six months and three months ended August 31, 2009, is \$0.7 million of net gains related to the sale of property, plant and equipment, held for sale (which are excluded from the restructuring liability rollforward table below). As of August 31, 2009, the Company had \$34.9 million of Australian assets held for sale which are included in property, plant and equipment, net on the Company's Consolidated Balance Sheets. The Company expects all costs associated with the Australian Initiative to be recognized in its Consolidated Statements of Operations by February 28, 2011, with the related cash expenditures to be completed by February 28, 2011.

Fiscal 2010 Global Initiative —

On April 7, 2009, the Company announced its plan to simplify its business, increase efficiencies and reduce its cost structure on a global basis (the "Global Initiative"). The Global Initiative includes an approximately five percent reduction in the Company's global workforce and the closing of certain office, production and warehouse facilities. In addition, the Global Initiative includes the termination of certain contracts, and a streamlining of the Company's production footprint and sales and administrative organizations. Lastly, the Global Initiative includes other non-material restructuring activities primarily in connection with the consolidation of the Company's remaining spirits business into its North American wine business following the recent divestiture of its value spirits business. This initiative is part of the Company's ongoing efforts to maximize asset utilization, reduce costs and improve long-term return on invested capital throughout the Company's operations. The Company expects all costs associated with the Global Initiative to be recognized in its Consolidated Statements of Operations by February 28, 2011, with the majority of the related cash expenditures to be completed by February 28, 2011.

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Restructuring charges consisting of employee termination benefit costs, contract termination costs, and other associated costs are accounted for under either Statement of Financial Accounting Standards No. 112 (“SFAS No. 112”), “Employers’ Accounting for Postemployment Benefits — An Amendment of FASB Statement No. 35,” or Statement of Financial Accounting Standards No. 146 (“SFAS No. 146”), “Accounting for Costs Associated with Exit or Disposal Activities”, as appropriate. Employee termination benefit costs are accounted for under SFAS No. 112, as the Company has had several restructuring programs which have provided employee termination benefits in the past. The Company includes employee severance, related payroll benefit costs such as costs to provide continuing health insurance, and outplacement services as employee termination benefit costs. Contract termination costs, and other associated costs including, but not limited to, facility consolidation and relocation costs are accounted for under SFAS No. 146. Per SFAS No. 146, contract termination costs are costs to terminate a contract that is not a capital lease, including costs to terminate the contract before the end of its term or costs that will continue to be incurred under the contract for its remaining term without economic benefit to the entity. The Company includes costs to terminate certain operating leases for buildings, computer and IT equipment, and costs to terminate contracts, including distributor contracts and contracts for long-term purchase commitments, as contract termination costs. Per SFAS No. 146, other associated costs include, but are not limited to, costs to consolidate or close facilities and relocate employees. The Company includes employee relocation costs and equipment relocation costs as other associated costs.

Details of each plan for which the Company expects to incur additional costs are presented separately in the following table. Plans for which exit activities were completed prior to March 1, 2009, are reported below under “Other Plans.” These plans include the Vincor Plan, the Fiscal 2006 Plan, the Robert Mondavi Plan and certain other immaterial restructuring activities.

<i>(in millions)</i>	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Fiscal 2007 Wine Plan	Other Plans	Total
Restructuring liability, February 28, 2009	\$ —	\$ 1.2	\$ 8.5	\$ 3.2	\$ 9.8	\$ 22.7
Restructuring charges:						
Employee termination benefit costs	17.3	0.5	(0.5)	—	(0.2)	17.1
Contract termination costs	0.5	0.8	0.2	—	—	1.5
Facility consolidation/relocation costs	0.1	0.2	—	—	—	0.3
Restructuring charges, May 31, 2009	17.9	1.5	(0.3)	—	(0.2)	18.9
Employee termination benefit costs	2.9	0.3	—	—	—	3.2
Contract termination costs	0.1	0.3	—	—	—	0.4
Facility consolidation/relocation costs	0.1	—	0.2	—	—	0.3
Restructuring charges, August 31, 2009	3.1	0.6	0.2	—	—	3.9
Total restructuring charges	21.0	2.1	(0.1)	—	(0.2)	22.8
Cash expenditures	(13.8)	(3.6)	(3.5)	(3.2)	(4.5)	(28.6)
Foreign currency translation adjustments	0.8	1.1	0.3	0.3	0.2	2.7
Restructuring liability, August 31, 2009	<u>\$ 8.0</u>	<u>\$ 0.8</u>	<u>\$ 5.2</u>	<u>\$ 0.3</u>	<u>\$ 5.3</u>	<u>\$ 19.6</u>

In connection with the Company’s BWE Acquisition, Vincor Acquisition and the acquisition of all of the outstanding capital stock of The Robert Mondavi Corporation (“Robert Mondavi”), the Company accrued \$24.7 million, \$37.7 million and \$50.5 million of liabilities for exit costs, respectively, as of the respective acquisition date. As of August 31, 2009, the balances of the BWE, Vincor and Robert Mondavi purchase accounting accruals were \$4.8 million, \$0.7 million and \$1.5 million, respectively. As of February 28, 2009, the balances of the BWE, Vincor and Robert Mondavi purchase accounting accruals were \$6.3 million, \$0.7 million and \$2.7 million, respectively.

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For the six months ended August 31, 2009, employee termination benefit costs include a reversal of prior accruals of \$1.0 million associated with the Fiscal 2008 Plan and other immaterial restructuring activities.

In addition, the following table presents other costs incurred in connection with the Company's restructuring activities:

<i>(in millions)</i>	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Fiscal 2007 Wine Plan	Other Plans	Total
For the Six Months Ended August 31, 2009						
Accelerated depreciation/inventory write-down/other costs (cost of product sold)	\$ 7.3	\$ 1.7	\$ —	\$ 8.4	\$ 0.4	\$ 17.8
Asset write-down/other costs (selling, general and administrative expenses)	\$ 21.7	\$ 1.7	\$ 0.1	\$ 0.6	\$ —	\$ 24.1
Acquisition-related integration costs	\$ —	\$ —	\$ 0.1	\$ —	\$ —	\$ 0.1
For the Six Months Ended August 31, 2008						
Accelerated depreciation/inventory write-down (cost of product sold)	\$ —	\$ 48.2	\$ 3.4	\$ 2.3	\$ —	\$ 53.9
Asset write-down/other costs (selling, general and administrative expenses)	\$ —	\$ 1.8	\$ 0.8	\$ 2.5	\$ 0.1	\$ 5.2
Asset impairment (impairment of intangible assets)	\$ —	\$ 21.8	\$ —	\$ —	\$ —	\$ 21.8
Acquisition-related integration costs	\$ —	\$ —	\$ 5.2	\$ —	\$ 0.9	\$ 6.1
For the Three Months Ended August 31, 2009						
Accelerated depreciation/inventory write-down/other costs (cost of product sold)	\$ 7.2	\$ 0.5	\$ —	\$ 5.3	\$ —	\$ 13.0
Asset write-down/other costs (selling, general and administrative expenses)	\$ 8.5	\$ 1.2	\$ —	\$ 0.5	\$ —	\$ 10.2
Acquisition-related integration costs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
For the Three Months Ended August 31, 2008						
Accelerated depreciation/inventory write-down (cost of product sold)	\$ —	\$ 48.2	\$ 0.6	\$ 1.1	\$ —	\$ 49.9
Asset write-down/other costs (selling, general and administrative expenses)	\$ —	\$ 1.8	\$ 0.1	\$ 1.7	\$ 0.1	\$ 3.7
Asset impairment (impairment of intangible assets)	\$ —	\$ 21.8	\$ —	\$ —	\$ —	\$ 21.8
Acquisition-related integration costs	\$ —	\$ —	\$ 1.4	\$ —	\$ 0.4	\$ 1.8

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

<i>(in millions)</i>	Global Initiative	Australian Initiative	Fiscal 2008 Plan	Fiscal 2007 Wine Plan	Other Plans
Costs incurred to date					
Restructuring charges:					
Employee termination benefit costs	\$ 20.2	\$ 8.8	\$ 8.7	\$ 4.3	\$ 37.9
Contract termination costs	0.6	1.6	1.4	24.0	0.5
Facility consolidation/relocation costs	0.2	0.9	1.1	—	1.7
Impairment charges on assets held for sale, net of gains on sales of assets held for sale	—	45.8	—	—	—
Total restructuring charges	21.0	57.1	11.2	28.3	40.1
Other costs:					
Accelerated depreciation/inventory write-down/other costs (cost of product sold)	7.3	59.2	17.9	20.6	23.5
Asset write-down/other costs (selling, general and administrative expenses)	21.7	6.6	2.5	31.1	5.0
Asset impairment (impairment of goodwill and intangible assets)	—	21.8	7.4	—	0.4
Acquisition-related integration costs	—	—	12.3	—	57.7
Total other costs	29.0	87.6	40.1	51.7	86.6
Total costs incurred to date	\$ 50.0	\$ 144.7	\$ 51.3	\$ 80.0	\$ 126.7
Total expected costs					
Restructuring charges:					
Employee termination benefit costs	\$ 25.4	\$ 11.3	\$ 8.7	\$ 4.3	\$ 37.9
Contract termination costs	35.4	2.1	1.4	24.0	0.5
Facility consolidation/relocation costs	1.9	2.2	3.5	—	1.7
Impairment charges on assets held for sale, net of gains on sales of assets held for sale	—	45.3	—	—	—
Total restructuring charges	62.7	60.9	13.6	28.3	40.1
Other costs:					
Accelerated depreciation/inventory write-down/other costs (cost of product sold)	23.7	62.6	17.9	22.9	23.5
Asset write-down/other costs (selling, general and administrative expenses)	36.4	21.5	3.2	32.1	5.0
Asset impairment (impairment of goodwill and intangible assets)	—	21.8	7.4	—	0.4
Acquisition-related integration costs	—	—	14.5	—	57.7
Total other costs	60.1	105.9	43.0	55.0	86.6
Total expected costs	\$ 122.8	\$ 166.8	\$ 56.6	\$ 83.3	\$ 126.7

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17) ACQUISITION-RELATED INTEGRATION COSTS:

For the six months ended August 31, 2009, the Company recorded \$0.1 million of acquisition-related integration costs associated with the Fiscal 2008 Plan. The Company defines acquisition-related integration costs as nonrecurring costs incurred to integrate newly acquired businesses after a business combination which are incremental to those of the Company prior to the business combination. As such, acquisition-related integration costs include, but are not limited to, (i) employee-related costs such as salaries and stay bonuses paid to employees of the acquired business that will be terminated after their integration activities are completed, (ii) costs to relocate fixed assets and inventories, and (iii) facility costs and other one-time costs such as external services and consulting fees. For the six months ended August 31, 2009, acquisition-related integration costs consists of \$0.1 million of facilities and other one-time costs. For the six months and three months ended August 31, 2008, the Company recorded \$6.1 million and \$1.8 million, respectively, of acquisition-related integration costs associated primarily with the Fiscal 2008 Plan.

18) CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of August 31, 2009, and February 28, 2009, the condensed consolidating statements of operations for the six months and three months ended August 31, 2009, and August 31, 2008, and the condensed consolidating statements of cash flows for the six months ended August 31, 2009, and August 31, 2008, for the Company, the parent company, the combined subsidiaries of the Company which guarantee the Company's senior notes and senior subordinated notes ("Subsidiary Guarantors") and the combined subsidiaries of the Company which are not Subsidiary Guarantors (primarily foreign subsidiaries) ("Subsidiary Nonguarantors"). The Subsidiary Guarantors are wholly-owned and the guarantees are full, unconditional, joint and several obligations of each of the Subsidiary Guarantors. Separate financial statements for the Subsidiary Guarantors of the Company are not presented because the Company has determined that such financial statements would not be material to investors. The accounting policies of the parent company, the Subsidiary Guarantors and the Subsidiary Nonguarantors are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009, 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.

<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Balance Sheet at August 31, 2009					
Current assets:					
Cash and cash investments	\$ 0.7	\$ 4.1	\$ 14.9	\$ —	\$ 19.7
Accounts receivable, net	370.6	37.2	379.5	—	787.3
Inventories	112.2	900.9	820.1	(9.2)	1,824.0
Prepaid expenses and other	12.6	107.2	62.3	5.5	187.6
Intercompany receivable (payable)	160.2	(228.6)	68.4	—	—
Total current assets	656.3	820.8	1,345.2	(3.7)	2,818.6
Property, plant and equipment, net	48.5	802.9	771.1	—	1,622.5
Investments in subsidiaries	6,089.8	118.1	—	(6,207.9)	—
Goodwill	—	1,986.0	565.3	—	2,551.3
Intangible assets, net	—	684.8	340.5	—	1,025.3
Other assets, net	89.8	218.9	106.8	0.7	416.2
Total assets	<u>\$ 6,884.4</u>	<u>\$ 4,631.5</u>	<u>\$ 3,128.9</u>	<u>\$ (6,210.9)</u>	<u>\$ 8,433.9</u>

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<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Current liabilities:					
Notes payable to banks	\$ 93.2	\$ —	\$ 102.7	\$ —	\$ 195.9
Current maturities of long-term debt	275.1	1.5	0.8	—	277.4
Accounts payable	11.7	112.0	174.8	—	298.5
Accrued excise taxes	16.1	—	65.5	—	81.6
Other accrued expenses and liabilities	165.7	192.1	214.1	3.5	575.4
Total current liabilities	561.8	305.6	557.9	3.5	1,428.8
Long-term debt, less current maturities	3,670.1	6.2	14.5	—	3,690.8
Deferred income taxes	1.6	447.9	77.5	0.7	527.7
Other liabilities	135.6	39.3	96.4	—	271.3
Stockholders' equity:					
Preferred stock	—	9.0	1,430.9	(1,439.9)	—
Class A and Class B Convertible Common Stock	2.5	100.7	184.0	(284.7)	2.5
Additional paid-in capital	1,458.4	1,280.3	1,269.0	(2,549.3)	1,458.4
Retained earnings	1,109.7	2,423.3	(1,102.4)	(1,320.9)	1,109.7
Accumulated other comprehensive income	556.0	19.2	601.1	(620.3)	556.0
Treasury stock	(611.3)	—	—	—	(611.3)
Total stockholders' equity	2,515.3	3,832.5	2,382.6	(6,215.1)	2,515.3
Total liabilities and stockholders' equity	\$ 6,884.4	\$ 4,631.5	\$ 3,128.9	\$ (6,210.9)	\$ 8,433.9

Condensed Consolidating Balance Sheet at February 28, 2009

Current assets:					
Cash and cash investments	\$ 2.3	\$ 3.7	\$ 7.1	\$ —	\$ 13.1
Accounts receivable, net	198.9	73.3	252.4	—	524.6
Inventories	43.1	1,125.7	668.6	(8.7)	1,828.7
Prepaid expenses and other	4.9	117.8	41.7	3.7	168.1
Intercompany receivable (payable)	681.4	(800.8)	119.4	—	—
Total current assets	930.6	519.7	1,089.2	(5.0)	2,534.5
Property, plant and equipment, net	47.0	854.4	646.1	—	1,547.5
Investments in subsidiaries	5,406.4	100.4	—	(5,506.8)	—
Goodwill	—	2,144.5	470.5	—	2,615.0
Intangible assets, net	—	720.4	280.2	—	1,000.6
Other assets, net	38.3	215.9	88.8	(4.1)	338.9
Total assets	\$ 6,422.3	\$ 4,555.3	\$ 2,574.8	\$ (5,515.9)	\$ 8,036.5

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<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Current liabilities:					
Notes payable to banks	\$ 67.2	\$ —	\$ 160.1	\$ —	\$ 227.3
Current maturities of long-term debt	224.3	2.9	8.0	—	235.2
Accounts payable	4.0	123.6	161.1	—	288.7
Accrued excise taxes	5.7	16.1	35.8	—	57.6
Other accrued expenses and liabilities	129.0	213.6	173.2	1.8	517.6
Total current liabilities	430.2	356.2	538.2	1.8	1,326.4
Long-term debt, less current maturities	3,951.2	7.2	12.7	—	3,971.1
Deferred income taxes	—	488.1	59.6	(4.1)	543.6
Other liabilities	132.6	48.0	106.5	—	287.1
Stockholders' equity:					
Preferred stock	—	9.0	1,430.9	(1,439.9)	—
Class A and Class B Convertible Common Stock	2.5	100.7	184.0	(284.7)	2.5
Additional paid-in capital	1,426.3	1,280.3	1,245.0	(2,525.3)	1,426.3
Retained earnings	1,003.5	2,259.8	(1,137.5)	(1,122.3)	1,003.5
Accumulated other comprehensive income	94.2	6.0	135.4	(141.4)	94.2
Treasury stock	(618.2)	—	—	—	(618.2)
Total stockholders' equity	1,908.3	3,655.8	1,857.8	(5,513.6)	1,908.3
Total liabilities and stockholders' equity	<u>\$ 6,422.3</u>	<u>\$ 4,555.3</u>	<u>\$ 2,574.8</u>	<u>\$ (5,515.9)</u>	<u>\$ 8,036.5</u>

**Condensed Consolidating Statement of Operations for the Six
Months Ended August 31, 2009**

Sales	\$ 285.8	\$ 940.4	\$ 1,020.6	\$ (152.3)	\$ 2,094.5
Less — excise taxes	(74.2)	(57.1)	(294.8)	—	(426.1)
Net sales	211.6	883.3	725.8	(152.3)	1,668.4
Cost of product sold	(101.8)	(524.4)	(563.6)	99.7	(1,090.1)
Gross profit	109.8	358.9	162.2	(52.6)	578.3
Selling, general and administrative expenses	(121.5)	(139.3)	(125.1)	51.5	(334.4)
Impairment of intangible assets	—	—	—	—	—
Restructuring charges	0.4	(11.3)	(11.2)	—	(22.1)
Acquisition-related integration costs	—	(0.1)	—	—	(0.1)
Operating (loss) income	(11.3)	208.2	25.9	(1.1)	221.7
Equity in earnings of equity method investees and subsidiaries	203.8	138.4	1.9	(208.1)	136.0
Interest expense, net	(108.7)	(21.6)	(3.1)	—	(133.4)
Income before income taxes	83.8	325.0	24.7	(209.2)	224.3
Benefit from (provision for) income taxes	22.4	(161.5)	20.1	0.9	(118.1)
Net income	<u>\$ 106.2</u>	<u>\$ 163.5</u>	<u>\$ 44.8</u>	<u>\$ (208.3)</u>	<u>\$ 106.2</u>

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<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Operations for the Six					
Months Ended August 31, 2008					
Sales	\$ 266.9	\$ 1,232.1	\$ 1,164.9	\$ (212.7)	\$ 2,451.2
Less — excise taxes	(36.3)	(223.0)	(303.6)	—	(562.9)
Net sales	230.6	1,009.1	861.3	(212.7)	1,888.3
Cost of product sold	(120.4)	(628.4)	(659.7)	155.0	(1,253.5)
Gross profit	110.2	380.7	201.6	(57.7)	634.8
Selling, general and administrative expenses	(131.2)	(159.9)	(222.5)	54.9	(458.7)
Impairment of intangible assets	—	—	(21.8)	—	(21.8)
Restructuring charges	—	(0.7)	(35.3)	—	(36.0)
Acquisition-related integration costs	(0.1)	(5.3)	(0.7)	—	(6.1)
Operating (loss) income	(21.1)	214.8	(78.7)	(2.8)	112.2
Equity in earnings (loss) of equity method investees and subsidiaries	106.2	134.1	(1.7)	(96.4)	142.2
Interest expense, net	(118.3)	(38.3)	(10.7)	—	(167.3)
(Loss) income before income taxes	(33.2)	310.6	(91.1)	(99.2)	87.1
Benefit from (provision for) income taxes	55.1	(125.3)	4.6	0.4	(65.2)
Net income (loss)	<u>\$ 21.9</u>	<u>\$ 185.3</u>	<u>\$ (86.5)</u>	<u>\$ (98.8)</u>	<u>\$ 21.9</u>
Condensed Consolidating Statement of Operations for the Three					
Months Ended August 31, 2009					
Sales	\$ 102.3	\$ 504.5	\$ 536.4	\$ (52.5)	\$ 1,090.7
Less — excise taxes	(27.7)	(33.7)	(152.5)	—	(213.9)
Net sales	74.6	470.8	383.9	(52.5)	876.8
Cost of product sold	(23.7)	(275.8)	(294.1)	26.4	(567.2)
Gross profit	50.9	195.0	89.8	(26.1)	309.6
Selling, general and administrative expenses	(58.3)	(66.4)	(70.4)	27.3	(167.8)
Impairment of intangible assets	—	—	—	—	—
Restructuring charges	—	(0.7)	(2.5)	—	(3.2)
Acquisition-related integration costs	—	—	—	—	—
Operating (loss) income	(7.4)	127.9	16.9	1.2	138.6
Equity in earnings of equity method investees and subsidiaries	127.9	73.0	1.9	(129.6)	73.2
Interest expense, net	(50.1)	(14.7)	(1.8)	—	(66.6)
Income before income taxes	70.4	186.2	17.0	(128.4)	145.2
Benefit from (provision for) income taxes	29.3	(84.6)	9.4	0.4	(45.5)
Net income	<u>\$ 99.7</u>	<u>\$ 101.6</u>	<u>\$ 26.4</u>	<u>\$ (128.0)</u>	<u>\$ 99.7</u>

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(in millions)

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Operations for the Three					
Months Ended August 31, 2008					
Sales	\$ 129.5	\$ 623.6	\$ 593.8	\$ (107.7)	\$ 1,239.2
Less — excise taxes	(16.7)	(114.2)	(151.8)	—	(282.7)
Net sales	112.8	509.4	442.0	(107.7)	956.5
Cost of product sold	(56.0)	(311.4)	(359.1)	75.8	(650.7)
Gross profit	56.8	198.0	82.9	(31.9)	305.8
Selling, general and administrative expenses	(69.4)	(46.6)	(138.1)	28.9	(225.2)
Impairment of intangible assets	—	—	(21.8)	—	(21.8)
Restructuring charges	—	(0.4)	(35.1)	—	(35.5)
Acquisition-related integration costs	(0.1)	(1.5)	(0.2)	—	(1.8)
Operating (loss) income	(12.7)	149.5	(112.3)	(3.0)	21.5
Equity in earnings (loss) of equity method investees and subsidiaries	11.7	68.2	(3.7)	(6.1)	70.1
Interest expense, net	(59.7)	(15.6)	(5.4)	—	(80.7)
(Loss) income before income taxes	(60.7)	202.1	(121.4)	(9.1)	10.9
Benefit from (provision for) income taxes	38.0	(79.8)	7.6	0.6	(33.6)
Net (loss) income	\$ (22.7)	\$ 122.3	\$ (113.8)	\$ (8.5)	\$ (22.7)

Condensed Consolidating Statement of Cash Flows for the Six					
Months Ended August 31, 2009					
Net cash (used in) provided by operating activities	\$ (198.5)	\$ 247.4	\$ 48.5	\$ —	\$ 97.4
Cash flows from investing activities:					
Proceeds from sale of business	—	262.1	14.3	—	276.4
Proceeds from sales of assets	—	0.1	14.4	—	14.5
Purchases of property, plant and equipment	(2.8)	(41.7)	(20.6)	—	(65.1)
Investment in equity method investee	—	(0.5)	—	—	(0.5)
Purchase of business, net of cash acquired	—	—	—	—	—
Other investing activities	1.0	—	0.2	—	1.2
Net cash (used in) provided by investing activities	(1.8)	220.0	8.3	—	226.5
Cash flows from financing activities:					
Intercompany financings, net	420.5	(464.9)	44.4	—	—
Principal payments of long-term debt	(261.3)	(2.1)	(8.0)	—	(271.4)
Net proceeds from (repayment of) notes payable	26.0	—	(86.2)	—	(60.2)
Exercise of employee stock options	9.0	—	—	—	9.0
Proceeds from employee stock purchases	2.3	—	—	—	2.3
Excess tax benefits from share-based payment awards	2.2	—	—	—	2.2
Net cash provided by (used in) financing activities	198.7	(467.0)	(49.8)	—	(318.1)
Effect of exchange rate changes on cash and cash investments	—	—	0.8	—	0.8

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<i>(in millions)</i>	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Net (decrease) increase in cash and cash investments	(1.6)	0.4	7.8	—	6.6
Cash and cash investments, beginning of period	2.3	3.7	7.1	—	13.1
Cash and cash investments, end of period	<u>\$ 0.7</u>	<u>\$ 4.1</u>	<u>\$ 14.9</u>	<u>\$ —</u>	<u>\$ 19.7</u>
Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2008					
Net cash (used in) provided by operating activities	\$ (117.8)	\$ 346.3	\$ (51.7)	\$ —	\$ 176.8
Cash flows from investing activities:					
Proceeds from sale of business	(2.4)	206.6	—	—	204.2
Proceeds from sales of assets	—	0.3	15.7	—	16.0
Purchases of property, plant and equipment	(1.5)	(21.2)	(29.3)	—	(52.0)
Investment in equity method investee	—	(0.6)	—	—	(0.6)
Purchase of business, net of cash acquired	(0.5)	10.9	(9.8)	—	0.6
Other investing activities	—	11.3	—	—	11.3
Net cash (used in) provided by investing activities	<u>(4.4)</u>	<u>207.3</u>	<u>(23.4)</u>	<u>—</u>	<u>179.5</u>
Cash flows from financing activities:					
Intercompany financings, net	476.7	(550.0)	73.3	—	—
Principal payments of long-term debt	(91.7)	(5.4)	(2.4)	—	(99.5)
Net (repayment of) proceeds from notes payable	(290.0)	—	9.0	—	(281.0)
Exercise of employee stock options	19.2	—	—	—	19.2
Proceeds from employee stock purchases	2.9	—	—	—	2.9
Excess tax benefits from share-based payment awards	6.4	—	—	—	6.4
Net cash provided by (used in) financing activities	<u>123.5</u>	<u>(555.4)</u>	<u>79.9</u>	<u>—</u>	<u>(352.0)</u>
Effect of exchange rate changes on cash and cash investments	—	—	0.1	—	0.1
Net increase (decrease) in cash and cash investments	1.3	(1.8)	4.9	—	4.4
Cash and cash investments, beginning of period	0.3	2.8	17.4	—	20.5
Cash and cash investments, end of period	<u>\$ 1.6</u>	<u>\$ 1.0</u>	<u>\$ 22.3</u>	<u>\$ —</u>	<u>\$ 24.9</u>

19) BUSINESS SEGMENT INFORMATION:

Prior to May 1, 2009, the Company's internal management financial reporting consisted of three business divisions: Constellation Wines, Constellation Spirits and Crown Imports. Subsequent to the Company's divestiture of its value spirits business, the Company integrated its remaining spirits brands into the Constellation Wines business. As a result, on May 1, 2009, the Company changed its internal management financial reporting to consist of two business divisions: Constellation Wines and Crown Imports. Consequently, the Company now reports its operating results in three segments: Constellation Wines (branded wine, spirits and other), Corporate Operations and Other, and Crown Imports (imported beer). The new business segments reflect how the Company's operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting. Amounts included in the Corporate Operations and Other segment consist of general corporate administration and finance expenses. These amounts include costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations, global information technology and global strategic sourcing. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief operating decision maker's evaluation of the operating income performance of the other operating segments.

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

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For the six months and three months ended August 31, 2009, and August 31, 2008, acquisition-related integration costs, restructuring charges and unusual costs included in operating income consist of:

<i>(in millions)</i>	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2009	2008	2009	2008
Cost of Product Sold				
Accelerated depreciation	\$ 14.0	\$ 6.3	\$ 11.1	\$ 2.3
Flow through of inventory step-up	5.2	10.6	2.5	4.3
Inventory write-downs	1.0	47.6	0.6	47.6
Other	2.8	0.1	1.3	—
Cost of Product Sold	23.0	64.6	15.5	54.2
Selling, General and Administrative Expenses				
Net gain on sale of value spirits business	(0.2)	—	—	—
Loss (gain) on sale of Pacific Northwest Business	—	23.2	—	(0.2)
Loss on sale of nonstrategic assets	—	8.3	—	7.8
Other costs	24.1	5.2	10.2	3.7
Selling, General and Administrative Expenses	23.9	36.7	10.2	11.3
Impairment of Intangible Assets	—	21.8	—	21.8
Restructuring Charges	22.1	36.0	3.2	35.5
Acquisition-Related Integration Costs	0.1	6.1	—	1.8
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs	<u>\$ 69.1</u>	<u>\$ 165.2</u>	<u>\$ 28.9</u>	<u>\$ 124.6</u>

For the six months and three months ended August 31, 2008, acquisition-related integration costs, restructuring charges and unusual costs included in equity in earnings of equity method investees of \$4.1 million consist of an impairment loss of an Australian investment.

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, 2009, and include the recently adopted accounting pronouncements described in Note 2 herein.

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Segment information is as follows:

<i>(in millions)</i>	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
	2009	2008	2009	2008
Constellation Wines:				
Net sales:				
Branded wine	\$ 1,440.3	\$ 1,547.8	\$ 752.4	\$ 782.1
Spirits	125.0	214.7	64.9	109.1
Other	103.1	125.8	59.5	65.3
Net sales	\$ 1,668.4	\$ 1,888.3	\$ 876.8	\$ 956.5
Segment operating income	\$ 335.5	\$ 327.6	\$ 187.9	\$ 172.3
Equity in earnings of equity method investees	\$ 0.9	\$ 2.2	\$ 1.0	\$ (0.2)
Long-lived tangible assets	\$ 1,562.9	\$ 1,712.8	\$ 1,562.9	\$ 1,712.8
Investment in equity method investees	\$ 131.9	\$ 227.2	\$ 131.9	\$ 227.2
Total assets	\$ 8,171.8	\$ 9,125.5	\$ 8,171.8	\$ 9,125.5
Capital expenditures	\$ 44.3	\$ 51.0	\$ 16.0	\$ 29.2
Depreciation and amortization	\$ 76.6	\$ 79.3	\$ 42.7	\$ 38.1
Corporate Operations and Other:				
Net sales	\$ —	\$ —	\$ —	\$ —
Segment operating loss	\$ (44.7)	\$ (50.2)	\$ (20.4)	\$ (26.2)
Long-lived tangible assets	\$ 59.6	\$ 39.8	\$ 59.6	\$ 39.8
Total assets	\$ 113.8	\$ 145.9	\$ 113.8	\$ 145.9
Capital expenditures	\$ 20.8	\$ 1.0	\$ 2.0	\$ 0.6
Depreciation and amortization	\$ 6.5	\$ 5.9	\$ 3.2	\$ 2.9
Crown Imports:				
Net sales	\$ 1,328.8	\$ 1,404.6	\$ 693.0	\$ 732.1
Segment operating income	\$ 270.7	\$ 287.4	\$ 144.7	\$ 148.8
Long-lived tangible assets	\$ 5.7	\$ 4.1	\$ 5.7	\$ 4.1
Total assets	\$ 378.6	\$ 400.1	\$ 378.6	\$ 400.1
Capital expenditures	\$ 0.8	\$ 0.1	\$ 0.3	\$ 0.1
Depreciation and amortization	\$ 0.5	\$ 0.5	\$ 0.2	\$ 0.2
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs:				
Operating loss	\$ (69.1)	\$ (165.2)	\$ (28.9)	\$ (124.6)
Equity in losses of equity method investees	\$ —	\$ (4.1)	\$ —	\$ (4.1)
Consolidation and Eliminations:				
Net sales	\$ (1,328.8)	\$ (1,404.6)	\$ (693.0)	\$ (732.1)
Operating income	\$ (270.7)	\$ (287.4)	\$ (144.7)	\$ (148.8)
Equity in earnings of Crown Imports	\$ 135.1	\$ 144.1	\$ 72.2	\$ 74.4
Long-lived tangible assets	\$ (5.7)	\$ (4.1)	\$ (5.7)	\$ (4.1)
Investment in equity method investees	\$ 148.3	\$ 150.4	\$ 148.3	\$ 150.4
Total assets	\$ (230.3)	\$ (249.7)	\$ (230.3)	\$ (249.7)
Capital expenditures	\$ (0.8)	\$ (0.1)	\$ (0.3)	\$ (0.1)
Depreciation and amortization	\$ (0.5)	\$ (0.5)	\$ (0.2)	\$ (0.2)

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(in millions)	For the Six Months		For the Three Months	
	Ended August 31,		Ended August 31,	
	2009	2008	2009	2008
<u>Consolidated:</u>				
Net sales	\$ 1,668.4	\$ 1,888.3	\$ 876.8	\$ 956.5
Operating income	\$ 221.7	\$ 112.2	\$ 138.6	\$ 21.5
Equity in earnings of equity method investees	\$ 136.0	\$ 142.2	\$ 73.2	\$ 70.1
Long-lived tangible assets	\$ 1,622.5	\$ 1,752.6	\$ 1,622.5	\$ 1,752.6
Investment in equity method investees	\$ 280.2	\$ 377.6	\$ 280.2	\$ 377.6
Total assets	\$ 8,433.9	\$ 9,421.8	\$ 8,433.9	\$ 9,421.8
Capital expenditures	\$ 65.1	\$ 52.0	\$ 18.0	\$ 29.8
Depreciation and amortization	\$ 83.1	\$ 85.2	\$ 45.9	\$ 41.0

20) ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED:

In December 2008, the FASB issued FASB Staff Position No. FAS 132(R)-1 (“FSP No. 132(R)-1”), “Employers’ Disclosures about Postretirement Benefit Plan Assets.” FSP No. 132(R)-1 amends Statement of Financial Accounting Standards No. 132(R), “Employers’ Disclosures about Pensions and Other Postretirement Benefits,” to provide guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The Company is required to adopt the additional disclosure requirements of FSP No. 132(R)-1 for its annual period ending February 28, 2010. The Company is currently assessing the impact of FSP No. 132(R)-1 on its consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167 (“SFAS No. 167”), “Amendments to FASB Interpretation No. 46(R),” which, among other things, amends FASB Interpretation No. 46(R) (“FIN No. 46(R)”), “Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51,” to (i) require an entity to perform an analysis to determine whether an entity’s variable interest or interests give it a controlling financial interest in a variable interest entity; (ii) require ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; (iii) amend certain guidance in FIN No. 46(R) for determining whether an entity is a variable interest entity; and (iv) require enhanced disclosure that will provide users of financial statements with more transparent information about an entity’s involvement in a variable interest entity. The Company is required to adopt the provisions of SFAS No. 167 for its annual and interim periods beginning March 1, 2010. The Company is currently assessing the impact of SFAS No. 167 on its consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168 (“SFAS No. 168”), “The *FASB Accounting Standards Codification*™ and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162.” SFAS No. 168 replaces Statement of Financial Accounting Standards No. 162, “The Hierarchy of Generally Accepted Accounting Principles,” and identifies the sources of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the U.S. The Company is required to adopt the provisions of SFAS No. 168 for its interim period ending November 30, 2009. The Company does not expect the adoption of SFAS No. 168 to have a material impact on its consolidated financial statements.

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

Overview

The Company is the world’s leading wine company with a strong portfolio of consumer-preferred premium wine brands complemented by spirits, imported beer and other select beverage alcohol products. The Company continues to supply imported beer in the United States (“U.S.”) through its investment in a joint venture with Grupo Modelo, S.A.B. de C.V. This imported beers joint venture operates as Crown Imports LLC and is referred to hereinafter as “Crown Imports.” The Company is the leading premium wine company in the U.S.; a leading producer and exporter of wine from Australia and New Zealand; the largest producer and marketer of wine in Canada; and a major supplier of beverage alcohol in the United Kingdom (“U.K.”). Through its investment in a joint venture with Punch Taverns plc, the Company has an interest in a U.K. wholesale business (“Matthew Clark”), which is the U.K.’s largest independent premier drinks wholesaler serving the on-trade drinks industry.

In connection with the Company’s divestiture of its value spirits business and the integration of the retained spirits brands into the Constellation Wines business (see “Divestitures in Fiscal 2010 and Fiscal 2009” below), the Company changed its internal management financial reporting on May 1, 2009, to consist of two business divisions: Constellation Wines and Crown Imports. Accordingly, the Company now reports its operating results in three segments: Constellation Wines (branded wine, spirits and other), Corporate Operations and Other, and Crown Imports (imported beer). Prior to the divestiture of the value spirits business, the Company’s internal management financial reporting included the Constellation Spirits business division. Amounts included in the Corporate Operations and Other segment consist of general corporate administration and finance expenses. These amounts include costs of executive management, corporate development, corporate finance, human resources, internal audit, investor relations, legal, public relations, global information technology and global supply chain. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief operating decision maker’s evaluation of the operating income performance of the other reportable segments.

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

The Company’s business strategy is to remain focused on consumer preferred premium wine brands, complemented by premium spirits and imported beers. The Company intends to continue to focus on fast growing premium product categories and geographic markets and expects to capitalize on its size and scale in the marketplace to profitably grow the business. The Company has implemented a strategic project to consolidate its U.S. distributor network in key markets and create a new go-to-market strategy designed to focus the full power of its U.S. wine and spirits portfolio in order to improve alignment of dedicated, selling resources which is expected to drive execution and accountability. The Company believes that this is the right strategy to take in order to position the Company for future growth in a consolidating market. The Company remains committed to its long-term financial model of growing sales, expanding margins, increasing cash flow and reducing borrowings to achieve earnings per share growth and improve return on invested capital.

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Worldwide and domestic economies have experienced adverse conditions and may be subject to further deterioration. The economic and consumer conditions in the Company's key markets and on a global basis are currently very challenging. Accordingly, the current competitive environment in the marketplace remains intense. While the global credit and capital markets may be showing signs of improvement, the global economic situation has or could adversely affect the Company's major suppliers, distributors and retailers. The inability of suppliers, distributors or retailers to conduct business or to access liquidity could adversely impact the Company's business and financial performance. In order to mitigate the impact of these challenging conditions, the Company continues to focus on improving operating efficiencies, containing costs, optimizing cash flow, reducing borrowings and increasing return on invested capital. The Company has also maintained adequate liquidity to meet current obligations and fund capital expenditures. However, changing conditions in the worldwide and domestic economies could have a material impact on the Company's business, liquidity, financial condition and results of operations.

Marketing, sales and distribution of the Company's products are managed on a geographic basis in order to fully leverage leading market positions within each core market. Market dynamics and consumer trends vary significantly across the Company's five core markets (U.S., Canada, U.K., Australia and New Zealand) within the Company's three geographic regions (North America, Europe and Australia/New Zealand). Within North America, the Company offers a range of beverage alcohol products across the branded wine and spirits and, through Crown Imports, imported beer categories in the U.S. Within the Company's remaining geographies, the Company offers primarily branded wine.

The environment for the Company's products is competitive in each of the Company's core markets, due, in part, to industry and retail consolidation. In particular, the U.K. and Australian markets are highly competitive, as further described below.

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

Due to competitive conditions in the U.K. and Australia, it has been difficult for the Company in recent fiscal periods to recover certain cost increases, in particular, the duty increases in the U.K. which have been imposed at least annually for the past several years. In the U.K., significant consolidation at the retail level has resulted in a limited number of large retailers controlling a significant portion of the off-premise wine business. The continuing surplus of Australian wine has made and continues to make very low cost bulk wine available to these U.K. retailers which has allowed certain of these large retailers to create and build private label brands in the Australian wine category. During the first quarter of calendar 2008, the Company implemented price increases in the U.K. and Australia. In addition, price increases were implemented in the U.K. in the last quarter of calendar 2008 and early in the second quarter of calendar 2009. These increases were implemented in an effort to cover certain cost increases, including the U.K. duty increases, and to improve profitability; however, the concentrated retail environment, competition from private label causing deterioration of retail pricing, foreign exchange volatility, and the continuing consumer recession have all contributed to declining gross margins for the Company's U.K. and Australian businesses for the six months and three months ended August 31, 2009 ("Six Months 2010" and "Second Quarter 2010", respectively).

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The three years prior to the calendar 2007 Australian grape harvest were all years of record Australian grape harvests which contributed to the current surplus of Australian bulk wine. The calendar 2007 Australian grape harvest was significantly lower than the calendar 2006 Australian grape harvest as a result of an ongoing drought and late spring frosts in several regions. As a result of various conditions surrounding the calendar 2008 Australian grape harvest, the Company previously expected the supply of wine to continue to move toward balance with demand. However, the calendar 2008 Australian grape harvest was higher than expected. Although the calendar 2009 Australian grape harvest came in lower than the calendar 2008 Australian grape harvest, the total intake continues to exceed the current annual global demand for Australian wine products. Accordingly, the current Australian bulk wine surplus and related intense competitive conditions in the U.K. and Australian markets are not expected to subside in the near term. In the U.S., the calendar 2009 grape harvest is expected to be similar in size to slightly larger than the calendar 2008 grape harvest. Accordingly, the Company continues to expect the overall supply of wine to remain generally in balance with demand within the U.S.

For Second Quarter 2010, the Company's net sales decreased 8% over the three months ended August 31, 2008 ("Second Quarter 2009"), primarily due to the divestitures of the value spirits business (see "Divestitures in Fiscal 2010 and Fiscal 2009" below) and a Canadian distilling facility combined with an unfavorable year-over-year foreign currency translation. Operating income increased significantly over the comparable prior year period primarily due to lower unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. The significant amount of unusual items recognized in Second Quarter 2009 were related to the Company's plan to sell certain assets and implement operational changes designed to improve the efficiencies and returns associated with the Australian business, primarily by consolidating certain winemaking and packaging operations and reducing the Company's overall grape supply due to reduced capacity needs resulting from a streamlining of the Company's product portfolio (the "Australian Initiative"). In addition, operating income benefitted from the Company's cost reduction initiatives, including reduced advertising and selling expenditures; an increase in the U.S. branded wine net sales in connection with the Company's Second Quarter 2010 U.S. distributor consolidation initiative; and an overlap of prior year losses on foreign currency transactions; partially offset by the declining margins in the Company's international businesses and the divestitures discussed above. The Company recognized net income for Second Quarter 2010 as compared to a net loss for Second Quarter 2009 primarily due to the items discussed above combined with lower interest expense and a reduction in the Company's provision for income taxes.

For Six Months 2010, the Company's net sales decreased 12% over the six months ended August 31, 2008 ("Six Months 2009"), primarily due to an unfavorable year-over-year foreign currency translation impact and the divestitures of (i) the value spirits business, (ii) a Canadian distilling facility and (iii) the Pacific Northwest Business (see "Divestitures in Fiscal 2010 and Fiscal 2009" below). Operating income increased significantly over the comparable prior year period primarily due to the lower unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, recorded primarily in connection with the Company's Australian Initiative for Six Months 2009. In addition, operating income benefitted from the Company's cost reduction initiatives, including reduced advertising and selling expenditures, an overlap of prior year losses on foreign currency transactions; and an increase in U.S. branded wine net sales in connection with the Company's Second Quarter 2010 U.S. distributor consolidation initiative; partially offset by the declining margins in the Company's international businesses and the divestitures discussed above. Net income increased significantly over the comparable prior year period primarily due to the items discussed above combined with lower interest expense and a reduction in the Company's provision for income taxes.

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The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for Second Quarter 2010 compared to Second Quarter 2009 and Six Months 2010 compared to Six Months 2009 and (ii) financial liquidity and capital resources for Second Quarter 2010. This discussion and analysis also identifies certain acquisition-related integration costs, restructuring charges and unusual items expected to affect consolidated results of operations of the Company for the fiscal year ending February 28, 2010 ("Fiscal 2010"). 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 Fiscal 2009.

Divestitures in Fiscal 2010 and Fiscal 2009

Value Spirits Business

In March 2009, the Company sold its value spirits business for \$336.4 million, net of direct costs to sell. The Company received \$276.4 million, net of direct costs to sell, in cash proceeds and a note receivable for \$60.0 million. The Company retained certain mid-premium spirits brands, including SVEDKA Vodka, Black Velvet Canadian Whisky and Paul Masson Grande Amber Brandy. This transaction is consistent with the Company's strategic focus on premium, higher growth and higher margin brands in its portfolio. In connection with the classification of the value spirits business as an asset group held for sale as of February 28, 2009, the Company recorded a loss of \$15.6 million in the fourth quarter of fiscal 2009, primarily related to asset impairments. In the first quarter of fiscal 2010, the Company recognized a net gain of \$0.2 million, which included a gain on settlement of a postretirement obligation of \$1.0 million, partially offset by an additional loss of \$0.8 million. This net gain is included in selling, general and administrative expenses for Six Months 2010 on the Company's Consolidated Statements of Operations.

Pacific Northwest Business

In June 2008, the Company sold certain businesses consisting of several California wineries and wine brands acquired in the December 2007 acquisition of all of the issued and outstanding capital stock of Beam Wine Estates, Inc. ("BWE") (the "BWE Acquisition"), as well as certain wineries and wine brands from the states of Washington and Idaho (collectively, the "Pacific Northwest Business") for cash proceeds of \$204.2 million, net of direct costs to sell. In addition, if certain objectives are achieved by the buyer, the Company could receive up to an additional \$25.0 million in cash payments. This transaction contributes to the Company's streamlining of its U.S. wine portfolio by eliminating brand duplication and excess production capacity. In connection with this divestiture, the Company's Constellation Wines segment recorded a loss of \$23.2 million for Six Months 2009, which included a loss on business sold of \$15.8 million and losses on contractual obligations of \$7.4 million. The loss of \$23.2 million is included in selling, general and administrative expenses on the Company's Consolidated Statements of Operations.

Results of Operations**Second Quarter 2010 Compared to Second Quarter 2009***Net Sales*

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Second Quarter 2010 and Second Quarter 2009.

	Second Quarter 2010 Compared to Second Quarter 2009		
	Net Sales		
	2010	2009	% (Decrease) Increase
Constellation Wines:			
Branded wine	\$ 752.4	\$ 782.1	(4)%
Spirits	64.9	109.1	(41)%
Other	59.5	65.3	(9)%
Constellation Wines net sales	876.8	956.5	(8)%
Crown Imports net sales	693.0	732.1	(5)%
Consolidations and eliminations	(693.0)	(732.1)	5%
Consolidated Net Sales	<u>\$ 876.8</u>	<u>\$ 956.5</u>	(8)%

Net sales for Second Quarter 2010 decreased to \$876.8 million from \$956.5 million for Second Quarter 2009, a decrease of \$79.7 million, or (8%). This decrease resulted primarily from an unfavorable year-over-year foreign currency translation impact of \$51.3 million and a decrease in spirits net sales of \$44.2 million. The decrease in spirits net sales resulted predominantly from the divestitures of the value spirits business and a Canadian distilling facility.

Constellation Wines

Net sales for Constellation Wines decreased to \$876.8 million for Second Quarter 2010 from \$956.5 million in Second Quarter 2009, a decrease of \$79.7 million, or (8%). Branded wine net sales decreased \$29.7 million primarily due to an unfavorable year-over-year foreign currency translation impact of \$42.5 million, partially offset by \$12.8 million of branded wine growth on a constant currency basis. The branded wine growth was due largely to growth in U.S. branded wine net sales in connection with the Company's U.S. distributor consolidation initiative. The net sales benefit received from the U.S. distributor consolidation initiative, which is estimated to be approximately \$40 to \$50 million, includes both volume growth and favorable product mix shift primarily from timing of shipments in Second Quarter 2010. The timing benefit received in Second Quarter 2010 is expected to have an unfavorable impact on sales in the U.S. branded wine portfolio in the second half of fiscal 2010. The Second Quarter 2010 timing benefit was partially offset by a decrease in net sales associated primarily with the remaining U.S. branded wine portfolio. Spirits net sales decreased \$44.2 million primarily due to a decrease in net sales of \$65.3 million in connection with the divestitures of the value spirits business and the Canadian distilling facility, partially offset by growth within the retained spirits brands which was driven largely by volume growth of SVEDKA Vodka. Other net sales decreased \$5.8 million primarily due to an unfavorable year-over-year foreign currency translation impact of \$8.8 million.

Crown Imports

As this segment is eliminated in consolidation, see "Equity in Earnings of Equity Method Investments" below for a discussion of Crown Imports net sales, gross profit, selling, general and administrative expenses, and operating income.

Gross Profit

The Company's gross profit increased to \$309.6 million for Second Quarter 2010 from \$305.8 million for Second Quarter 2009, an increase of \$3.8 million, or 1%. This increase was primarily due to a decrease in unusual items of \$38.7 million and an increase in the U.S. branded wine portfolio gross profit of \$10.4 million, partially offset by a decrease in gross profit of \$22.3 million related to the divestitures of the value spirits business and the Canadian distilling facility and a decrease in gross profit on a constant currency basis in the Australian and U.K. businesses of \$18.6 million. The decrease in unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, resulted primarily from inventory write-downs of \$47.6 million in Second Quarter 2009 associated with the Company's Australian Initiative. The increase in the U.S. branded wine portfolio gross profit was driven by the net sales increase resulting from the Company's U.S. distributor consolidation initiative combined with the lower U.S. promotional spend. The decrease in the Australian and U.K. gross profit was due largely to the flow through of higher Australian calendar 2008 harvest costs and an unfavorable mix of sales towards lower margin products.

Gross profit as a percent of net sales increased to 35.3% for Second Quarter 2010 from 32.0% for Second Quarter 2009 primarily due to the lower unusual items and a benefit from positive mix and lower promotional spend in the U.S. in connection with the U.S. distributor consolidation initiative, partially offset by increased Australian cost of product sold driven by the flow through of the higher Australian calendar 2008 harvest costs, and an unfavorable mix of sales towards lower margin products in the international businesses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to \$167.8 million for Second Quarter 2010 from \$225.2 million for Second Quarter 2009, a decrease of \$57.4 million, or (25%). This decrease is due to a decrease of \$50.5 million in the Constellation Wines segment, a decrease of \$5.8 million in the Corporate Operations and Other segment, and a slight decrease in unusual costs, which consist of certain items that are excluded by management in their evaluation of the results of each operating segment. The decrease in the Constellation Wines segment's selling, general and administrative expenses is primarily due to decreases in general and administrative expenses of \$22.8 million, selling expenses of \$15.9 million and advertising expenses of \$11.8 million. These decreases are largely attributable to (i) an overlap of prior year losses on foreign currency transactions; (ii) a favorable year-over-year foreign currency translation impact; (iii) the divestiture of the value spirits business; (iv) cost savings in connection with the Company's various restructuring activities; and (v) a planned reduction in marketing and advertising spend. The decrease in the Corporate Operations and Other segment's selling, general and administrative expenses is due to a decrease in general and administrative expenses resulting primarily from lower insurance costs and reduced consulting service fees.

Selling, general and administrative expenses as a percent of net sales decreased to 19.1% for Second Quarter 2010 as compared to 23.5% for Second Quarter 2009 primarily due to the cost savings in connection with the Company's various restructuring activities and planned reduction in marketing and advertising spend; the overlap of prior year losses on foreign currency transactions; the benefit from the increase in the U.S. branded wine net sales in connection with the U.S. distributor consolidation initiative without a corresponding increase in selling, general and administrative expenses; and the decrease in the Corporate Operations and Other segment's general and administrative expenses.

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Restructuring Charges

The Company recorded \$3.2 million of restructuring charges for Second Quarter 2010 associated primarily with the Company's plan to simplify its business, increase efficiencies and reduce its cost structure on a global basis (the "Global Initiative"). Restructuring charges included \$3.2 million of employee termination costs, \$0.4 million of contract termination costs and \$0.3 million of facility consolidation/relocation costs, partially offset by \$0.7 million of net gains on asset sales in Australia. The Company recorded \$35.5 million of restructuring charges for Second Quarter 2009 associated primarily with the Company's Australian Initiative.

In addition, the Company incurred additional costs for Second Quarter 2010 and Second Quarter 2009 in connection with the Company's restructuring and acquisition-related integration plans. Total costs incurred in connection with these plans for Second Quarter 2010 and Second Quarter 2009 are as follows:

<i>(in millions)</i>	Second Quarter 2010	Second Quarter 2009
Cost of Product Sold		
Accelerated depreciation	\$ 11.1	\$ 2.3
Inventory write-downs	\$ 0.6	\$ 47.6
Other	\$ 1.3	\$ —
Selling, General and Administrative Expenses		
Other costs	\$ 10.2	\$ 3.7
Impairment of Intangible Assets	\$ —	\$ 21.8
Restructuring Charges	\$ 3.2	\$ 35.5
Acquisition-Related Integration Costs (see below)	\$ —	\$ 1.8

The Company expects to incur the following costs in connection with its restructuring and acquisition-related integration plans for Fiscal 2010:

<i>(in millions)</i>	Expected Fiscal 2010
Cost of Product Sold	
Accelerated depreciation	\$ 24.5
Other	\$ 6.3
Selling, General and Administrative Expenses	
Other costs	\$ 45.9
Restructuring Charges	\$ 54.9
Acquisition-Related Integration Costs	\$ 1.8

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Acquisition-Related Integration Costs

The Company did not incur any acquisition-related integration costs for Second Quarter 2010 as compared to \$1.8 million for Second Quarter 2009. Acquisition-related integration costs for Second Quarter 2009 consisted of costs recorded primarily in connection with the Fiscal 2008 Plan. The Fiscal 2008 Plan consists of (i) the Company's plans (announced in November 2007) to streamline certain of its international operations, including the consolidation of certain winemaking and packaging operations in Australia, the buy-out of certain grape processing and wine storage contracts in Australia, equipment relocation costs in Australia, and certain employee termination costs; (ii) certain other restructuring charges incurred during the third quarter of fiscal 2008 in connection with the consolidation of certain spirits production processes in the U.S.; and (iii) the Company's plans (announced in January 2008) to streamline certain of its operations in the U.S., primarily in connection with the restructuring and integration of the operations acquired in the BWE Acquisition. These initiatives are collectively referred to as the "Fiscal 2008 Plan."

Operating Income

The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Second Quarter 2010 and Second Quarter 2009.

	Second Quarter 2010 Compared to Second Quarter 2009		
	Operating Income (Loss)		% Increase (Decrease)
	2010	2009	
Constellation Wines	\$ 187.9	\$ 172.3	9%
Corporate Operations and Other	(20.4)	(26.2)	22%
Crown Imports	144.7	148.8	(3)%
Consolidations and eliminations	(144.7)	(148.8)	3%
Total Reportable Segments	167.5	146.1	15%
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs	(28.9)	(124.6)	NM
Consolidated Operating Income	\$ 138.6	\$ 21.5	NM

NM = Not Meaningful

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As a result of the factors discussed above, consolidated operating income increased to \$138.6 million for Second Quarter 2010 from \$21.5 million for Second Quarter 2009, an increase of \$117.1 million. Acquisition-related integration costs, restructuring charges and unusual costs of \$28.9 million and \$124.6 million for Second Quarter 2010 and Second Quarter 2009, respectively, consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs include:

<i>(in millions)</i>	Second Quarter 2010	Second Quarter 2009
Cost of Product Sold		
Accelerated depreciation	\$ 11.1	\$ 2.3
Flow through of inventory step-up	2.5	4.3
Inventory write-downs	0.6	47.6
Other	1.3	—
Cost of Product Sold	15.5	54.2
Selling, General and Administrative Expenses		
Gain on sale of Pacific Northwest Business	—	(0.2)
Loss on sale of nonstrategic assets	—	7.8
Other costs	10.2	3.7
Selling, General and Administrative Expenses	10.2	11.3
Impairment of Intangible Assets	—	21.8
Restructuring Charges	3.2	35.5
Acquisition-Related Integration Costs	—	1.8
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs	<u>\$ 28.9</u>	<u>\$ 124.6</u>

Equity in Earnings of Equity Method Investees

The Company's equity in earnings of equity method investees increased to \$73.2 million in Second Quarter 2010 from \$70.1 million in Second Quarter 2009, an increase of \$3.1 million, or 4%. This increase is primarily due to an impairment loss recorded on an Australian investment in Second Quarter 2009.

Net sales for Crown Imports decreased to \$693.0 million for Second Quarter 2010 from \$732.1 million for Second Quarter 2009, a decrease of \$39.1 million, or (5%). This decrease resulted primarily from lower volumes within the Crown Imports Mexican beer portfolio as challenging economic conditions have negatively impacted on-premise and convenience store channels and have resulted in some consumer shift to lower-priced beers. Crown Imports gross profit decreased \$10.3 million, or (5%), primarily due to these lower sales volumes. Selling, general and administrative expenses decreased \$6.2 million, or (9%), primarily due to a decrease in advertising spend. The combination of these factors were the main contributors to the decrease in operating income of \$4.1 million, or (3%).

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Interest Expense, Net

Interest expense, net of interest income of \$2.6 million and \$1.0 million, for Second Quarter 2010 and Second Quarter 2009, respectively, decreased to \$66.6 million for Second Quarter 2010 from \$80.7 million for Second Quarter 2009, a decrease of \$14.1 million, or (17%). The decrease is due primarily to lower average borrowings during Second Quarter 2010 resulting predominantly from the repayment of a portion of the Company's outstanding borrowings using the proceeds from the sale of the value spirits business.

Provision for Income Taxes

The Company's effective tax rate for Second Quarter 2010 of 31.3% resulted primarily from a decrease in uncertain tax positions of \$16.7 million in connection with the completion of various income tax examinations during Second Quarter 2010. The Company's effective tax rate for Second Quarter 2009 of 308.3% was driven primarily by the recognition of a valuation allowance against net operating losses in Australia, associated predominantly with the Australian Initiative, partially offset by a decrease in uncertain tax positions of \$12.3 million in connection with the completion of various income tax examinations during Second Quarter 2009.

Net Income

As a result of the above factors, the Company recognized net income of \$99.7 million for Second Quarter 2010 as compared to a net loss of \$22.7 million for Second Quarter 2009, an increase of \$122.4 million.

Six Months 2010 Compared to Six Months 2009

Net Sales

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Six Months 2010 and Six Months 2009.

	Six Months 2010 Compared to Six Months 2009		
	Net Sales		% (Decrease) Increase
	2010	2009	
Constellation Wines:			
Branded wine	\$ 1,440.3	\$ 1,547.8	(7)%
Spirits	125.0	214.7	(42)%
Other	103.1	125.8	(18)%
Constellation Wines net sales	1,668.4	1,888.3	(12)%
Crown Imports net sales	1,328.8	1,404.6	(5)%
Consolidations and eliminations	(1,328.8)	(1,404.6)	5%
Consolidated Net Sales	<u>\$ 1,668.4</u>	<u>\$ 1,888.3</u>	(12)%

Net sales for Six Months 2010 decreased to \$1,668.4 million from \$1,888.3 million for Six Months 2009, a decrease of \$219.9 million, or (12%). This decrease resulted primarily from an unfavorable year-over-year foreign currency translation impact of \$141.5 million and a decrease in spirits net sales of \$89.7 million. The decrease in spirits net sales resulted predominantly from the divestitures of the value spirits business and the Canadian distilling facility.

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Constellation Wines

Net sales for Constellation Wines decreased to \$1,668.4 million for Six Months 2010 from \$1,888.3 million in Six Months 2009, a decrease of \$219.9 million, or (12%). Branded wine net sales decreased \$107.5 million primarily due to an unfavorable year-over-year foreign currency translation impact of \$120.4 million, partially offset by \$20.9 million of branded wine growth on a constant currency basis. The branded wine growth was due largely to growth in U.S. branded wine net sales in connection with the Company's U.S. distributor consolidation initiative. As discussed previously, the net sales benefit received from the U.S. distributor consolidation initiative of approximately \$40 to \$50 million includes both volume growth and favorable product mix shift primarily from timing of shipments in Second Quarter 2010. The timing benefit received in Second Quarter 2010 is expected to have an unfavorable impact on sales in the U.S. branded wine portfolio in the second half of fiscal 2010. The Second Quarter 2010 timing benefit was partially offset by a decrease in net sales associated primarily with the remaining U.S. branded wine portfolio. Spirits net sales decreased \$89.7 million primarily due to a decrease in net sales of \$118.0 million in connection with the divestitures of the value spirits business and the Canadian distilling facility, partially offset by growth within the retained spirits brands which was driven largely by volume growth of SVEDKA Vodka. Other net sales decreased \$22.7 million primarily due to an unfavorable year-over-year foreign currency translation impact of \$21.1 million.

Crown Imports

As this segment is eliminated in consolidation, see "Equity in Earnings of Equity Method Investments" below for a discussion of Crown Imports net sales, gross profit, selling, general and administrative expenses, and operating income.

Gross Profit

The Company's gross profit decreased to \$578.3 million for Six Months 2010 from \$634.8 million for Six Months 2009, a decrease of \$56.5 million, or (9%). This decrease was primarily due to an unfavorable mix of sales towards lower margin products; a decrease in gross profit of \$37.6 million related to the divestitures of (i) the value spirits business, (ii) the Canadian distilling facility and (iii) the Pacific Northwest Business; an unfavorable year-over-year foreign currency translation impact of \$31.2 million; partially offset by a reduction of \$41.6 million in unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. The lower unusual items in Six Months 2010 versus Six Months 2009 resulted primarily from inventory write-downs of \$47.6 million in Six Months 2009 associated with the Company's Australian Initiative. Gross profit as a percent of net sales increased to 34.7% for Six Months 2010 from 33.6% for Six Months 2009 primarily due to the factors discussed above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to \$334.4 million for Six Months 2010 from \$458.7 million for Six Months 2009, a decrease of \$124.3 million, or (27%). This decrease is due to a decrease of \$106.0 million in the Constellation Wines segment, a decrease in unusual costs, which consist of certain items that are excluded by management in their evaluation of the results of each operating segment of \$12.8 million, and a decrease in the Corporate Operations and Other segment of \$5.5 million. The decrease in the Constellation Wines segment's selling, general and administrative expenses is primarily due to decreases in general and administrative expenses of \$49.8 million, selling expenses of \$28.9 million, and advertising expenses of \$27.2 million. These decreases are largely attributable to (i) planned reductions in marketing and advertising spend; (ii) cost savings in connection with the Company's various restructuring activities; (iii) an overlap of prior year losses on foreign currency transactions; (iv) the divestitures of the value spirits business and the Pacific Northwest Business; and (v) a favorable year-over-year foreign currency translation impact. The decrease in unusual costs was primarily due to the recognition in Six Months 2009 of the \$23.2 million loss in connection with the June 2008 sale of the Pacific Northwest Business and a net loss of \$8.3 million in connection with the August 2008 sale of a nonstrategic Canadian distilling facility, partially offset by \$21.7 million of other costs in connection with the Company's Global Initiative plan. The decrease in the Corporate Operations and Other segment's selling, general and administrative expenses is due to a decrease in general and administrative expenses resulting primarily from lower insurance costs and reduced consulting service fees.

Selling, general and administrative expenses as a percent of net sales decreased to 20.0% for Six Months 2010 as compared to 24.3% for Six Months 2009 primarily due to the planned reductions in marketing and advertising spend, the cost savings in connection with the Company's various restructuring activities and the overlap of prior year losses on foreign currency transactions.

Restructuring Charges

The Company recorded \$22.1 million of restructuring charges for Six Months 2010 associated primarily with the Company's Global Initiative. Restructuring charges included \$20.3 million of employee termination costs, \$1.9 million of contract termination costs and \$0.6 million of facility consolidation/relocation costs, partially offset by \$0.7 million of net gains on asset sales in Australia. The Company recorded \$36.0 million of restructuring charges for Six Months 2009 associated primarily with the Australian Initiative.

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In addition, the Company incurred additional costs for Six Months 2010 and Six Months 2009 in connection with the Company's restructuring and acquisition-related integration plans. Total costs incurred in connection with these plans for Six Months 2010 and Six Months 2009 are as follows:

<i>(in millions)</i>	Six Months 2010	Six Months 2009
Cost of Product Sold		
Accelerated depreciation	\$ 14.0	\$ 6.3
Other	\$ 2.8	\$ —
Inventory write-downs	\$ 1.0	\$ 47.6
Selling, General and Administrative Expenses		
Other costs	\$ 24.1	\$ 5.2
Impairment on Intangible Assets	\$ —	\$ 21.8
Restructuring Charges	\$ 22.1	\$ 36.0
Acquisition-Related Integration Costs (see below)	\$ 0.1	\$ 6.1

The Company expects to incur the following costs in connection with its restructuring and acquisition-related integration plans for Fiscal 2010:

<i>(in millions)</i>	Expected Fiscal 2010
Cost of Product Sold	
Accelerated depreciation	\$ 24.5
Other	\$ 6.3
Selling, General and Administrative Expenses	
Other costs	\$ 45.9
Restructuring Charges	\$ 54.9
Acquisition-Related Integration Costs	\$ 1.8

Acquisition-Related Integration Costs

Acquisition-related integration costs decreased to \$0.1 million for Six Months 2010 from \$6.1 million for Six Months 2009. Acquisition-related integration costs for Six Months 2010 consisted of costs recorded in connection with the Fiscal 2008 Plan. These costs consist of \$0.1 million of facilities and other one-time costs. Acquisition-related integration costs for Six Months 2009 consisted of costs recorded primarily in connection with the Fiscal 2008 Plan.

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The following table sets forth the operating income (loss) (in millions of dollars) by operating segment of the Company for Six Months 2010 and Six Months 2009.

	Six Months 2010 Compared to Six Months 2009		
	Operating Income (Loss)		
	2010	2009	% Increase (Decrease)
Constellation Wines	\$ 335.5	\$ 327.6	2%
Corporate Operations and Other	(44.7)	(50.2)	11%
Crown Imports	270.7	287.4	(6)%
Consolidations and eliminations	(270.7)	(287.4)	6%
Total Reportable Segments	290.8	277.4	5%
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs	(69.1)	(165.2)	58%
Consolidated Operating Income	<u>\$ 221.7</u>	<u>\$ 112.2</u>	98%

As a result of the factors discussed above, consolidated operating income increased to \$221.7 million for Six Months 2010 from \$112.2 million for Six Months 2009, an increase of \$109.5 million. Acquisition-related integration costs, restructuring charges and unusual costs of \$69.1 million and \$165.2 million for Six Months 2010 and Six Months 2009, respectively, consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs include:

(in millions)	Six Months 2010	Six Months 2009
Cost of Product Sold		
Accelerated depreciation	\$ 14.0	\$ 6.3
Flow through of inventory step-up	5.2	10.6
Inventory write-downs	1.0	47.6
Other	2.8	0.1
Cost of Product Sold	23.0	64.6
Selling, General and Administrative Expenses		
Net gain on sale of value spirits business	(0.2)	—
Loss on sale of Pacific Northwest Business	—	23.2
Loss on sale of nonstrategic assets	—	8.3
Other costs	24.1	5.2
Selling, General and Administrative Expenses	23.9	36.7
Impairment of Intangible Assets	—	21.8
Restructuring Charges	22.1	36.0
Acquisition-Related Integration Costs	0.1	6.1
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs	<u>\$ 69.1</u>	<u>\$ 165.2</u>

Equity in Earnings of Equity Method Investees

The Company's equity in earnings of equity method investees decreased to \$136.0 million in Six Months 2010 from \$142.2 million in Six Months 2009, a decrease of \$6.2 million, or (4%). This decrease is primarily due to lower equity in earnings of Crown Imports.

Net sales for Crown Imports decreased to \$1,328.8 million for Six Months 2010 from \$1,404.6 million for Six Months 2009, a decrease of \$75.8 million, or (5%). This decrease resulted primarily from lower volumes within the Crown Imports Mexican beer portfolio as challenging economic conditions have negatively impacted on-premise and convenience store channels and have resulted in some consumer shift to lower-priced beers. Crown Imports gross profit decreased \$19.0 million, or (4%), primarily due to these lower sales volumes. Selling, general and administrative expenses decreased \$2.3 million, or (2%), primarily due to decreases in advertising and selling expenses related to the lower sales volumes. The combination of these factors were the main contributors to the decrease in operating income of \$16.7 million, or (6%).

Interest Expense, Net

Interest expense, net of interest income of \$4.6 million and \$2.0 million, for Six Months 2010 and Six Months 2009, respectively, decreased to \$133.4 million for Six Months 2010 from \$167.3 million for Six Months 2009, a decrease of \$33.9 million, or (20%). The decrease resulted primarily from lower average borrowings during Six Months 2010 resulting predominantly from the repayment of a portion of the Company's outstanding borrowings using the proceeds from the sale of the value spirits business.

Provision for Income Taxes

The Company's effective tax rate for Six Months 2010 of 52.7% resulted primarily from \$37.5 million of taxes associated with the sale of the value spirits business, primarily related to the write-off of nondeductible goodwill, partially offset by a decrease in uncertain tax positions of \$16.7 million in connection with the completion of various income tax examinations during Second Quarter 2010. The Company's effective tax rate for Six Months 2009 of 74.9% was driven primarily by the recognition of a valuation allowance against net operating losses in Australia, associated predominantly with the Australian Initiative, partially offset by a decrease in uncertain tax positions of \$12.3 million in connection with the completion of various income tax examinations during Second Quarter 2009.

Net Income

As a result of the above factors, net income increased to \$106.2 million for Six Months 2010 from \$21.9 million for Six Months 2009, an increase of \$84.3 million.

Financial Liquidity and Capital Resources

General

The Company's principal use of cash in its operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. The Company's primary source of liquidity has historically been cash flow from operations, except during annual grape harvests when the Company has relied on short-term borrowings. In the U.S. and Canada, the annual grape crush normally begins in August and runs through October. In Australia and New Zealand, the annual grape crush normally begins in February and runs through May. The Company generally begins taking delivery of grapes at the beginning of the crush season with 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.

While certain conditions in the worldwide and domestic economies may be showing signs of improvement, there continues to be volatility in the capital markets, diminished liquidity and credit availability, and increased counterparty risk. Nevertheless, the Company has maintained adequate liquidity to meet current working capital requirements, fund capital expenditures, repay scheduled principal and interest payments on debt, and prepay certain future principal payments on debt. Absent further severe deterioration of market conditions, the Company believes that cash provided by operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, scheduled principal and interest payments on debt, and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

As of September 30, 2009, the Company had \$820.2 million in revolving loans available to be drawn under its 2006 Credit Agreement (as defined below). The member financial institutions participating in the Company's 2006 Credit Agreement have complied with prior funding requests and the Company believes the member financial institutions will comply with ongoing funding requests. However, there can be no assurances that any particular financial institution will continue to do so in the future.

Six Months 2010 Cash Flows

Operating Activities

Net cash provided by operating activities for Six Months 2010 was \$97.4 million, which resulted primarily from net income of \$106.2 million, plus non-cash depreciation expense of \$77.1 million and a decrease in inventories of \$91.3 million, partially offset by an increase in accounts receivable, net of \$204.5 million. The decrease in inventories is primarily due to a later calendar 2009 U.S. grape harvest and lower costs associated with the Australian calendar 2009 grape harvest. The increase in accounts receivable is primarily due to the increase in August 2009 sales in connection with the U.S. distributor consolidation initiative combined with seasonality, as January and February are typically the Company's lowest selling months. The seasonal increase was even more pronounced due to the lighter than normal net sales for the fourth quarter of fiscal 2009.

Investing Activities

Net cash provided by investing activities for Six Months 2010 was \$226.5 million, which resulted primarily from proceeds of \$276.4 million from the divestiture of the value spirits business, partially offset by \$65.1 million of capital expenditures.

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Financing Activities

Net cash used in financing activities for Six Months 2010 was \$318.1 million resulting primarily from principal payments of long-term debt of \$271.4 million combined with net repayment of notes payable of \$60.2 million.

Debt

Total debt outstanding as of August 31, 2009, amounted to \$4,164.1 million, a decrease of \$269.5 million from February 28, 2009. The ratio of total debt to total capitalization decreased to 62.3% as of August 31, 2009, from 69.9% as of February 28, 2009, primarily as a result of the decrease in total debt outstanding combined with an increase in equity driven by an increase in foreign currency translation.

Senior Credit Facility

2006 Credit Agreement

On June 5, 2006, the Company and certain of its U.S. subsidiaries, JPMorgan Chase Bank, N.A. as a lender and administrative agent, and certain other agents, lenders, and financial institutions entered into a new credit agreement (the "June 2006 Credit Agreement"). On February 23, 2007, and on November 19, 2007, the June 2006 Credit Agreement was amended (collectively, the "2007 Amendments"). The June 2006 Credit Agreement together with the 2007 Amendments is referred to as the "2006 Credit Agreement". The 2006 Credit Agreement provides for aggregate credit facilities of \$3,900.0 million, consisting of a \$1,200.0 million tranche A term loan facility due in June 2011, a \$1,800.0 million tranche B term loan facility due in June 2013, and a \$900 million revolving credit facility (including a sub-facility for letters of credit of up to \$200 million) which terminates in June 2011. Proceeds of the June 2006 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the June 5, 2006, acquisition of all of the issued and outstanding common shares of Vincor International Inc. ("Vincor") (the "Vincor Acquisition"), and to repay certain indebtedness of Vincor. The Company uses its revolving credit facility under the 2006 Credit Agreement for general corporate purposes.

As of August 31, 2009, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining six months of fiscal 2010 and for each of the four succeeding fiscal years are as follows:

<i>(in millions)</i>	<u>Tranche A Term Loan</u>	<u>Tranche B Term Loan</u>	<u>Total</u>
2010	\$ —	\$ —	\$ —
2011	171.1	—	171.1
2012	150.0	3.4	153.4
2013	—	613.1	613.1
2014	—	611.5	611.5
	<u>\$ 321.1</u>	<u>\$ 1,228.0</u>	<u>\$ 1,549.1</u>

The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is fixed with respect to the tranche B term loan facility and is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) with respect to the tranche A term loan facility and the revolving credit facility. As of August 31, 2009, the LIBOR margin for the revolving credit facility and the tranche A term loan facility is 1.25%, while the LIBOR margin on the tranche B term loan facility is 1.50%.

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The February 23, 2007, amendment amended the June 2006 Credit Agreement to, among other things, (i) increase the revolving credit facility from \$500.0 million to \$900.0 million, which increased the aggregate credit facilities from \$3,500.0 million to \$3,900.0 million; (ii) increase the aggregate amount of cash payments the Company is permitted to make in respect or on account of its capital stock; (iii) remove certain limitations on the incurrence of senior unsecured indebtedness and the application of proceeds thereof; (iv) increase the maximum permitted total "Debt Ratio" and decrease the required minimum "Interest Coverage Ratio"; and (v) eliminate the "Senior Debt Ratio" covenant and the "Fixed Charges Ratio" covenant. The November 19, 2007, amendment clarified certain provisions governing the incurrence of senior unsecured indebtedness and the application of proceeds thereof under the June 2006 Credit Agreement, as previously amended.

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

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

As of August 31, 2009, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of \$321.1 million bearing an interest rate of 1.6%, tranche B term loans of \$1,228.0 million bearing an interest rate of 1.8%, revolving loans of \$93.2 million bearing an interest rate of 1.5%, outstanding letters of credit of \$35.9 million, and \$770.9 million in revolving loans available to be drawn.

As of September 30, 2009, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of \$321.1 million bearing an interest rate of 1.5%, tranche B term loans of \$1,228.0 million bearing an interest rate of 1.8%, revolving loans of \$44.0 million bearing an interest rate of 1.6%, outstanding letters of credit of \$35.8 million, and \$820.2 million in revolving loans available to be drawn.

In April 2009, the Company transitioned its interest rate swap agreements to a one-month LIBOR base rate versus the then existing three-month LIBOR base rate. Accordingly, the Company entered into new interest rate swap agreements which were designated as cash flow hedges of \$1,200.0 million of the Company's floating LIBOR rate debt. In addition, the then existing interest rate swap agreements were redesignated by the Company and the Company entered into additional undesignated interest rate swap agreements for \$1,200.0 million to offset the prospective impact of the newly undesignated interest rate swap agreements. As a result, the Company has fixed its interest rates on \$1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.0% through fiscal 2010. For Six Months 2010 and Six Months 2009, the Company reclassified net losses of \$12.9 million and \$5.6 million, net of income tax effect, respectively, from Accumulated Other Comprehensive Income ("AOCI") to interest expense, net on the Company's Consolidated Statements of Operations. For Second Quarter 2010 and Second Quarter 2009, the Company reclassified net losses of \$7.1 million and \$3.2 million, net of income tax effect, respectively, from AOCI to interest expense, net on the Company's Consolidated Statements of Operations. This non-cash operating activity is included in other, net in the Company's Consolidated Statements of Cash Flows.

Senior Notes

As of August 31, 2009, the Company had outstanding £1.0 million (\$1.6 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, 2009, the Company had outstanding £154.0 million (\$250.8 million) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 (the “Sterling Series C Senior Notes”). The Company currently intends to repay the Series B Senior Notes and the Series C Senior Notes at maturity with proceeds from its revolving credit facility under the 2006 Credit Agreement and cash provided by operating activities.

As of August 31, 2009, the Company had outstanding \$694.7 million (net of \$5.3 million unamortized discount) aggregate principal amount of 7 1/4% Senior Notes due September 2016 (the “August 2006 Senior Notes”).

As of August 31, 2009, the Company had outstanding \$700.0 million aggregate principal amount of 7 1/4% Senior Notes due May 2017 (the “May 2007 Senior Notes”).

As of August 31, 2009, the Company had outstanding \$497.3 million (net of \$2.7 million unamortized discount) aggregate principal amount of 8 3/8% Senior Notes due December 2014 (the “December 2007 Senior Notes”).

The senior notes described above are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount and a make whole payment based on the present value of the future payments at the adjusted Treasury Rate or adjusted Gilt rate plus 50 basis points. The senior notes are senior unsecured obligations and rank equally in right of payment to all existing and future senior unsecured indebtedness of the Company. Certain of the Company’s significant U.S. operating subsidiaries guarantee the senior notes, on a senior unsecured basis.

Senior Subordinated Notes

As of August 31, 2009, the Company had outstanding \$250.0 million aggregate principal amount of 8 1/8% Senior Subordinated Notes due January 2012 (the “January 2002 Senior Subordinated Notes”). The January 2002 Senior Subordinated Notes are currently redeemable, in whole or in part, at the option of the Company.

Subsidiary Credit Facilities

The Company has additional credit arrangements totaling \$345.9 million as of August 31, 2009. These arrangements primarily support the financing needs of the Company’s domestic and foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of August 31, 2009, amounts outstanding under these arrangements were \$127.4 million.

Accounting Pronouncements Not Yet Adopted

In December 2008, the FASB issued FASB Staff Position No. FAS 132(R)-1 (“FSP No. 132(R)-1”), “Employers’ Disclosures about Postretirement Benefit Plan Assets.” FSP No. 132(R)-1 amends Statement of Financial Accounting Standards No. 132(R), “Employers’ Disclosures about Pensions and Other Postretirement Benefits,” to provide guidance on an employer’s disclosures about plan assets of a defined benefit pension or other postretirement plan. The Company is required to adopt the additional disclosure requirements of FSP No. 132(R)-1 for its annual period ending February 28, 2010. The Company is currently assessing the impact of FSP No. 132(R)-1 on its consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167 (“SFAS No. 167”), “Amendments to FASB Interpretation No. 46(R),” which, among other things, amends FASB Interpretation No. 46(R) (“FIN No. 46(R)”), “Consolidation of Variable Interest Entities — An Interpretation of ARB No. 51,” to (i) require an entity to perform an analysis to determine whether an entity’s variable interest or interests give it a controlling financial interest in a variable interest entity; (ii) require ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; (iii) amend certain guidance in FIN No. 46(R) for determining whether an entity is a variable interest entity; and (iv) require enhanced disclosure that will provide users of financial statements with more transparent information about an entity’s involvement in a variable interest entity. The Company is required to adopt the provisions of SFAS No. 167 for its annual and interim periods beginning March 1, 2010. The Company is currently assessing the impact of SFAS No. 167 on its consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168 (“SFAS No. 168”), “*The FASB Accounting Standards Codification*™ and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162.” SFAS No. 168 replaces Statement of Financial Accounting Standards No. 162, “The Hierarchy of Generally Accepted Accounting Principles,” and identifies the sources of authoritative accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the U.S. The Company is required to adopt the provisions of SFAS No. 168 for its interim period ending November 30, 2009. The Company does not expect the adoption of SFAS No. 168 to have a material impact on its consolidated financial statements.

Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company’s control, which could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including without limitation the statements under Part I — Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operation” regarding (i) the Company’s business strategy, future financial position, prospects, plans and objectives of management, (ii) the Company’s expected purchase price allocations, restructuring charges, accelerated depreciation, acquisition-related integration costs, and other costs, (iii) information concerning expected or potential actions of third parties, (iv) future worldwide or domestic economic conditions and the global credit environment, and (v) the expected impact upon results of operations resulting from the Company’s decision to consolidate its U.S. distributor network are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words “anticipate,” “intend,” “expect,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations, the forward-looking statements of the Company contained in this Quarterly Report on Form 10-Q are also subject to the risk and uncertainty that (i) the impact upon results of operations resulting from the decision to consolidate the Company’s U.S. distributor network will vary from current expectations due to implementation of consolidation activities and actual U.S. distributor transition experience and (ii) the Company’s restructuring charges, accelerated depreciation, acquisition-related integration costs, and other costs may vary materially from current expectations due to, among other reasons, variations in anticipated headcount reductions, contract terminations or modifications, equipment relocation, proceeds from the sale of assets sold or identified for sale, product portfolio rationalizations, production footprint, and/or other costs of implementation. For additional information about risks and uncertainties that could adversely affect the Company’s forward-looking statements, please refer to Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2009.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company, as a result of its global operating, acquisition and financing activities, is exposed to market risk associated with changes in foreign currency exchange rates and interest rates. To manage the volatility relating to these risks, the Company periodically purchases and/or sells derivative instruments including foreign currency forward and option 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 derivative instruments are or may be used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales/purchases to/from third parties as well as intercompany sales/purchases, intercompany principal and interest payments, and in connection with acquisitions or joint venture investments outside the U.S. As of August 31, 2009, the Company had exposures to foreign currency risk primarily related to the Australian dollar, euro, New Zealand dollar, British pound sterling, Canadian dollar and South African rand.

As of August 31, 2009, and August 31, 2008, the Company had outstanding foreign currency derivative instruments with a notional value of \$1,585.5 million and \$3,081.0 million, respectively. Approximately 64% of the Company's Fiscal 2010 foreign exchange exposures were hedged as of August 31, 2009. The estimated fair value of the Company's foreign currency derivative instruments was \$59.6 million and \$47.3 million as of August 31, 2009, and August 31, 2008, respectively. Using a sensitivity analysis based on the estimated fair value of open contracts using forward rates, if the contract base currency had been 10% weaker as of August 31, 2009, and August 31, 2008, the fair value of open foreign currency contracts would have been decreased by \$16.6 million and \$143.8 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 \$2,420.1 million and \$2,500.1 million as of August 31, 2009, and August 31, 2008, respectively. A hypothetical 1% increase from prevailing interest rates as of August 31, 2009, and August 31, 2008, would have resulted in a decrease in fair value of fixed interest rate long-term debt by \$101.1 million and \$139.4 million, respectively.

As of August 31, 2009, and August 31, 2008, the Company had outstanding cash flow designated interest rate swap agreements to minimize interest rate volatility. The swap agreements fix LIBOR interest rates on \$1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.0% through Fiscal 2010. In addition, the Company has offsetting undesignated interest rate swap agreements with an absolute notional value of \$2,400.0 million outstanding as of August 31, 2009. A hypothetical 1% increase from prevailing interest rates as of August 31, 2009, and August 31, 2008, would have increased the fair value of the interest rate swap agreements by \$3.1 million and \$15.0 million, respectively.

In addition to the \$2,420.1 million and \$2,500.1 million estimated fair value of fixed rate debt outstanding as of August 31, 2009, and August 31, 2008, respectively, the Company also had variable rate debt outstanding (primarily LIBOR based) as of August 31, 2009, and August 31, 2008, of \$1,745.0 million and \$2,367.0 million, respectively. Using a sensitivity analysis based on a hypothetical 1% increase in prevailing interest rates over a 12-month period, the approximate increase in cash required for interest as of August 31, 2009, and August 31, 2008, is \$17.5 million and \$23.7 million, respectively.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company had previously identified a material weakness in internal control over financial reporting that was described in Management's Annual Report on Internal Control Over Financial Reporting which was included in the Company's Form 10-K for the fiscal year ended February 28, 2009. This material weakness is further detailed below in the discussion of "Internal Control Over Financial Reporting," together with various corrective actions that have been undertaken in order to remediate the material weakness. However, while testing of these remedial actions is targeted for completion by the end of the Company's fiscal year, the testing was not completed as of the end of the period covered by this report. Consequently, the Company has not been able to conclude that this material weakness has been remediated. Therefore, 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)) were not effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to the Company's management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

In connection with the foregoing evaluation by the Company's Chief Executive Officer and its Chief Financial Officer, the following changes were identified in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's fiscal quarter ended August 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Specifically, as described in Management's Annual Report on Internal Control Over Financial Reporting which was included in the Company's Form 10-K for the fiscal year ended February 28, 2009, during the Company's evaluation of the effectiveness of internal control over financial reporting as of February 28, 2009, the Company determined that the policies and procedures over the reconciliation and review of bulk inventory accounts were not properly designed and did not operate effectively at the Company's Australian operations. Specifically, the reconciliation and review controls for vineyard farming costs and bulk inventory at the Australian operations did not include identifying cost accumulation, and subsequent release to finished goods, by respective vintage year. In addition, reviews of inventory reconciliations were not performed with sufficient precision. As a result, it was at least reasonably possible for discrepancies to accumulate in these inventory accounts, which could have resulted in material differences between the actual costs for inventory on hand and the costs that should have been released to cost of product sold. This deficiency resulted in immaterial adjustments to inventories and cost of product sold in the Company's consolidated financial statements as of and for the fiscal year ended February 28, 2009, which adjustments also corrected immaterial errors related to prior periods.

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In connection with the remediation of the material weakness referred to above, the Company completed the implementation of various corrective actions during the fiscal quarter ended August 31, 2009, which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. These actions with respect to the Company's Australian operations include:

- Enhanced the internal finance and accounting organizational structure, particularly within the cost accounting function, continued to enhance the training and education of inventory management and cost accounting personnel, and replaced certain personnel with oversight responsibility for performance of inventory reconciliations;
- Engaged additional professional resources on a consulting basis to assist with the review of inventory management and cost accounting policies and procedures and financial reporting with knowledge, experience and training in the application of generally accepted accounting principles ("GAAP"); and
- Strengthened review processes for various calculations relating to inventory valuation and established strengthened monitoring controls by the Company's Australian operations management.

In addition, the Company continues to perform a review of inventory processes and procedures applicable to its Australian operations to identify and adopt additional measures to further improve and strengthen its overall control environment and will continue to monitor the effectiveness of these processes, procedures and controls.

PART II — OTHER INFORMATION

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

At the Annual Meeting of Stockholders of Constellation Brands, Inc. held on July 23, 2009 (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 as the Company's independent registered public accounting firm for the fiscal year ending February 28, 2010, a proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of the Company's Class A Common Stock from 315,000,000 shares to 322,000,000 shares and Class 1 Common Stock from 15,000,000 shares to 25,000,000 shares, and a proposal to approve the First Amendment to the Company's Long-Term Stock Incentive Plan.

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

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

Directors Elected by the Holders of Class A Stock:

Nominee	For	Withheld
Barry A. Fromberg	150,208,495	14,411,654
Jeananne K. Hauswald	158,821,205	5,798,944
Paul L. Smith	148,001,436	16,618,713

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

Nominee	For	Withheld
James A. Locke III	332,344,593	68,659,146
Peter M. Perez	385,501,868	15,501,871
Richard Sands	397,136,614	3,867,125
Robert Sands	397,290,499	3,713,240
Peter H. Soderberg	383,744,372	17,259,367
Mark Zupan	386,481,987	14,521,752

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

For:	399,691,778
Against:	1,112,745
Abstain:	199,216
Broker Nonvotes:	-0-

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

For:	395,860,437
Against:	4,608,006
Abstain:	535,296
Broker Nonvotes:	-0-

IV. The First Amendment to the Company's Long-Term Stock Incentive Plan was approved with the following votes:

For:	268,230,542
Against:	104,498,149
Abstain:	663,892
Broker Nonvotes:	27,611,156

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 67 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 13, 2009

By: /s/ David M. Thomas
David M. Thomas, Senior Vice President,
Finance and Controller

Dated: October 13, 2009

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

INDEX TO EXHIBITS

Exhibit No.

- 2.1 Agreement to Establish Joint Venture, dated July 17, 2006, between Barton Beers, Ltd. and Diblo, S.A. de C.V. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated July 17, 2006, filed July 18, 2006 and incorporated herein by reference).+
- 2.2 Amendment No. 1, dated as of January 2, 2007 to the Agreement to Establish Joint Venture, dated July 17, 2006, between Barton Beers, Ltd. and Diblo, S.A. de C.V. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated January 2, 2007, filed January 3, 2007 and incorporated herein by reference).+
- 2.3 Barton Contribution Agreement, dated July 17, 2006, among Barton Beers, Ltd., Diblo, S.A. de C.V. and Company (a Delaware limited liability company to be formed) (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K dated July 17, 2006, filed July 18, 2006 and incorporated herein by reference).+
- 2.4 Stock Purchase Agreement dated as of November 9, 2007 by and between Beam Global Spirits & Wine, Inc. and Constellation Brands, Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated November 13, 2007, filed November 14, 2007 and incorporated herein by reference).
- 2.5 Assignment and Assumption Agreement made as of November 29, 2007 between Constellation Brands, Inc. and Constellation Wines U.S., Inc. relating to that certain Stock Purchase Agreement dated as of November 9, 2007 by and between Beam Global Spirits & Wine, Inc. and Constellation Brands, Inc. (filed as Exhibit 2.9 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2007 and incorporated herein by reference).
- 3.1 Restated Certificate of Incorporation of the Company (filed herewith).
- 3.2 Certificate of Amendment to the Certificate of Incorporation of the Company (filed herewith).
- 3.3 Amended and Restated By-Laws of the Company (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated December 6, 2007, filed December 12, 2007 and incorporated herein by reference).

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Exhibit No.

- 4.1 Indenture, dated as of February 25, 1999, among the Company, as issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 25, 1999 and incorporated herein by reference).#
- 4.2 Supplemental Indenture No. 3, dated as of August 6, 1999, by and among the Company, Canandaigua B.V., Barton Canada, Ltd., Simi Winery, Inc., Franciscan Vineyards, Inc., Allberry, Inc., M.J. Lewis Corp., Cloud Peak Corporation, Mt. Veeder Corporation, SCV-EPI Vineyards, Inc., and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 and incorporated herein by reference).#
- 4.3 Supplemental Indenture No. 4, with respect to 8 1/2% Senior Notes due 2009, dated as of May 15, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.17 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2000 and incorporated herein by reference).#
- 4.4 Supplemental Indenture No. 5, dated as of September 14, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to The Bank of New York), as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).#
- 4.5 Supplemental Indenture No. 6, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company (successor trustee to Harris Trust and Savings Bank and The Bank of New York, as applicable), as Trustee (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-3 (Pre-effective Amendment No. 1) (Registration No. 333-63480) and incorporated herein by reference).
- 4.6 Supplemental Indenture No. 7, dated as of January 23, 2002, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 17, 2002 and incorporated herein by reference).#
- 4.7 Supplemental Indenture No. 9, dated as of July 8, 2004, by and among the Company, BRL Hardy Investments (USA) Inc., BRL Hardy (USA) Inc., Pacific Wine Partners LLC, Nobilo Holdings, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).

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Exhibit No.

- 4.8 Supplemental Indenture No. 10, dated as of September 13, 2004, by and among the Company, Constellation Trading, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.11 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2004 and incorporated herein by reference).
- 4.9 Supplemental Indenture No. 11, dated as of December 22, 2004, by and among the Company, The Robert Mondavi Corporation, R.M.E. Inc., Robert Mondavi Winery, Robert Mondavi Investments, Robert Mondavi Affiliates d/b/a Vichon Winery and Robert Mondavi Properties, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).
- 4.10 Supplemental Indenture No. 12, dated as of August 11, 2006, by and among the Company, Constellation Leasing, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).
- 4.11 Supplemental Indenture No. 13, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.11 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).
- 4.12 Supplemental Indenture No. 15, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).
- 4.13 Supplemental Indenture No. 16, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.13 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
- 4.14 Supplemental Indenture No. 17, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).

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Exhibit No.

- 4.15 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).
- 4.16 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).#
- 4.17 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).
- 4.18 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).
- 4.19 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).
- 4.20 Supplemental Indenture No. 6, dated as of August 11, 2006, by and among the Company, Constellation Leasing, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.19 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).
- 4.21 Supplemental Indenture No. 7, dated as of November 30, 2006, by and among the Company, Vincer International Partnership, Vincer International II, LLC, Vincer Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincer Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.18 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).

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Exhibit No.

- 4.22 Supplemental Indenture No. 9, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).
- 4.23 Supplemental Indenture No. 10, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.22 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
- 4.24 Supplemental Indenture No. 11, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.24 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).
- 4.25 Indenture, with respect to 7.25% Senior Notes due 2016, dated as of August 15, 2006, by and among the Company, as Issuer, certain subsidiaries, as Guarantors and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 15, 2006, filed August 18, 2006 and incorporated herein by reference).
- 4.26 Supplemental Indenture No. 1, dated as of August 15, 2006, among the Company, as Issuer, certain subsidiaries, as Guarantors, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated August 15, 2006, filed August 18, 2006 and incorporated herein by reference).
- 4.27 Supplemental Indenture No. 2, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.28 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).
- 4.28 Supplemental Indenture No. 3, dated as of May 4, 2007, by and among the Company, Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.32 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

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Exhibit No.

- 4.29 Supplemental Indenture No. 4, with respect to 8 3/8% Senior Notes due 2014, dated as of December 5, 2007, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and The Bank of New York Trust Company, N.A., (as successor to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 5, 2007, filed December 11, 2007 and incorporated herein by reference).
- 4.30 Supplemental Indenture No. 5, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.37 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
- 4.31 Supplemental Indenture No. 6, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.31 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).
- 4.32 Indenture, with respect to 7.25% Senior Notes due May 2017, dated May 14, 2007, by and among the Company, as Issuer, certain subsidiaries, as Guarantors, and The Bank of New York Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 9, 2007, filed May 14, 2007 and incorporated herein by reference).
- 4.33 Supplemental Indenture No. 1, dated as of January 22, 2008, by and among the Company, BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC, and The Bank of New York Trust Company, N.A. (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.39 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
- 4.34 Supplemental Indenture No. 2, dated as of February 27, 2009, by and among the Company, Constellation Services LLC, and The Bank of New York Mellon Trust Company National Association (successor trustee to BNY Midwest Trust Company), as Trustee (filed as Exhibit 4.34 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).

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Exhibit No.

- 4.35 Credit Agreement, dated as of June 5, 2006, among Constellation, the Subsidiary Guarantors party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Citicorp North America, Inc., as Syndication Agent, J.P. Morgan Securities Inc. and Citigroup Global Markets Inc., as Joint Lead Arrangers and Bookrunners, and The Bank of Nova Scotia and SunTrust Bank, as Co-Documentation Agents (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated June 5, 2006, filed June 9, 2006 and incorporated herein by reference).
- 4.36 Amendment No. 1, dated as of February 23, 2007, to the Credit Agreement, dated as of June 5, 2006, among Constellation, the subsidiary guarantors referred to on the signature pages to such Amendment No. 1, and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, dated and filed February 23, 2007, and incorporated herein by reference).
- 4.37 Amendment No. 2, dated as of November 19, 2007, to the Credit Agreement, dated as of June 5, 2006, among Constellation, the Subsidiary Guarantors referred to on the signature pages to such Amendment No. 2, and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, dated and filed November 20, 2007, and incorporated herein by reference).
- 4.38 Guarantee Assumption Agreement, dated as of August 11, 2006, by Constellation Leasing, LLC, in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.29 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).
- 4.39 Guarantee Assumption Agreement, dated as of November 30, 2006, by Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., and Vincor Finance, LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.31 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).
- 4.40 Guarantee Assumption Agreement, dated as of May 4, 2007, by Barton SMO Holdings LLC, ALCOFI INC., and Spirits Marque One LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.39 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2007 and incorporated herein by reference).

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Exhibit No.

- 4.41 Guarantee Assumption Agreement, dated as of January 22, 2008, by BWE, Inc., Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois Wines, Inc., Gary Farrell Wines, Inc., Peak Wines International, Inc., and Planet 10 Spirits, LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.46 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008 and incorporated herein by reference).
- 4.42 Guarantee Assumption Agreement, dated as of February 27, 2009, by Constellation Services LLC in favor of JPMorgan Chase Bank, N.A., as Administrative Agent, pursuant to the Credit Agreement dated as of June 5, 2006 (as modified and supplemented and in effect from time to time) (filed as Exhibit 4.42 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2009 and incorporated herein by reference).
- 10.1 First Amendment to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K, dated July 23, 2009, filed July 24, 2009, and incorporated herein by reference).*
- 31.1 Certificate of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
- 31.2 Certificate of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
- 32.1 Certification of Chief Executive Officer pursuant to Section 18 U.S.C. 1350 (filed herewith).
- 32.2 Certification of Chief Financial Officer pursuant to Section 18 U.S.C. 1350 (filed herewith).

* Designates management contract or compensatory plan or arrangement.

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

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

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

RESTATED CERTIFICATE OF INCORPORATION

of

CONSTELLATION BRANDS, INC.

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

This is a Restated Certificate of Incorporation which amends and restates the Restated Certificate of Incorporation of Constellation Brands, Inc., as previously amended.

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

(b) The name under which the Corporation was originally incorporated was 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 was December 4, 1972.

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

THIRD. The provisions of the certificate of incorporation of the Corporation as heretofore restated, amended and/or supplemented, are hereby amended and restated and integrated into a single instrument which shall read in its entirety as follows:

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 19801. 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 Delaware General Corporation Law.

4. Capitalization; General Authorization. The total number of shares of stock which the Corporation shall have authority to issue is Three Hundred Sixty-One Million (361,000,000) consisting of:

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

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

(c) Class 1 Common. Fifteen Million (15,000,000) shares designated as Class 1 Common Stock, having a par value of One Cent (\$.01) per share (the "Class 1 Common"); and

(d) 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, Class B Common and Class 1 Common. The Class A Common, Class B Common and Class 1 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, Class B Common and Class 1 Common shall have the following rights:

(i) The holders of Class A Common, Class B Common and Class 1 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. The number of authorized shares of Class 1 Common may be increased or decreased (but not below the number of shares thereof then outstanding) by holders of a majority of the voting power of the stock entitled to vote, voting as a single class, provided that the holders of Class A Common shall have one (1) vote per share, the holders of Class B Common shall have ten (10) votes per share and the holders of Class 1 Common shall have one (1) vote 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) The holders of Class 1 Common shall not be entitled to vote on any matter except as set forth in Section 5(i)(a)(i) and the second sentence of Section 5(i)(a)(ii).

(vi) There shall be no cumulative voting of any shares of Class A Common, Class B Common or Class 1 Common.

(b) Dividends. Subject to the rights of the Class A Common, Class B Common and Class 1 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 any of the Class A Common, Class B Common or Class 1 Common, on all of the Class A Common, Class B Common and Class 1 Common, or on any combination of the Class A Common, Class B Common and Class 1 Common.

(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 the holders of Class A Common, Class B Common and Class 1 Common, but not only to holders of Class B Common, Class 1 Common, both Class B Common and Class 1 Common, both Class A Common and Class B Common or both Class A Common and Class 1 Common. A cash dividend in any amount may be paid on the Class A Common if no cash dividend is to be paid on Class B Common or Class 1 Common. If a cash dividend is to be paid on the Class B Common and Class 1 Common, (i) the cash dividend paid per share shall be the same for each share of Class B Common and Class 1 Common, and (ii) 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 and Class 1 Common by at least ten percent (10%) (rounded up, if necessary, to the nearest one-hundredth of a cent).

(d) Convertibility.

(i) 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 (which may be by electronic delivery or otherwise if such shares are uncertificated) such holder's shares of Class B

Common to be converted, duly endorsed or with duly executed stock powers, 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 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.

(ii) Each holder of record of a share of Class 1 Common may, without cost to such holder and at such holder's option, convert shares of Class 1 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 1 Common surrendered for conversion; provided, a holder of shares of Class 1 Common may only convert such shares if such holder immediately sells the shares of Class A Common received upon such conversion in either a transaction effected through the facilities of the stock exchange or other trading market on which the Class A Stock is then actively traded (a "Market Transaction") or a bona fide arm's-length transaction with an unrelated party (a "Qualifying Private Transaction"). Any such conversion may be effected by any holder of Class 1 Common by (x) surrendering (by electronic delivery or otherwise) at the office of the transfer agent for the Class A Common (the "Conversion Agent") such holder's shares of Class 1 Common to be converted, (y) delivering to the Conversion Agent a notice or other instructions (which may be written or given electronically through any automated transaction system maintained by the Conversion Agent) that such holder elects to convert all or a specified number of such shares of Class 1 Common, and (z) delivering to the Conversion Agent either (1) instructions to sell the shares of Class A Common issuable upon such conversion on behalf of such holder (which instructions may be given in accordance with any account agreement in place between such holder and the Conversion Agent), or (2) a certificate stating that such holder has sold the shares of Class A Common issuable upon such conversion in a Market Transaction or Qualifying Private Transaction, together with a stock power or other transfer instructions identifying the person or persons in whose name the shares of Class A Common issuable upon such conversion are to be issued. Promptly thereafter, the Corporation shall issue and deliver the number of shares of Class A Common to which such holder shall be entitled as aforesaid in accordance with the instructions to sell or transfer instructions delivered to the Conversion Agent. Such conversion shall be made as of the close of business on the date of surrender and delivery to the Conversion Agent of the shares of Class 1 Common and all other materials required to be delivered to the Conversion Agent, 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.

(iii) 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 and Class 1 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 or Class 1 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, Class B Common and Class 1 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 6th day of December, 2007.

/s/ Robert Sands

Name: Robert Sands

Title: President and Chief Executive Officer

**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 315,000,000 shares to 322,000,000 shares and to increase the number of authorized shares of the Class 1 Common Stock of the Company from 15,000,000 shares to 25,000,000 shares, thereby increasing the total number of shares of stock which the Company has authority to issue from 361,000,000 shares to 378,000,000 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 Seventy-Eight Million (378,000,000) consisting of:

- (a) Class A Common. Three Hundred Twenty-Two Million (322,000,000) 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) Class 1 Common. Twenty-Five Million (25,000,000) shares designated as Class 1 Common Stock, having a par value of One Cent (\$.01) per share (the "Class 1 Common"); and
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(d) 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 23rd day of July, 2009.

/s/ Robert Sands

Robert Sands, President and Chief Executive Officer

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

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2009**

I, Robert Sands, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is
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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 13, 2009

/s/ Robert Sands

Robert Sands
President and Chief Executive Officer

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

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2009**

I, Robert Ryder, certify that:

1. I have reviewed this report on Form 10-Q of Constellation Brands, Inc.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is
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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 13, 2009

/s/ Robert Ryder

Robert Ryder

Executive Vice President and
Chief Financial Officer

**SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2009**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2009, I, Robert Sands, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended August 31, 2009 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, 2009 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 13, 2009

/s/ Robert Sands

Robert Sands,
President and Chief Executive Officer

**SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER**

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2009**

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2009, I, Robert Ryder, certify pursuant to 18 U.S.C. Section 1350 that, to the best of my knowledge:

1. The quarterly report on Form 10-Q for the Fiscal Quarter Ended August 31, 2009 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, 2009 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 13, 2009

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