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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, 2008

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

CONSTELLATION BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**16-0716709**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
370 Woodcliff Drive, Suite 300, Fairport, New York	**14450**
(Address of principal executive offices)	(Zip Code)

(585) 218-3600

(Registrant's telephone number, including area code)

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

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

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

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

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

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of September 30, 2008, is set forth below:

Class	Number of Shares Outstanding
Class A Common Stock, par value $.01 per share	194,975,704
Class B Common Stock, par value $.01 per share	23,743,494
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, 2008	February 29, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash investments	$ 24.9	$ 20.5
Accounts receivable, net	775.9	731.6
Inventories	2,005.1	2,179.5
Prepaid expenses and other	232.2	267.4
Total current assets	3,038.1	3,199.0
PROPERTY, PLANT AND EQUIPMENT, net	1,752.6	2,035.0
GOODWILL	3,049.8	3,123.9
INTANGIBLE ASSETS, net	1,107.8	1,190.0
OTHER ASSETS, net	473.5	504.9
Total assets	$ 9,421.8	$ 10,052.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable to banks	$ 87.0	$ 379.5
Current maturities of long-term debt	264.3	229.3
Accounts payable	347.7	349.4
Accrued excise taxes	68.3	62.4
Other accrued expenses and liabilities	573.8	697.7
Total current liabilities	1,341.1	1,718.3
LONG-TERM DEBT, less current maturities	4,486.5	4,648.7
DEFERRED INCOME TAXES	549.7	535.8
OTHER LIABILITIES	368.7	384.1
STOCKHOLDERS' EQUITY:		
Class A Common Stock, $.01 par value- Authorized, 315,000,000 shares; Issued, 222,997,217 shares at August 31, 2008, and 221,296,639 shares at February 29, 2008	2.2	2.2
Class B Convertible Common Stock, $.01 par value- Authorized, 30,000,000 shares; Issued, 28,750,594 shares at August 31, 2008, and 28,782,954 shares at February 29, 2008	0.3	0.3
Additional paid-in capital	1,392.0	1,344.0
Retained earnings	1,326.8	1,306.0
Accumulated other comprehensive income	573.9	736.0
	3,295.2	3,388.5
Less: Treasury stock —		
Class A Common Stock, 28,403,532 shares at August 31, 2008, and 29,020,781 shares at February 29, 2008, at cost	(617.2)	(620.4)
Class B Convertible Common Stock, 5,005,800 shares at August 31, 2008, and February 29, 2008, at cost	(2.2)	(2.2)
	(619.4)	(622.6)
Total stockholders' equity	2,675.8	2,765.9
Total liabilities and stockholders' equity	$ 9,421.8	$ 10,052.8

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,	
	2008	2007	2008	2007
SALES	$ 2,451.2	$ 2,343.3	$ 1,239.2	$ 1,167.9
Less — Excise taxes	(562.9)	(549.5)	(282.7)	(275.3)
Net sales	1,888.3	1,793.8	956.5	892.6
COST OF PRODUCT SOLD	(1,253.5)	(1,215.9)	(650.7)	(582.9)
Gross profit	634.8	577.9	305.8	309.7
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(458.7)	(388.1)	(225.2)	(190.5)
IMPAIRMENT OF INTANGIBLE ASSETS	(21.8)	—	(21.8)	—
RESTRUCTURING CHARGES	(36.0)	(0.8)	(35.5)	(0.4)
ACQUISITION-RELATED INTEGRATION COSTS	(6.1)	(3.6)	(1.8)	(1.6)
Operating income	112.2	185.4	21.5	117.2
EQUITY IN EARNINGS OF EQUITY METHOD INVESTEES	142.2	155.9	70.1	80.1
INTEREST EXPENSE, net	(167.3)	(166.4)	(80.7)	(86.7)
Income before income taxes	87.1	174.9	10.9	110.6
PROVISION FOR INCOME TAXES	(65.2)	(73.0)	(33.6)	(38.5)
NET INCOME (LOSS)	$ 21.9	$ 101.9	$ (22.7)	$ 72.1
SHARE DATA:				
Earnings (loss) per common share:				
Basic — Class A Common Stock	$ 0.10	$ 0.46	$ (0.11)	$ 0.34
Basic — Class B Common Stock	$ 0.09	$ 0.42	$ (0.10)	$ 0.31
Diluted — Class A Common Stock	$ 0.10	$ 0.45	$ (0.11)	$ 0.33
Diluted — Class B Common Stock	$ 0.09	$ 0.41	$ (0.10)	$ 0.30
Weighted average common shares outstanding:				
Basic — Class A Common Stock	193.262	198.472	193.733	191.308
Basic — Class B Common Stock	23.762	23.821	23.754	23.819
Diluted — Class A Common Stock	219.828	226.395	193.733	219.300
Diluted — Class B Common Stock	23.762	23.821	23.754	23.819

The accompanying notes are an integral part of these statements.

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

	For the Six Months Ended August 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 21.9	$ 101.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	79.3	71.6
Write-down of inventory associated with the Australian Initiative	47.6	—
Loss on disposal or impairment of long-lived assets, net	28.6	0.7
Stock-based compensation expense	22.3	16.9
Impairment of intangible assets	21.8	—
Loss on businesses sold	15.8	6.8
Deferred tax provision	11.8	3.4
Amortization of intangible and other assets	5.9	5.4
Equity in earnings of equity method investees, net of distributed earnings	3.1	2.2
Change in operating assets and liabilities, net of effects from purchases and sales of businesses:		
Accounts receivable, net	(76.0)	(56.6)
Inventories	(28.3)	1.8
Prepaid expenses and other current assets	9.7	(9.0)
Accounts payable	10.2	(10.7)
Accrued excise taxes	9.5	13.1
Other accrued expenses and liabilities	(65.5)	61.4
Other, net	59.1	(31.2)
Total adjustments	154.9	75.8
Net cash provided by operating activities	176.8	177.7
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of businesses	204.2	3.0
Proceeds from sales of assets	16.0	2.3
Purchases of businesses, net of cash acquired	0.6	(386.3)
Purchases of property, plant and equipment	(52.0)	(47.0)
Investment in equity method investee	(0.6)	(0.6)
Payment of accrued earn-out amount	—	(2.8)
Proceeds from formation of joint venture	—	185.6
Other investing activities	11.3	—
Net cash provided by (used in) investing activities	179.5	(245.8)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayment of notes payable	(281.0)	(2.1)
Principal payments of long-term debt	(99.5)	(163.1)
Exercise of employee stock options	19.2	12.5
Excess tax benefits from share-based payment awards	6.4	7.4
Proceeds from employee stock purchases	2.9	3.0
Proceeds from issuance of long-term debt	—	716.1
Purchases of treasury stock	—	(500.0)
Payment of financing costs of long-term debt	—	(6.1)
Net cash (used in) provided by financing activities	(352.0)	67.7
Effect of exchange rate changes on cash and cash investments	0.1	0.1
NET INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	4.4	(0.3)
CASH AND CASH INVESTMENTS, beginning of period	20.5	33.5
CASH AND CASH INVESTMENTS, end of period	$ 24.9	$ 33.2
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Fair value of assets acquired, including cash acquired	$ 19.2	$ 427.7
Liabilities assumed	(6.2)	(40.1)
Net assets acquired	13.0	387.6
Plus — payment of direct acquisition costs previously accrued	0.7	0.4
Plus — settlement of note payable	0.6	—
Less — cash received from seller	(11.3)	—
Less — cash acquired	(2.8)	(1.6)
Less — amount due to seller	(0.7)	—
Less — direct acquisition costs accrued	(0.1)	(0.1)
Net cash paid for purchases of businesses	$ (0.6)	$ 386.3

The accompanying notes are an integral part of these statements.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2008

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 29, 2008. Results of operations for interim periods are not necessarily indicative of annual results.

2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS:

Effective March 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115." SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities", applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS No. 159 allows companies to choose to measure eligible items at fair value at specified election dates. In addition, the fair value option: (i) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (ii) is irrevocable (unless a new election date occurs); and (iii) is applied only to entire instruments and not to portions of instruments. The adoption of SFAS No. 159 did not have a material impact on the Company's consolidated financial statements.

3) ACQUISITIONS:

Acquisition of BWE —

On December 17, 2007, the Company acquired all of the issued and outstanding capital stock of Beam Wine Estates, Inc. ("BWE"), an indirect wholly-owned subsidiary of Fortune Brands, Inc., together with BWE's subsidiaries: Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois, Inc., Gary Farrell Wines, Inc. and Peak Wines International, Inc. (the "BWE Acquisition"). As a result of the BWE Acquisition, the Company has acquired the U.S. wine portfolio of Fortune Brands, Inc., including certain wineries, vineyards or interests therein in the State of California, as well as various super-premium and fine California wine brands including Clos du Bois and Wild Horse. The BWE Acquisition supports the Company's strategy of strengthening its portfolio with fast-growing super-premium and above wines. The BWE Acquisition strengthens the Company's position as the largest wine company in the world and the largest premium wine company in the U.S.

Total consideration paid in cash was $877.3 million. In addition, the Company expects to incur direct acquisition costs of approximately $1.4 million. The purchase price was financed with the net proceeds from the Company's December 2007 Senior Notes and revolver borrowings under the Company's 2006 Credit Agreement (as defined in Note 9). In accordance with the purchase method of accounting, the acquired net assets are recorded at fair value at the date of acquisition. The purchase price was based primarily on the estimated future operating results of the BWE business, including the factors described above. 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 addition, if certain objectives are achieved by the buyer, the Company could receive up to an additional $25.0 million in cash payments. In connection with the sale of the Pacific Northwest Business, the Company recorded a loss of $23.2 million for the six months ended August 31, 2008, which includes 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.

The results of operations of the BWE business are reported in the Constellation Wines segment and are included in the consolidated results of operations of the Company from the date of acquisition.

The following table summarizes the Company's estimated fair values of the assets acquired and liabilities assumed in the BWE Acquisition at the date of acquisition. The allocation of the purchase price is preliminary and subject to change. Estimated fair values at December 17, 2007, are as follows:

(in millions)	
Current assets	$ 286.9
Property, plant and equipment	232.9
Goodwill	336.6
Trademarks	111.9
Other assets	10.2
Total assets acquired	978.5
Current liabilities	98.6
Long-term liabilities	1.2
Total liabilities assumed	99.8
Net assets acquired	$ 878.7

The trademarks are not subject to amortization. All of the goodwill is expected to be deductible for tax purposes.

Acquisition of Svedka —

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

Total consideration paid in cash for the Svedka Acquisition was $385.8 million. In addition, the Company incurred direct acquisition costs of $1.3 million. The purchase price was financed with revolver borrowings under the Company's June 2006 Credit Agreement (as defined in Note 9), as amended in February 2007. In accordance with the purchase method of accounting, the acquired net assets are recorded at fair value at the date of acquisition. The purchase price was based primarily on the estimated future operating results of the Svedka business, including the factors described above.

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

The following table summarizes the Company's fair values of the assets acquired and liabilities assumed in the Svedka Acquisition at the date of acquisition.

(in millions)	
Current assets	$ 20.1
Property, plant and equipment	0.1
Goodwill	349.7
Trademark	36.4
Other assets	20.7
Total assets acquired	427.0
Current liabilities	23.8
Long-term liabilities	16.1
Total liabilities assumed	39.9
Net assets acquired	$ 387.1

The trademark is not subject to amortization. Approximately $87 million of the goodwill is expected to be deductible for tax purposes.

In addition, during the three months ended May 31, 2008, the Company completed its acquisition of the remaining 50% ownership interest in a Canadian joint venture distribution business for a purchase price of $13.0 million.

The following table sets forth the unaudited historical results of operations of the Company for the six months and three months ended August 31, 2008, and the unaudited pro forma results of operations of the Company for the six months and three months ended August 31, 2007. Unaudited pro forma results of operations of the Company for the six months and three months ended August 31, 2007, are not presented to give effect to the Svedka Acquisition as if it had occurred on March 1, 2007, as they are not significant. The unaudited pro forma results of operations for the six months and three months ended August 31, 2007, give effect to the BWE Acquisition as if it occurred on March 1, 2007. The unaudited pro forma results of operations are presented after giving effect to certain adjustments for amortization of certain intangible assets and deferred financing costs, interest expense on the acquisition financing and related income tax effects. The unaudited pro forma results of operations are based upon currently available information and certain assumptions that the Company believes are reasonable under the circumstances. The unaudited pro forma results of operations do not purport to present what the Company's results of operations would actually have been if the aforementioned transactions had in fact occurred on such date or at the beginning of the period indicated, nor do they project the Company's financial position or results of operations at any future date or for any future period.

(in millions, except per share data)	For the Six Months Ended August 31, 2008	For the Six Months Ended August 31, 2007	For the Three Months Ended August 31, 2008	For the Three Months Ended August 31, 2007
Net sales	$ 1,888.3	$ 1,902.1	$ 956.5	$ 946.6
Income before income taxes	$ 87.1	$ 163.9	$ 10.9	$ 104.2
Net income (loss)	$ 21.9	$ 93.3	$ (22.7)	$ 67.2
Earnings (loss) per common share — basic:				
Class A Common Stock	$ 0.10	$ 0.42	$ (0.11)	$ 0.32
Class B Convertible Common Stock	$ 0.09	$ 0.39	$ (0.10)	$ 0.29
Earnings (loss) per common share — diluted:				
Class A Common Stock	$ 0.10	$ 0.41	$ (0.11)	$ 0.31
Class B Convertible Common Stock	$ 0.09	$ 0.38	$ (0.10)	$ 0.28
Weighted average common shares outstanding — basic:				
Class A Common Stock	193.262	198.472	193.733	191.308
Class B Convertible Common Stock	23.762	23.821	23.754	23.819
Weighted average common shares outstanding — diluted:				
Class A Common Stock	219.828	226.395	193.733	219.300
Class B Convertible Common Stock	23.762	23.821	23.754	23.819

4) INVENTORIES:

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

(in millions)	August 31, 2008	February 29, 2008
Raw materials and supplies	$ 71.6	$ 85.4
In-process inventories	1,247.0	1,421.8
Finished case goods	686.5	672.3
	$ 2,005.1	$ 2,179.5

5) 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. In accordance with FSP No. 157-2, the Company is required to adopt the remaining provisions of SFAS No. 157 on March 1, 2009. The Company does not expect the adoption of the remaining provisions of SFAS No. 157 in connection with its nonfinancial assets and nonfinancial liabilities to 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, 2008:

	Fair Value Measurements as of August 31, 2008			
(in millions)	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring Fair Value Measures				
Assets:				
Foreign currency contracts	$ —	$ 92.1	$ —	$ 92.1
Liabilities:				
Foreign currency contracts	$ —	$ 44.7	$ —	$ 44.7
Interest rate swap contracts	—	39.5	—	39.5
Total	$ —	$ 84.2	$ —	$ 84.2

The Company's foreign currency contracts consist of foreign exchange 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 for the six months ended August 31, 2008, are as follows:

(in millions)	Constellation Wines	Constellation Spirits	Crown Imports	Consolidations and Eliminations	Consolidated
Balance, February 29, 2008	$ 2,614.1	$ 509.8	$ 13.0	$ (13.0)	$ 3,123.9
Purchase accounting allocations	19.8	—	—	—	19.8
Foreign currency translation adjustments	(76.9)	(1.2)	—	—	(78.1)
Disposal of business	(15.8)	—	—	—	(15.8)
Balance, August 31, 2008	$ 2,541.2	$ 508.6	$ 13.0	$ (13.0)	$ 3,049.8

The Constellation Wines segment's purchase accounting allocations totaling $19.8 million consist primarily of purchase accounting allocations associated with the BWE Acquisition of $16.5 million and purchase accounting allocations associated with the purchase of an immaterial business of $3.3 million. The Constellation Wines segment's disposal of business consists of the Company's reduction of goodwill in connection with the June 2008 sale of the Pacific Northwest Business.

7) INTANGIBLE ASSETS:

The major components of intangible assets are as follows:

	August 31, 2008		February 29, 2008	
(in millions)	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
Amortizable intangible assets:				
Customer relationships	$ 65.1	$ 58.0	$ 67.3	$ 62.0
Other	13.0	6.2	12.7	6.5
Total	$ 78.1	64.2	$ 80.0	68.5
Nonamortizable intangible assets:				
Trademarks		1,029.1		1,117.3
Other		14.5		4.2
Total		1,043.6		1,121.5
Total intangible assets		$ 1,107.8		$ 1,190.0

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 $2.6 million and $2.2 million for the six months ended August 31, 2008, and August 31, 2007, respectively, and $1.2 million and $1.1 million for the three months ended August 31, 2008, and August 31, 2007, respectively. Estimated amortization expense for the remaining six months of fiscal 2009 and for each of the five succeeding fiscal years and thereafter is as follows:

(in millions)	
2009	$ 2.6
2010	$ 5.3
2011	$ 5.1
2012	$ 4.4
2013	$ 4.2
2014	$ 4.2
Thereafter	$38.4

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, 2007.

8) INVESTMENT IN EQUITY METHOD INVESTEE:

On January 2, 2007, Barton Beers, Ltd. (“Barton”), an indirect wholly-owned subsidiary of the Company, and Diblo, S.A. de C.V. (“Diblo”), an entity owned 76.75% by Grupo Modelo, S.A.B. de C.V. (“Modelo”) and 23.25% by Anheuser-Busch Companies, Inc., completed the formation of Crown Imports LLC (“Crown Imports”), a joint venture in which Barton and Diblo each have, directly or indirectly, equal interests. Crown Imports has the exclusive right to import, market and sell Modelo’s Mexican beer portfolio (the “Modelo Brands”) in the 50 states of the U.S., the District of Columbia and Guam. In addition, the owners of the Tsingtao and St. Pauli Girl brands have transferred exclusive importing, marketing and selling rights with respect to those brands in the U.S. to the joint venture.

The 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, 2008, and February 29, 2008, the Company’s investment in Crown Imports was $150.4 million and $150.5 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 $144.3 million and $156.0 million of cash distributions from Crown Imports for the six months ended August 31, 2008, and August 31, 2007, respectively, all of which represent distributions of earnings.

Barton 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, 2008, and August 31, 2007, were not material. In addition, as of August 31, 2008, and February 29, 2008, amounts receivable from Crown Imports were not material.

Summary financial information for Crown Imports is presented below. The amounts shown represent 100% of Crown Imports consolidated operating results.

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
(in millions)	2008	2007	2008	2007
Net sales	$ 1,404.6	$ 1,380.8	$ 732.1	$ 722.7
Gross profit	$ 424.4	$ 424.0	$ 220.0	$ 219.3
Net income	$ 288.2	$ 303.9	$ 148.8	$ 157.5

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 $3.9 billion, consisting of a $1.2 billion tranche A term loan facility due in June 2011, a $1.8 billion tranche B term loan facility due in June 2013, and a $900 million revolving credit facility (including a sub-facility for letters of credit of up to $200 million) which terminates in June 2011. Proceeds of the June 2006 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the 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, 2008, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining six months of fiscal 2009 and for each of the five succeeding fiscal years are as follows:

(in millions)	Tranche A Term Loan	Tranche B Term Loan	Total
2009	$ 120.0	$ 2.0	$ 122.0
2010	270.0	4.0	274.0
2011	300.0	4.0	304.0
2012	150.0	4.0	154.0
2013	—	714.0	714.0
2014	—	712.0	712.0
	$ 840.0	$ 1,440.0	$ 2,280.0

The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is fixed with respect to the tranche B term loan facility and is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) with respect to the tranche A term loan facility and the revolving credit facility. As of August 31, 2008, 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 $3.5 billion to $3.9 billion; (ii) increase the aggregate amount of cash payments the Company is permitted to make in respect or on account of its capital stock; (iii) remove certain limitations on the 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, 2008, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $840.0 million bearing an interest rate of 3.8%, tranche B term loans of $1,440.0 million bearing an interest rate of 4.1%, revolving loans of $18.0 million bearing an interest rate of 2.7%, outstanding letters of credit of $36.7 million, and $845.3 million in revolving loans available to be drawn.

As of August 31, 2008, the Company had outstanding interest rate swap agreements which fixed LIBOR interest rates on $1.2 billion of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. For the six months ended August 31, 2008, and August 31, 2007, the Company reclassified $5.6 million and $3.5 million, net of income tax effect, respectively, from AOCI (as defined in Note 14) to interest expense, net on the Company's Consolidated Statements of Operations. For the three months ended August 31, 2008, and August 31, 2007, the Company reclassified $3.2 million and $1.7 million, net of income tax effect, respectively, from AOCI to interest expense, net on the Company's Consolidated Statements of Operations.

S*ubsidiary credit facilities —*

The Company has additional credit arrangements totaling $410.9 million as of August 31, 2008. 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, 2008, and August 31, 2007, amounts outstanding under these arrangements were $116.5 million and $206.0 million, respectively.

10) INCOME TAXES:

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 six months ended August 31, 2007, of 41.7% was impacted primarily by the recognition of a nondeductible pretax loss in the first quarter of fiscal 2008 in connection with the Company's contribution of its U.K. wholesale business to the Matthew Clark joint venture and increases to uncertain tax positions and related interest, partially offset by reductions in deferred income tax liabilities as a result of legislative changes in various state and foreign jurisdictions.

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

The effective tax rate for the six months and three months ended August 31, 2008, includes the recognition of $12.3 million of previously unrecognized tax benefits and accrued interest due to the resolution of various tax matters during the period. This decrease is due to the Company's determination that certain tax positions have been effectively settled. As a result, the total amount of the Company's unrecognized tax benefits, net of tax payments and reclassifications, decreased by $11.9 million.

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:

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
(in millions)	2008	2007	2008	2007
Service cost	$ 2.6	$ 2.5	$ 1.3	$ 1.3
Interest cost	14.1	12.3	7.0	6.3
Expected return on plan assets	(16.7)	(14.7)	(8.3)	(7.5)
Amortization of prior service cost	0.1	0.2	0.1	0.1
Recognized net actuarial loss	4.1	4.3	2.0	2.2
Recognized loss due to curtailment	0.4	—	(0.1)	—
Recognized net loss due to settlement	8.3	—	8.3	—
Net periodic benefit cost	$ 12.9	$ 4.6	$ 10.3	$ 2.4

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 $6.1 million have been made by the Company to fund its defined benefit pension plans for the six months ended August 31, 2008. The Company presently anticipates contributing an additional $4.4 million to fund its defined benefit pension plans during the year ending February 28, 2009, resulting in total employer contributions of $10.5 million for the year ending February 28, 2009.

12) 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 method. Earnings per common share — diluted for Class A Common Stock reflects the potential dilution that could result if securities to issue common stock were exercised or converted into common stock. Earnings per common share — diluted for Class A Common Stock has been computed using the more dilutive of the if-converted or two-class method. Using the if-converted method, earnings per common share for Class A Common Stock assumes the exercise of stock options using the treasury stock method and the conversion of Class B Convertible Common Stock. Using the two-class 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, 2008, and August 31, 2007, earnings per common share — diluted has been calculated using the if-converted method. For the three months ended August 31, 2008, and August 31, 2007, earnings per common share — diluted has been calculated using the two-class method and the if-converted method, respectively. Diluted earnings per common share for Class B Convertible Common Stock is presented without assuming conversion into Class A Common Stock and is computed using the two-class computation method.

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

(in millions, except per share data)	For the Six Months Ended August 31, 2008	For the Six Months Ended August 31, 2007	For the Three Months Ended August 31, 2008	For the Three Months Ended August 31, 2007
Income (loss) available to common stockholders	$ 21.9	$ 101.9	$ (22.7)	$ 72.1
Weighted average common shares outstanding — basic:				
Class A Common Stock	193.262	198.472	193.733	191.308
Class B Convertible Common Stock	23.762	23.821	23.754	23.819
Weighted average common shares outstanding — diluted:				
Class A Common Stock	193.262	198.472	193.733	191.308
Class B Convertible Common Stock	23.762	23.821	—	23.819
Stock-based awards, primarily stock options	2.804	4.102	—	4.173
Weighted average common shares outstanding — diluted	219.828	226.395	193.733	219.300
Earnings (loss) per common share — basic:				
Class A Common Stock	$ 0.10	$ 0.46	$ (0.11)	$ 0.34
Class B Convertible Common Stock	$ 0.09	$ 0.42	$ (0.10)	$ 0.31
Earnings (loss) per common share — diluted:				
Class A Common Stock	$ 0.10	$ 0.45	$ (0.11)	$ 0.33
Class B Convertible Common Stock	$ 0.09	$ 0.41	$ (0.10)	$ 0.30

For the six months ended August 31, 2008, and August 31, 2007, stock-based awards, primarily stock options, which could result in the issuance of 26.0 million and 18.2 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, 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. For the three months ended August 31, 2007, stock-based awards, primarily stock options, which could result in the issuance of 17.1 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.

13) STOCK-BASED COMPENSATION:

The Company recorded $22.3 million and $16.9 million of stock-based compensation cost in its Consolidated Statements of Operations for the six months ended August 31, 2008, and August 31, 2007, respectively. The Company recorded $11.5 million and $7.5 million of stock-based compensation cost in its Consolidated Statements of Operations for the three months ended August 31, 2008, and August 31, 2007, respectively. Of the $22.3 million, $5.8 million is related to the granting of 8.5 million nonqualified stock options under the Company's Long-Term Stock Incentive Plan to employees and nonemployee directors during the year ending February 28, 2009. The remainder is related primarily to the amortization of employee and nonemployee director stock options granted during the years ended February 29, 2008, and February 28, 2007.

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14) COMPREHENSIVE (LOSS) INCOME:

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

(in millions)	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
For the Six Months Ended August 31, 2008			
Net income			$ 21.9
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$ (202.0)	$ 2.9	(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	$ (144.4)	$ (18.7)	(163.1)
Total comprehensive loss			$ (141.2)
For the Six Months Ended August 31, 2007			
Net income			$ 101.9
Other comprehensive income (loss):			
Foreign currency translation adjustments	$ 144.3	$ 0.6	144.9
Unrealized loss on cash flow hedges:			
Net derivative losses	(22.2)	9.3	(12.9)
Reclassification adjustments	(4.1)	1.1	(3.0)
Net loss recognized in other comprehensive income	(26.3)	10.4	(15.9)
Pension/postretirement:			
Net losses arising during the period	(5.2)	1.6	(3.6)
Reclassification adjustments	4.6	(1.4)	3.2
Net loss recognized in other comprehensive income	(0.6)	0.2	(0.4)
Other comprehensive income	$ 117.4	$ 11.2	128.6
Total comprehensive income			$ 230.5
For the Three Months Ended August 31, 2008			
Net loss			$ (22.7)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$ (218.1)	$ 3.2	(214.9)
Unrealized loss on cash flow hedges:			
Net derivative losses	(1.2)	(3.0)	(4.2)
Reclassification adjustments	0.6	(0.6)	—
Net loss recognized in other comprehensive income	(0.6)	(3.6)	(4.2)
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	$ (198.2)	$ (6.4)	(204.6)
Total comprehensive loss			$ (227.3)

(in millions)	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
For the Three Months Ended August 31, 2007			
Net income			$ 72.1
Other comprehensive (loss) income:			
Foreign currency translation adjustments	$ (11.1)	$ (0.6)	(11.7)
Unrealized loss on cash flow hedges:			
Net derivative losses	(27.7)	9.6	(18.1)
Reclassification adjustments	(2.2)	0.5	(1.7)
Net loss recognized in other comprehensive income	(29.9)	10.1	(19.8)
Pension/postretirement:			
Net losses arising during the period	(3.2)	1.0	(2.2)
Reclassification adjustments	4.6	(1.4)	3.2
Net gain recognized in other comprehensive income	1.4	(0.4)	1.0
Other comprehensive loss	$ (39.6)	$ 9.1	(30.5)
Total comprehensive income			$ 41.6

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

(in millions)	Foreign Currency Translation Adjustments	Net Unrealized (Losses) Gains on Derivatives	Pension/ Postretirement Adjustments	Accumulated Other Comprehensive Income
Balance, February 29, 2008	$ 859.0	$ (13.4)	$ (109.6)	$ 736.0
Adjustment to initially apply the measurement date provisions of SFAS No. 158, net of income tax effect (see Note 19)	—	—	1.0	1.0
Current period change	(199.1)	19.1	16.9	(163.1)
Balance, August 31, 2008	$ 659.9	$ 5.7	$ (91.7)	$ 573.9

15) ACQUISITION-RELATED INTEGRATION COSTS:

For the six months ended August 31, 2008, the Company recorded $6.1 million of acquisition-related integration costs associated primarily with the Fiscal 2008 Plan (as defined in Note 16). The Company defines acquisition-related integration costs as nonrecurring costs incurred to integrate newly acquired businesses after a business combination which are incremental to those of the Company prior to the business combination. As such, acquisition-related integration costs include, but are not limited to, (i) employee-related costs such as salaries and stay bonuses paid to employees of the acquired business that will be terminated after their integration activities are completed, (ii) costs to relocate fixed assets and inventories, and (iii) facility costs and other one-time costs such as external services and consulting fees. For the six months ended August 31, 2008, acquisition-related integration costs included $2.6 million of employee-related costs and $3.5 million of facilities and other one-time costs. For the six months ended August 31, 2007, the Company recorded $3.6 million of acquisition-related integration costs associated primarily with the Vincor Plan (as defined in Note 16).

For the three months ended August 31, 2008, the Company recorded $1.8 million of acquisition-related integration costs associated primarily with the Fiscal 2008 Plan. Acquisition-related integration costs included $0.3 million of employee-related costs and $1.5 million of facilities and other one-time costs for the three months ended August 31, 2008. For the three months ended August 31, 2007, the Company recorded $1.6 million of acquisition-related integration costs associated primarily with the Vincor Plan.

16) RESTRUCTURING CHARGES:

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

Robert Mondavi Plan —

The Company announced in January 2005 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 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. The Fiscal 2006 Plan is part of the Company’s ongoing effort to enhance its administrative, operational and production efficiencies in light of its ongoing growth. The objective of the Fiscal 2006 Plan is to achieve greater efficiency in sales, administrative and operational activities and to eliminate redundant costs. The Fiscal 2006 Plan includes the termination of employment of certain employees in various locations worldwide, the consolidation of certain worldwide wine selling and administrative functions, the consolidation of certain warehouse and production functions, the termination of various contracts, investment in new assets and the reconfiguration of certain existing assets. The Company expects all costs associated with the Fiscal 2006 Plan to be recognized in its Consolidated Statements of Operations by February 28, 2009, with related cash expenditures also to be completed by 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 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 expects all costs associated with the Vincor Plan to be recognized in its Consolidated Statements of Operations by February 28, 2009, with 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, 2011, with related cash expenditures also to be completed by February 28, 2011.

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 (the “U.S. Initiative”). These initiatives will collectively be 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, 2010, with related cash expenditures also to be completed by February 28, 2010.

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 relocations and costs for employee terminations. Included in the Company’s restructuring charges on its Consolidated Statements of Operations for the six months and the three months ended August 31, 2008, respectively, is $31.5 million of non-cash charges for the write-down of property, plant and equipment, net, in connection with the Australian Initiative (which are excluded from the restructuring liability rollforward table below). As of August 31, 2008, the Company had $71.2 million of 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, 2010, with related cash expenditures to be completed by February 28, 2010.

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

Details of each plan are presented in the following table. “Other Plans” consist primarily of the Robert Mondavi Plan.

(in millions)	Australian Initiative	Fiscal 2008 Plan	Fiscal 2007 Wine Plan	Vincor Plan	Fiscal 2006 Plan	Other Plans	Total
Restructuring liability, February 29, 2008	$ —	$ 26.2	$ 3.2	$ 5.0	$ 1.0	$ 3.8	$ 39.2
BWE Acquisition	—	1.0	—	—	—	—	1.0
Vincor Acquisition	—	—	—	0.2	—	—	0.2
Other acquisition	—	—	—	—	—	0.9	0.9
Restructuring charges:							
Employee termination benefit costs	—	0.3	—	—	—	—	0.3
Contract termination costs	—	—	—	—	0.1	(0.2)	(0.1)
Facility consolidation/relocation costs	—	0.3	—	—	—	—	0.3
Restructuring charges, May 31, 2008	—	0.6	—	—	0.1	(0.2)	0.5
Employee termination benefit costs	1.3	(0.4)	1.2	—	—	—	2.1
Contract termination costs	—	1.1	—	—	0.6	—	1.7
Facility consolidation/relocation costs	—	0.2	—	—	—	—	0.2
Restructuring charges, August 31, 2008	1.3	0.9	1.2	—	0.6	—	4.0
Total restructuring charges	1.3	1.5	1.2	—	0.7	(0.2)	4.5
Cash expenditures	(0.4)	(21.9)	(0.3)	(1.4)	(1.0)	(0.8)	(25.8)
Foreign currency translation adjustments	—	—	(0.3)	(0.3)	—	—	(0.6)
Restructuring liability, August 31, 2008	$ 0.9	$ 6.8	$ 3.8	$ 3.5	$ 0.7	$ 3.7	$ 19.4

In connection with the Company's BWE Acquisition, Vincor Acquisition and Robert Mondavi acquisition, the Company accrued $21.2 million, $39.6 million and $50.5 million of liabilities for exit costs, respectively, as of the respective acquisition date. As of August 31, 2008, the balances of the BWE, Vincor and Robert Mondavi purchase accounting accruals were $4.6 million, $3.1 million and $3.2 million, respectively. As of February 29, 2008, the balances of the BWE, Vincor and Robert Mondavi purchase accounting accruals were $17.3 million, $3.8 million and $3.8 million, respectively.

In addition, the following table presents other costs incurred in connection with the Australian Initiative, Fiscal 2008 Plan, Fiscal 2007 Wine Plan, the Vincor Plan, the Fiscal 2006 Plan and Other Plans:

(in millions)	Australian Initiative	Fiscal 2008 Plan	Fiscal 2007 Wine Plan	Vincor Plan	Fiscal 2006 Plan	Other Plans	Total
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	$ —	$ 0.4	$ —	$ 0.5	$ 6.1
For the Six Months Ended August 31, 2007							
Accelerated depreciation/inventory write-down (cost of product sold)	$ —	$ —	$ 2.3	$ 0.1	$ 1.9	$ —	$ 4.3
Asset write-down/other costs (selling, general and administrative expenses)	$ —	$ —	$ 1.2	$ —	$ 0.2	$ —	$ 1.4
Acquisition-related integration costs	$ —	$ —	$ —	$ 3.3	$ —	$ 0.3	$ 3.6
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	$ —	$ 0.2	$ —	$ 0.2	$ 1.8
For the Three Months Ended August 31, 2007							
Accelerated depreciation/inventory write-down (cost of product sold)	$ —	$ —	$ 1.2	$ —	$ 0.9	$ —	$ 2.1
Asset write-down/other costs (selling, general and administrative expenses)	$ —	$ —	$ 0.9	$ —	$ —	$ —	$ 0.9
Acquisition-related integration costs	$ —	$ —	$ —	$ 1.5	$ —	$ 0.1	$ 1.6

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:

(in millions)	Australian Initiative	Fiscal 2008 Plan	Fiscal 2007 Wine Plan	Vincor Plan	Fiscal 2006 Plan	Other Plans
Costs incurred to date						
Restructuring charges:						
Employee termination benefit costs	$ 1.3	$ 9.2	$ 4.2	$ 1.4	$ 26.6	$ 2.8
Contract termination costs	—	1.2	24.0	(3.0)	2.2	0.2
Facility consolidation/relocation costs	—	0.5	—	0.1	1.0	0.5
Impairment charges on assets held for sale	31.5	—	—	—	—	—
Total restructuring charges	32.8	10.9	28.2	(1.5)	29.8	3.5
Other costs:						
Accelerated depreciation/inventory write-down	48.2	17.9	10.3	0.6	19.6	—
Asset write-down/other costs	1.8	1.2	17.0	0.1	3.7	—
Asset impairment	21.8	7.4	—	—	—	—
Acquisition-related integration costs	—	10.5	—	28.8	—	28.3
Total other costs	71.8	37.0	27.3	29.5	23.3	28.3
Total costs incurred to date	$ 104.6	$ 47.9	$ 55.5	$ 28.0	$ 53.1	$ 31.8
Total expected costs						
Restructuring charges:						
Employee termination benefit costs	$ 5.4	$ 9.2	$ 4.2	$ 1.4	$ 26.6	$ 2.8
Contract termination costs	3.6	1.8	24.0	(3.0)	3.3	0.2
Facility consolidation/relocation costs	1.7	3.4	0.2	0.1	1.1	0.5
Impairment charges on assets held for sale, net of estimated gains on sales of assets	22.4	—	—	—	—	—
Total restructuring charges	33.1	14.4	28.4	(1.5)	31.0	3.5
Other costs:						
Accelerated depreciation/inventory write-down	53.9	18.2	11.3	0.6	19.6	—
Asset write-down/other costs	30.3	2.3	33.5	1.1	3.7	—
Asset impairment	21.8	7.4	—	—	—	—
Acquisition-related integration costs	—	15.8	—	29.7	—	28.5
Total other costs	106.0	43.7	44.8	31.4	23.3	28.5
Total expected costs	$ 139.1	$ 58.1	$ 73.2	$ 29.9	$ 54.3	$ 32.0

17) CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of August 31, 2008, and February 29, 2008, the condensed consolidating statements of operations for the six months and three months ended August 31, 2008, and August 31, 2007, and the condensed consolidating statements of cash flows for the six months ended August 31, 2008, and August 31, 2007, 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 29, 2008, and include the recently adopted accounting pronouncements described in Note 2 herein. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to the Company in the form of cash dividends, loans or advances.

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Balance Sheet at August 31, 2008					
Current assets:					
Cash and cash investments	$ 1.6	$ 1.0	$ 22.3	$ —	$ 24.9
Accounts receivable, net	287.6	80.7	407.6	—	775.9
Inventories	38.0	1,061.5	915.0	(9.4)	2,005.1
Prepaid expenses and other	5.2	203.7	63.9	(40.6)	232.2
Intercompany receivable (payable)	1,048.2	(924.2)	(124.0)	—	—
Total current assets	1,380.6	422.7	1,284.8	(50.0)	3,038.1
Property, plant and equipment, net	45.5	869.1	838.0	—	1,752.6
Investments in subsidiaries	6,232.4	80.6	153.0	(6,466.0)	—
Goodwill	—	2,157.4	892.4	—	3,049.8
Intangible assets, net	—	718.2	389.6	—	1,107.8
Other assets, net	50.4	235.1	204.2	(16.2)	473.5
Total assets	$ 7,708.9	$ 4,483.1	$ 3,762.0	$ (6,532.2)	$ 9,421.8
Current liabilities:					
Notes payable to banks	$ 18.0	$ —	$ 69.0	$ —	$ 87.0
Current maturities of long-term debt	247.2	5.3	11.8	—	264.3
Accounts payable	8.0	139.2	200.5	—	347.7
Accrued excise taxes	8.3	19.8	40.2	—	68.3
Other accrued expenses and liabilities	139.5	195.1	282.8	(43.6)	573.8
Total current liabilities	421.0	359.4	604.3	(43.6)	1,341.1
Long-term debt, less current maturities	4,461.0	8.8	16.7	—	4,486.5
Deferred income taxes	—	469.2	96.7	(16.2)	549.7
Other liabilities	151.1	64.3	153.3	—	368.7

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Stockholders' equity:					
Preferred stock	—	162.0	1,430.9	(1,592.9)	—
Class A Common Stock and Class B Convertible Common Stock	2.5	100.7	184.3	(285.0)	2.5
Additional paid-in capital	1,392.0	1,280.3	1,224.2	(2,504.5)	1,392.0
Retained earnings (loss)	1,326.8	2,027.3	(597.6)	(1,429.7)	1,326.8
Accumulated other comprehensive income	573.9	11.1	649.2	(660.3)	573.9
Treasury stock	(619.4)	—	—	—	(619.4)
Total stockholders' equity	2,675.8	3,581.4	2,891.0	(6,472.4)	2,675.8
Total liabilities and stockholders' equity	$ 7,708.9	$ 4,483.1	$ 3,762.0	$ (6,532.2)	$ 9,421.8

Condensed Consolidating Balance Sheet at February 29, 2008

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Current assets:					
Cash and cash investments	$ 0.3	$ 2.8	$ 17.4	$ —	$ 20.5
Accounts receivable, net	268.1	95.7	367.8	—	731.6
Inventories	45.2	1,188.2	952.4	(6.3)	2,179.5
Prepaid expenses and other	6.0	272.5	39.2	(50.3)	267.4
Intercompany receivable (payable)	1,520.2	(1,493.3)	(26.9)	—	—
Total current assets	1,839.8	65.9	1,349.9	(56.6)	3,199.0
Property, plant and equipment, net	47.6	1,005.5	981.9	—	2,035.0
Investments in subsidiaries	6,306.7	80.3	153.0	(6,540.0)	—
Goodwill	—	2,156.8	967.1	—	3,123.9
Intangible assets, net	—	754.0	436.0	—	1,190.0
Other assets, net	59.9	274.0	205.0	(34.0)	504.9
Total assets	$ 8,254.0	$ 4,336.5	$ 4,092.9	$ (6,630.6)	$ 10,052.8
Current liabilities:					
Notes payable to banks	$ 308.0	$ —	$ 71.5	$ —	$ 379.5
Current maturities of long-term debt	215.2	9.0	5.1	—	229.3
Accounts payable	3.5	94.8	251.1	—	349.4
Accrued excise taxes	6.9	16.8	38.7	—	62.4
Other accrued expenses and liabilities	197.7	274.8	277.4	(52.2)	697.7
Total current liabilities	731.3	395.4	643.8	(52.2)	1,718.3
Long-term debt, less current maturities	4,610.1	10.6	28.0	—	4,648.7
Deferred income taxes	—	463.9	105.8	(33.9)	535.8
Other liabilities	146.7	96.7	140.7	—	384.1
Stockholders' equity:					
Preferred stock	—	162.0	1,430.9	(1,592.9)	—
Class A Common Stock and Class B Convertible Common Stock	2.5	100.7	184.3	(285.0)	2.5
Additional paid-in capital	1,344.0	1,280.3	1,224.2	(2,504.5)	1,344.0
Retained earnings (loss)	1,306.0	1,842.5	(509.8)	(1,332.7)	1,306.0
Accumulated other comprehensive income (loss)	736.0	(15.6)	845.0	(829.4)	736.0
Treasury stock	(622.6)	—	—	—	(622.6)
Total stockholders' equity	2,765.9	3,369.9	3,174.6	(6,544.5)	2,765.9
Total liabilities and stockholders' equity	$ 8,254.0	$ 4,336.5	$ 4,092.9	$ (6,630.6)	$ 10,052.8

(in millions)	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)
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)	$ 21.9	$ 185.3	$ (86.5)	$ (98.8)	$ 21.9
Condensed Consolidating Statement of Operations for the Six Months Ended August 31, 2007					
Sales	$ 422.1	$ 1,038.2	$ 1,238.7	$ (355.7)	$ 2,343.3
Less — excise taxes	(59.2)	(193.8)	(296.5)	—	(549.5)
Net sales	362.9	844.4	942.2	(355.7)	1,793.8
Cost of product sold	(283.9)	(550.2)	(698.9)	317.1	(1,215.9)
Gross profit	79.0	294.2	243.3	(38.6)	577.9
Selling, general and administrative expenses	(124.2)	(138.0)	(162.1)	36.2	(388.1)
Impairment of intangible assets	—	—	—	—	—
Restructuring charges	—	(0.7)	(0.1)	—	(0.8)
Acquisition-related integration costs	(0.2)	(1.0)	(2.4)	—	(3.6)
Operating (loss) income	(45.4)	154.5	78.7	(2.4)	185.4
Equity in earnings of equity method investees and subsidiaries	264.6	152.5	4.4	(265.6)	155.9
Interest expense, net	(121.3)	(33.6)	(11.5)	—	(166.4)
Income before income taxes	97.9	273.4	71.6	(268.0)	174.9
Benefit from (provision for) income taxes	4.0	(101.3)	23.6	0.7	(73.0)
Net income	$ 101.9	$ 172.1	$ 95.2	$ (267.3)	$ 101.9

(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 Operations for the Three Months Ended August 31, 2007					
Sales	$ 219.6	$ 545.4	$ 575.5	$ (172.6)	$ 1,167.9
Less — excise taxes	(30.3)	(101.4)	(143.6)	—	(275.3)
Net sales	189.3	444.0	431.9	(172.6)	892.6
Cost of product sold	(147.6)	(275.7)	(309.8)	150.2	(582.9)
Gross profit	41.7	168.3	122.1	(22.4)	309.7
Selling, general and administrative expenses	(66.2)	(66.4)	(77.8)	19.9	(190.5)
Impairment of intangible assets	—	—	—	—	—
Restructuring charges	—	(0.4)	—	—	(0.4)
Acquisition-related integration costs	(0.1)	(0.3)	(1.2)	—	(1.6)
Operating (loss) income	(24.6)	101.2	43.1	(2.5)	117.2
Equity in earnings of equity method investees and subsidiaries	158.1	79.7	1.9	(159.6)	80.1
Interest expense, net	(65.7)	(14.5)	(6.5)	—	(86.7)
Income before income taxes	67.8	166.4	38.5	(162.1)	110.6
Benefit from (provision for) income taxes	4.3	(59.5)	15.7	1.0	(38.5)
Net income	$ 72.1	$ 106.9	$ 54.2	$ (161.1)	$ 72.1

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
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 sales of businesses	(2.4)	206.6	—	—	204.2
Proceeds from sales of assets	—	0.3	15.7	—	16.0
Purchase of business, net of cash acquired	(0.5)	10.9	(9.8)	—	0.6
Purchases of property, plant and equipment	(1.5)	(21.2)	(29.3)	—	(52.0)
Investment in equity method investee	—	(0.6)	—	—	(0.6)
Proceeds from formation of joint venture	—	—	—	—	—
Payment of accrued earn-out amount	—	—	—	—	—
Other investing activities	—	11.3	—	—	11.3
Net cash (used in) provided by investing activities	(4.4)	207.3	(23.4)	—	179.5
Cash flows from financing activities:					
Intercompany financings, net	476.7	(550.0)	73.3	—	—
Net (repayment of) proceeds from notes payable	(290.0)	—	9.0	—	(281.0)
Principal payments of long-term debt	(91.7)	(5.4)	(2.4)	—	(99.5)
Exercise of employee stock options	19.2	—	—	—	19.2
Excess tax benefits from share-based payment awards	6.4	—	—	—	6.4
Proceeds from employee stock purchases	2.9	—	—	—	2.9
Proceeds from issuance of long-term debt	—	—	—	—	—
Purchases of treasury stock	—	—	—	—	—
Payment of financing costs of long-term debt	—	—	—	—	—
Net cash provided by (used in) financing activities	123.5	(555.4)	79.9	—	(352.0)
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	$ 1.6	$ 1.0	$ 22.3	$ —	$ 24.9

(in millions)	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	Consolidated
Condensed Consolidating Statement of Cash Flows for the Six Months Ended August 31, 2007					
Net cash (used in) provided by operating activities	$ (10.3)	$ 191.7	$ (3.7)	$ —	$ 177.7
Cash flows from investing activities:					
Proceeds from sales of businesses	(4.0)	7.8	(0.8)	—	3.0
Proceeds from sales of assets	—	0.8	1.5	—	2.3
Purchase of business, net of cash acquired	(1.6)	(384.2)	(0.5)	—	(386.3)
Purchases of property, plant and equipment	(2.8)	(12.4)	(31.8)	—	(47.0)
Investment in equity method investee	—	(0.6)	—	—	(0.6)
Proceeds from formation of joint venture	—	—	185.6	—	185.6
Payment of accrued earn-out amount	—	(2.8)	—	—	(2.8)
Other investing activities	—	—	—	—	—
Net cash (used in) provided by investing activities	(8.4)	(391.4)	154.0	—	(245.8)
Cash flows from financing activities:					
Intercompany financings, net	(33.3)	205.7	(172.4)	—	—
Net (repayment of) proceeds from notes payable	(13.0)	—	10.9	—	(2.1)
Principal payments of long-term debt	(150.9)	(6.0)	(6.2)	—	(163.1)
Exercise of employee stock options	12.5	—	—	—	12.5
Excess tax benefits from share-based payment awards	7.4	—	—	—	7.4
Proceeds from employee stock purchases	3.0	—	—	—	3.0
Proceeds from issuance of long-term debt	700.0	—	16.1	—	716.1
Purchases of treasury stock	(500.0)	—	—	—	(500.0)
Payment of financing costs of long-term debt	(6.1)	—	—	—	(6.1)
Net cash provided by (used in) financing activities	19.6	199.7	(151.6)	—	67.7
Effect of exchange rate changes on cash and cash investments	—	—	0.1	—	0.1
Net increase (decrease) in cash and cash investments	0.9	—	(1.2)	—	(0.3)
Cash and cash investments, beginning of period	2.4	1.1	30.0	—	33.5
Cash and cash investments, end of period	$ 3.3	$ 1.1	$ 28.8	$ —	$ 33.2

18) BUSINESS SEGMENT INFORMATION:

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

The business segments reflect how the Company's operations are managed, how operating performance within the Company is evaluated by senior management and the structure of its internal financial reporting.

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.

For the six months ended August 31, 2008, acquisition-related integration costs, restructuring charges and unusual costs included in operating income consist primarily of inventory write-downs of $47.6 million, restructuring charges of $36.0 million, and impairment of intangible assets of $21.8 million associated primarily with the Australian Initiative; the loss of $23.2 million in connection with the June 2008 sale of the Pacific Northwest Business; the flow through of inventory step-up of $10.6 million associated primarily with the BWE Acquisition; the net loss of $8.3 million in connection with the sale of a nonstrategic Canadian distilling facility; and accelerated depreciation, acquisition-related integration costs and other costs of $6.3 million, $6.1 million and $5.2 million, respectively, associated primarily with the Fiscal 2008 Plan, the Fiscal 2007 Wine Plan and the Australian Initiative. For the six months ended August 31, 2008, acquisition-related integration costs, restructuring charges and unusual costs included in equity in earnings of equity method investees consist primarily of an impairment loss on an Australian investment of $4.1 million. For the six months ended August 31, 2007, acquisition-related integration costs, restructuring charges and unusual costs included in operating income consist primarily of the loss of $6.6 million on the contribution of the U.K. wholesale business; the flow through of inventory step-up of $5.2 million associated primarily with the Company's acquisition of Vincor; accelerated depreciation of $4.2 million associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; acquisition-related integration costs of $3.6 million associated primarily with the Vincor Plan; and other costs and restructuring charges of $1.4 million and $0.8 million, respectively, associated primarily with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan. For the six months ended August 31, 2007, acquisition-related integration costs, restructuring charges and unusual costs included in equity in earnings of equity method investees consist of the flow through of inventory step-up of $0.2 million associated with the Opus One investment.

For the three months ended August 31, 2008, acquisition-related integration costs, restructuring charges and unusual costs included in operating income consist primarily of inventory write-downs of $47.6 million, restructuring charges of $35.5 million, and impairment of intangible assets of $21.8 million associated primarily with the Australian Initiative; the net loss of $7.8 million in connection with the sale of a nonstrategic Canadian distilling facility; the flow through of inventory step-up of $4.3 million associated primarily with the BWE Acquisition; and other costs of $3.7 million associated primarily with the Australian Initiative and the Fiscal 2007 Wine Plan. For the three months ended August 31, 2008, acquisition-related integration costs, restructuring charges and unusual costs included in equity in earnings of equity method investees consist primarily of an impairment loss on an Australian investment of $4.1 million. For the three months ended August 31, 2007, acquisition-related integration costs, restructuring charges and unusual costs included in operating income consist primarily of the flow through of inventory step-up of $2.3 million associated primarily with the Company's acquisition of Vincor; accelerated depreciation of $2.1 million associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; acquisition-related integration costs of $1.6 million associated primarily with the Vincor Plan; other costs and restructuring charges of $0.9 million and $0.4 million, respectively, associated with the Fiscal 2007 Wine Plan, the Fiscal 2006 Plan and the Vincor Plan; and an additional loss on the contribution of the U.K. wholesale business of $0.5 million.

The Company evaluates performance based on operating income of the respective business units. The accounting policies of the segments are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2008, and include the recently adopted accounting pronouncements described in Note 2 herein. Transactions between segments consist mainly of sales of products and are accounted for at cost plus an applicable margin.

Segment information is as follows:

	For the Six Months Ended August 31,		For the Three Months Ended August 31,	
(in millions)	2008	2007	2008	2007
Constellation Wines:				
Net sales:				
Branded wine	$ 1,547.8	$ 1,358.8	$ 782.1	$ 738.9
Wholesale and other	125.8	233.3	65.3	48.9
Net sales	$ 1,673.6	$ 1,592.1	$ 847.4	$ 787.8
Segment operating income	$ 293.5	$ 211.1	$ 149.0	$ 124.9
Equity in earnings of equity method investees	$ 2.2	$ 3.9	$ (0.2)	$ 1.3
Long-lived tangible assets	$ 1,632.1	$ 1,586.3	$ 1,632.1	$ 1,586.3
Investment in equity method investees	$ 227.2	$ 241.3	$ 227.2	$ 241.3
Total assets	$ 8,040.8	$ 8,381.2	$ 8,040.8	$ 8,381.2
Capital expenditures	$ 47.0	$ 40.1	$ 27.5	$ 25.2
Depreciation and amortization	$ 73.0	$ 65.6	$ 35.2	$ 32.4
Constellation Spirits:				
Net sales	$ 214.7	$ 201.7	$ 109.1	$ 104.8
Segment operating income	$ 34.1	$ 36.7	$ 23.3	$ 20.9
Long-lived tangible assets	$ 80.7	$ 100.7	$ 80.7	$ 100.7
Total assets	$ 1,084.7	$ 1,098.4	$ 1,084.7	$ 1,098.4
Capital expenditures	$ 4.0	$ 5.4	$ 1.7	$ 2.9
Depreciation and amortization	$ 6.3	$ 6.7	$ 2.9	$ 3.5

(in millions)	For the Six Months Ended August 31, 2008	For the Six Months Ended August 31, 2007	For the Three Months Ended August 31, 2008	For the Three Months Ended August 31, 2007
Corporate Operations and Other:				
Net sales	$ —	$ —	$ —	$ —
Segment operating loss	$ (50.2)	$ (40.4)	$ (26.2)	$ (20.7)
Long-lived tangible assets	$ 39.8	$ 41.6	$ 39.8	$ 41.6
Total assets	$ 145.9	$ 91.9	$ 145.9	$ 91.9
Capital expenditures	$ 1.0	$ 1.5	$ 0.6	$ 1.2
Depreciation and amortization	$ 5.9	$ 4.7	$ 2.9	$ 2.4
Crown Imports:				
Net sales	$ 1,404.6	$ 1,380.8	$ 732.1	$ 722.7
Segment operating income	$ 287.4	$ 303.6	$ 148.8	$ 157.3
Long-lived tangible assets	$ 4.1	$ 3.9	$ 4.1	$ 3.9
Total assets	$ 400.1	$ 362.5	$ 400.1	$ 362.5
Capital expenditures	$ 0.1	$ 1.9	$ 0.1	$ 0.8
Depreciation and amortization	$ 0.5	$ 0.3	$ 0.2	$ 0.2
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs:				
Operating loss	$ (165.2)	$ (22.0)	$ (124.6)	$ (7.9)
Equity in losses of equity method investees	$ (4.1)	$ (0.2)	$ (4.1)	$ —
Consolidation and Eliminations:				
Net sales	$ (1,404.6)	$ (1,380.8)	$ (732.1)	$ (722.7)
Operating income	$ (287.4)	$ (303.6)	$ (148.8)	$ (157.3)
Equity in earnings of Crown Imports	$ 144.1	$ 152.2	$ 74.4	$ 78.8
Long-lived tangible assets	$ (4.1)	$ (3.9)	$ (4.1)	$ (3.9)
Investment in equity method investees	$ 150.4	$ 159.6	$ 150.4	$ 159.6
Total assets	$ (249.7)	$ (202.9)	$ (249.7)	$ (202.9)
Capital expenditures	$ (0.1)	$ (1.9)	$ (0.1)	$ (0.8)
Depreciation and amortization	$ (0.5)	$ (0.3)	$ (0.2)	$ (0.2)
Consolidated:				
Net sales	$ 1,888.3	$ 1,793.8	$ 956.5	$ 892.6
Operating income	$ 112.2	$ 185.4	$ 21.5	$ 117.2
Equity in earnings of equity method investees	$ 142.2	$ 155.9	$ 70.1	$ 80.1
Long-lived tangible assets	$ 1,752.6	$ 1,728.6	$ 1,752.6	$ 1,728.6
Investment in equity method investees	$ 377.6	$ 400.9	$ 377.6	$ 400.9
Total assets	$ 9,421.8	$ 9,731.1	$ 9,421.8	$ 9,731.1
Capital expenditures	$ 52.0	$ 47.0	$ 29.8	$ 29.3
Depreciation and amortization	$ 85.2	$ 77.0	$ 41.0	$ 38.3

19) ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED:

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158 ("SFAS No. 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS No. 158 requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Company adopted this provision of SFAS No. 158 and provided the required disclosures as of February 28, 2007. SFAS No. 158 also requires companies to measure the funded status of a plan as of the date of the company's fiscal year-end (with limited exceptions), which provision the Company is required to adopt as of February 28, 2009. The Company uses a December 31 measurement date for its defined benefit pension and other post-retirement plans and has elected to transition to a fiscal year-end measurement date utilizing the second alternative prescribed by SFAS No. 158. Accordingly, on March 1, 2008, the Company recognized adjustments to its opening retained earnings, accumulated other comprehensive income, net of income tax effect, and pension and other post-retirement plan assets or liabilities. These adjustments did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued 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 Company is required to adopt SFAS No. 141(R) for all business combinations for which the acquisition date is on or after March 1, 2009. Earlier adoption is prohibited.

In December 2007, the FASB issued 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 Company is required to adopt SFAS No. 160 for fiscal years beginning March 1, 2009. Earlier adoption is prohibited. The Company is currently assessing the financial impact of SFAS No. 160 on its consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. The Company is required to adopt SFAS No. 161 for its interim period beginning December 1, 2008, with earlier application encouraged. The Company is currently assessing the impact of SFAS No. 161 on its consolidated financial statements.

In April 2008, the FASB issued FASB 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. FSP No. 142-3 is effective for the Company as of March 1, 2009, and will be applied prospectively to future business combinations. Earlier adoption is prohibited.

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

Overview

The Company is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. The Company continues to supply imported beer in the United States ("U.S.") through its investment in a joint venture with Grupo Modelo, S.A.B. de C.V. ("Modelo"). This imported beers joint venture operates as Crown Imports LLC and is referred to hereinafter as "Crown Imports." As a result of their joint venture transactions, the Company and Modelo, through their affiliates, each have equal interests in Crown Imports and have appointed an equal number of directors to the Board of Directors of Crown Imports. Crown Imports commenced operations on January 2, 2007. The Company has the largest wine business in the world and is the largest multi-category (wine, spirits and imported beer) supplier of beverage alcohol in the U.S.; a leading producer and exporter of wine from Australia and New Zealand; the largest producer and marketer of wine in Canada; and both a major supplier of beverage alcohol and, through its investment in Matthew Clark (see "Equity Method Investment in Fiscal 2008" below), a major independent drinks wholesaler in the United Kingdom ("U.K.").

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

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 across the beverage alcohol category by offering a broad range of products in the wine, spirits and imported beer categories. The Company intends to continue to invest in 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 remains committed to its long-term financial model of growing sales (both organically and through acquisitions), expanding margins and increasing cash flow to achieve earnings per share growth and improve return on invested capital.

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

The 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. Competition in the U.S. beer and spirits markets is normally intense, with domestic and imported beer producers increasing brand spending in an effort to gain market share.

The U.K. wine market is primarily an import market with Australian wines comprising 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 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 past surplus of Australian wine made very low cost bulk wine available to these U.K. retailers which allowed certain of these large retailers to create and build private label brands in the Australian wine category. In January 2008, the Company implemented a price increase in the U.K. to cover certain cost increases. In March 2008, the U.K. announced a significant increase in duty as well as the expectation for future annual increases to approximate two percentage points above the rate of inflation. The Company immediately implemented an additional price increase in an effort to offset the impact of this March 2008 duty increase. In addition, the Company also implemented a price increase in Australia during the first quarter of calendar 2008 to improve profitability. These price increases have had the expected effect of negatively impacting volumes for these businesses for Second Quarter 2009 (as defined below) and Six Months 2009 (as defined below).

The calendar years 2004, 2005 and 2006 were years of record Australian grape harvests that contributed to a 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, primarily within the cool climate regions, and as a result, the surplus with regards to cool climate varietals continues to persist in the Australian wine industry. As such, the Company does not expect the highly competitive conditions in the U.K. and Australian markets to subside in the near term. In the U.S., although the Company expects the yield of the calendar 2008 grape harvest to approximate or decline slightly from the calendar 2007 grape harvest, the Company expects the overall supply of wine to remain generally in balance with demand.

For the three months ended August 31, 2008 (“Second Quarter 2009”), the Company’s net sales increased 7% over the three months ended August 31, 2007 (“Second Quarter 2008”), primarily due to net sales of branded wine acquired in the BWE Acquisition (see “Acquisitions in Fiscal 2008” below) and the Company’s Constellation Wines segment’s Fiscal 2008 (as defined below) initiative to reduce distributor wine inventory levels in the U.S., which negatively impacted net sales in the first and second quarters of fiscal 2008 as discussed below, partially offset by a decrease in net sales primarily due to the divestitures of the Almaden and Inglenook wine brands and the Pacific Northwest wine brands (see “Divestitures in Fiscal 2009 and Fiscal 2008” below). Operating income decreased 82% over the comparable prior year period primarily due to $104.6 million of charges recognized in Second Quarter 2009 in connection with 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.” As a result of these factors combined with the recognition of a tax valuation allowance against the net operating losses recognized in Australia, primarily as a result of the Australian Initiative, the Company recognized a net loss for Second Quarter 2009 as compared to net income for Second Quarter 2008.

For the six months ended August 31, 2008 (“Six Months 2009”), the Company’s net sales increased 5% over the six months ended August 31, 2007 (“Six Months 2008”), primarily due to the Company’s Fiscal 2008 initiative to reduce distributor wine inventory levels in the U.S. and net sales of branded wine acquired in the BWE Acquisition, partially offset by a decrease in net sales primarily due to the Matthew Clark investment (see “Equity Method Investment in Fiscal 2008” below). Operating income decreased 39% over the comparable prior year period resulting primarily from the charges recognized in Second Quarter 2009 in connection with the Australian Initiative, partially offset by increases in the Constellation Wines segment due primarily to increased net sales discussed above in connection with the Fiscal 2008 distributor wine inventory reduction initiative without a corresponding increase in promotional, advertising, and selling, general and administrative spend within the Constellation Wines segment, and the incremental benefit from the BWE Acquisition. Net income decreased 79% over the comparable prior year period primarily due to these factors combined with the recognition of the tax valuation allowance against the net operating losses recognized in Australia, primarily as a result of the Australian Initiative, and a decrease in equity in earnings of equity method investees.

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

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for Second Quarter 2009 compared to Second Quarter 2008 and Six Months 2009 compared to Six Months 2008 and (ii) financial liquidity and capital resources for Six Months 2009. 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, 2009 ("Fiscal 2009"). 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 2008. References to base branded wine net sales, base branded wine gross profit and base branded wine business exclude the impact of (i) branded wine acquired in the BWE Acquisition and (ii) branded wine disposed of in the Almaden and Inglenook divestiture and the Pacific Northwest Business divestiture (see "Divestitures in Fiscal 2009 and Fiscal 2008" below), as appropriate.

Acquisitions in Fiscal 2008

Acquisition of BWE

On December 17, 2007, the Company acquired all of the issued and outstanding capital stock of Beam Wine Estates, Inc. ("BWE"), an indirect wholly-owned subsidiary of Fortune Brands, Inc., together with BWE's subsidiaries: Atlas Peak Vineyards, Inc., Buena Vista Winery, Inc., Clos du Bois, Inc., Gary Farrell Wines, Inc. and Peak Wines International, Inc. (the "BWE Acquisition"). As a result of the BWE Acquisition, the Company acquired the U.S. wine portfolio of Fortune Brands, Inc., including certain wineries, vineyards or interests therein in the State of California, as well as various super-premium and fine California wine brands including Clos du Bois and Wild Horse. In June 2008, the Company sold certain assets acquired in the BWE Acquisition (see "Divestitures in Fiscal 2009 and Fiscal 2008" below).

The BWE Acquisition supports the Company's strategy of strengthening its portfolio with fast-growing super-premium and above wines. The BWE Acquisition strengthens the Company's position as the largest wine company in the world and the largest premium wine company in the U.S.

Total consideration paid in cash was $877.3 million. In addition, the Company expects to incur direct acquisition costs of approximately $1.4 million. The purchase price was financed with the net proceeds from the Company's December 2007 Senior Notes and revolver borrowings under the Company's 2006 Credit Agreement (each as defined below). In accordance with the purchase method of accounting, the acquired net assets are recorded at fair value at the date of acquisition. The purchase price allocation is currently in process.

The results of operations of the BWE business are reported in the Constellation Wines segment and are included in the consolidated results of operations of the Company from the date of acquisition. The BWE Acquisition has and will continue to have a material impact on the Company's results of operations, financial position and cash flows. In particular, the Company expects its results of operations to be significantly impacted by, among other things, the flow through of anticipated inventory step-up, restructuring, integration and other costs, and interest expense associated with borrowings to finance the purchase price. The restructuring, integration and other costs relate to the Company's January 2008 announcement of its plans to streamline certain of its operations in the U.S., primarily in connection with the restructuring and integration of the operations of BWE (the "U.S. Initiative").

Acquisition of Svedka

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

Total consideration paid in cash for the Svedka Acquisition was $385.8 million. In addition, the Company incurred direct acquisition costs of $1.3 million. The purchase price was financed with revolver borrowings under the Company's June 2006 Credit Agreement (as defined below) as amended in February 2007.

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

Equity Method Investment in Fiscal 2008

Investment in Matthew Clark

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

Upon formation of the joint venture, the Company discontinued consolidation of the U.K. wholesale business and accounts for the investment in Matthew Clark under the equity method. Accordingly, the results of operations of Matthew Clark are included in the equity in earnings of equity method investees line on the Company's Consolidated Statement of Operations from the date of investment.

Divestitures in Fiscal 2009 and Fiscal 2008

Pacific Northwest Business

In June 2008, the Company sold certain businesses consisting of several 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 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 includes 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.

Almaden and Inglenook

In February 2008, as part of ongoing efforts to increase focus on premium wine offerings in the U.S., the Company sold its lower margin value-priced wine brands, Almaden and Inglenook, and certain other assets for cash proceeds of $133.7 million. The Company recorded a loss of $27.8 million on this sale in the fourth quarter of fiscal 2008.

Results of Operations

Second Quarter 2009 Compared to Second Quarter 2008

Net Sales

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Second Quarter 2009 and Second Quarter 2008.

	Second Quarter 2009 Compared to Second Quarter 2008		
	Net Sales		
	2009	2008	% Increase
Constellation Wines:			
Branded wine	$ 782.1	$ 738.9	6%
Wholesale and other	65.3	48.9	34%
Constellation Wines net sales	847.4	787.8	8%
Constellation Spirits net sales	109.1	104.8	4%
Crown Imports net sales	732.1	722.7	1%
Consolidations and eliminations	(732.1)	(722.7)	1%
Consolidated Net Sales	$ 956.5	$ 892.6	7%

Net sales for Second Quarter 2009 increased to $956.5 million from $892.6 million for Second Quarter 2008, an increase of $63.9 million, or 7%. This increase resulted primarily from net sales of branded wine acquired in the BWE Acquisition of $46.0 million combined with the Company's Fiscal 2008 initiative to reduce distributor wine inventory levels in the U.S., which negatively impacted net sales in the first and second quarters of fiscal 2008 as discussed above, partially offset by a decrease in branded wine net sales of $33.9 million due to the divestitures of the Almaden and Inglenook wine brands and the Pacific Northwest wine brands.

Constellation Wines

Net sales for Constellation Wines increased to $847.4 million for Second Quarter 2009 from $787.8 million in Second Quarter 2008, an increase of $59.6 million, or 8%. Branded wine net sales increased $43.2 million primarily due to net sales of branded wine acquired in the BWE Acquisition of $46.0 million and the distributor wine inventory reduction initiative discussed above, partially offset by a $33.9 million decrease in net sales associated with the divestitures of the Almaden and Inglenook wine brands and the Pacific Northwest wine brands discussed above. Wholesale and other net sales increased $16.4 million primarily due to timing of bulk sales in the U.S. and growth in U.K. cider.

Constellation Spirits

Net sales for Constellation Spirits increased to $109.1 million for Second Quarter 2009 from $104.8 million for Second Quarter 2008, an increase of $4.3 million, or 4%. This increase resulted primarily from volume growth within the Company's branded spirits portfolio which was driven primarily by Svedka.

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 $305.8 million for Second Quarter 2009 from $309.7 million for Second Quarter 2008, a decrease of $3.9 million, or (1%), primarily due to an increase in unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, of $49.7 million. This increase resulted primarily from inventory write-downs of $47.6 million in Second Quarter 2009 associated with the Company's Australian Initiative. Partially offsetting these costs was an increase in the Constellation Wines segment's gross profit of $44.8 million primarily due to higher U.S. base branded wine gross profit resulting primarily from the Company's Fiscal 2008 distributor wine inventory reduction initiative and increased gross profit of $21.0 million due to the BWE Acquisition. The Constellation Spirits segment's gross profit increased slightly as increased gross profit from the increase in branded spirits net sales was partially offset by increasing raw material costs for spirits. Gross profit as a percent of net sales decreased to 32.0% for Second Quarter 2009 from 34.7% for Second Quarter 2008 primarily due to the higher unusual items discussed above, partially offset by (i) sales of higher-margin wine brands acquired in the BWE Acquisition, (ii) the divestiture of the lower-margin Almaden and Inglenook wine brands, and (iii) higher margins in the U.S. base branded wine business resulting primarily from the prior year's distributor wine inventory reduction initiative.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $225.2 million for Second Quarter 2009 from $190.5 million for Second Quarter 2008, an increase of $34.7 million, or 18%. This increase is due to increases of $20.7 million in the Constellation Wines segment, $5.5 million in the Corporate Operations and Other segment, and an increase in unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment of $9.9 million, partially offset by a slight decrease in the Constellation Spirits segment. The increase in the Constellation Wines segment's selling, general and administrative expenses is due to increased general and administrative expenses of $10.8 million resulting primarily from losses on foreign currency transactions and increased selling and marketing spend of $9.9 million behind the Company's branded wine portfolio. The increase in the Corporate Operations and Other segment's selling, general and administrative expenses is primarily due to higher stock-based compensation expense of $2.4 million and increased consulting service fees associated with the Company's review of its businesses and process improvement opportunities. The increase in unusual costs was primarily due to the recognition in Second Quarter 2009 of a $7.8 million net loss in connection with the August 2008 sale of a nonstrategic Canadian distilling facility.

Selling, general and administrative expenses as a percent of net sales increased to 23.5% for Second Quarter 2009 as compared to 21.3% for Second Quarter 2008 primarily due to the factors discussed above, partially offset by a margin benefit in Second Quarter 2009 resulting from the increase in U.S. base branded wine net sales associated primarily with the Fiscal 2008 distributor wine inventory reduction initiative without a corresponding increase in selling, general and administrative expenses.

Impairment of Intangible Assets

For Second Quarter 2009, in connection with the Australian Initiative, the Company recorded an impairment loss of $21.8 million on its Australian trademarks as a direct result of the streamlining of the Company's Australian wine product portfolio.

Restructuring Charges

The Company recorded $35.5 million of restructuring charges for Second Quarter 2009 associated primarily with the Company's Australian Initiative. Restructuring charges included $2.1 million of employee termination costs, $1.7 million of contract termination costs, $0.2 million of facility consolidation/relocation costs, and $31.5 million of impairment charges on assets held for sale in Australia. In addition, for Second Quarter 2009, the Company recorded $47.6 million of inventory write-downs and $2.3 million of accelerated depreciation in cost of product sold on the Company's Consolidated Statements of Operations and $3.7 million of other costs in selling, general and administrative expenses on the Company's Consolidated Statements of Operations primarily in connection with the Australian Initiative. The Company recorded $0.4 million of restructuring charges for Second Quarter 2008 associated primarily with the Company's plans to reorganize certain worldwide wine operations and to consolidate certain west coast production processes in the U.S. (collectively, the "Fiscal 2006 Plan") and the Company's plan to restructure and integrate the operations of Vincor International Inc. ("Vincor") (the "Vincor Plan"). In addition, for Second Quarter 2008, in connection with the Company's plan to invest in new distribution and bottling facilities in the U.K. and to streamline certain Australian wine operations (collectively, the "Fiscal 2007 Wine Plan"), the Fiscal 2006 Plan, and the Vincor Plan, the Company recorded $2.1 million of accelerated depreciation and $0.9 million of other costs, which were recorded in cost of product sold and selling, general and administrative expenses, respectively, on the Company's Consolidated Statements of Operations.

For Fiscal 2009, the Company expects to incur total restructuring charges of $47.4 million associated primarily with the Australian Initiative. In addition, with respect primarily to (i) the Australian Initiative; (ii) the Company's plan to streamline certain of its international operations and costs associated with the consolidation of certain spirits production processes in the U.S., collectively with the U.S. Initiative, the "Fiscal 2008 Plan"; and (iii) the Fiscal 2007 Wine Plan, the Company expects to incur $47.6 million of inventory write-downs and $11.2 million of accelerated depreciation in cost of product sold on the Company's Consolidated Statements of Operations, and $24.3 million of charges related primarily to (i) duplicative facility costs in the U.K. and (ii) contract modification costs in Australia in selling, general and administrative expenses on the Company's Consolidated Statements of Operations.

Acquisition-Related Integration Costs

Acquisition-related integration costs increased to $1.8 million for Second Quarter 2009 from $1.6 million for Second Quarter 2008. Acquisition-related integration costs for Second Quarter 2009 consisted of costs recorded primarily in connection with the Fiscal 2008 Plan. These costs included $0.3 million of employee-related costs and $1.5 million of facilities and other one-time costs. Acquisition-related integration costs for Second Quarter 2008 consisted of costs recorded primarily in connection with the Vincor Plan.

For Fiscal 2009, the Company expects to incur total acquisition-related integration costs of $12.5 million primarily in connection with 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 2009 and Second Quarter 2008.

	Second Quarter 2009 Compared to Second Quarter 2008		
	Operating Income (Loss)		
	2009	2008	% Increase (Decrease)
Constellation Wines	$ 149.0	$ 124.9	19%
Constellation Spirits	23.3	20.9	11%
Corporate Operations and Other	(26.2)	(20.7)	27%
Crown Imports	148.8	157.3	(5)%
Consolidations and eliminations	(148.8)	(157.3)	(5)%
Total Reportable Segments	146.1	125.1	17%
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs	(124.6)	(7.9)	NM
Consolidated Operating Income	$ 21.5	$ 117.2	(82)%

NM = Not Meaningful

As a result of the factors discussed above, consolidated operating income decreased to $21.5 million for Second Quarter 2009 from $117.2 million for Second Quarter 2008, a decrease of $95.7 million, or (82%). Acquisition-related integration costs, restructuring charges and unusual costs of $124.6 million for Second Quarter 2009 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs consist primarily of inventory write-downs of $47.6 million, restructuring charges of $35.5 million, and impairment of intangible assets of $21.8 million associated primarily with the Australian Initiative; the net loss of $7.8 million in connection with the sale of a nonstrategic Canadian distilling facility; the flow through of inventory step-up of $4.3 million associated primarily with the BWE Acquisition; and other costs of $3.7 million associated primarily with the Australian Initiative and the Fiscal 2007 Wine Plan. Acquisition-related integration costs, restructuring charges and unusual costs of $7.9 million for Second Quarter 2008 consist primarily of the flow through of inventory step-up of $2.3 million associated primarily with the Company's acquisition of Vincor; accelerated depreciation of $2.1 million associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; acquisition-related integration costs of $1.6 million associated primarily with the Vincor Plan; other costs and restructuring charges of $0.9 million and $0.4 million, respectively, associated with the Fiscal 2007 Wine Plan, the Fiscal 2006 Plan and the Vincor Plan; and an additional loss on the contribution of the U.K. wholesale business of $0.5 million.

Equity in Earnings of Equity Method Investees

The Company's equity in earnings of equity method investees decreased to $70.1 million in Second Quarter 2009 from $80.1 million in Second Quarter 2008, a decrease of $10 million, or (12%). This decrease is primarily due to lower equity in earnings of Crown Imports of $4.4 million and an impairment loss on an Australian investment of $4.1 million.

Net sales for Crown Imports increased to $732.1 million for Second Quarter 2009 from $722.7 million for Second Quarter 2008, an increase of $9.4 million, or 1%. This increase resulted primarily from volume growth within the Crown Imports Mexican beer portfolio. Crown Imports gross profit was relatively flat, as increased net sales were offset by a contractual price increase in Mexican beer costs. Selling, general and administrative expenses increased $9.1 million, primarily due to an increase in advertising expenses resulting from timing of marketing activities during the first half of fiscal 2009. Operating income decreased $8.5 million, or (5%), primarily due to these factors.

Interest Expense, Net

Interest expense, net of interest income of $1.0 million and $1.0 million for Second Quarter 2009 and Second Quarter 2008, respectively, decreased to $80.7 million for Second Quarter 2009 from $86.7 million for Second Quarter 2008, a decrease of $6.0 million, or (7%). The decrease resulted primarily from approximately $417 million of debt payments during Second Quarter 2009 (which offset the increased debt borrowings as a result of the funding of the BWE Acquisition) combined with lower average interest rates for Second Quarter 2009.

Provision for Income Taxes

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. The Company's effective tax rate for Second Quarter 2008 of 34.8% was impacted primarily by reductions in deferred income tax liabilities as a result of legislative changes in various state and foreign jurisdictions and the tax effects of foreign earnings, partially offset by increases to uncertain tax positions and related interest.

Net (Loss) Income

As a result of the above factors, the Company recognized a net loss of $22.7 million for Second Quarter 2009 as compared to net income of $72.1 million for Second Quarter 2008, a decrease of $94.8 million.

Six Months 2009 Compared to Six Months 2008

Net Sales

The following table sets forth the net sales (in millions of dollars) by operating segment of the Company for Six Months 2009 and Six Months 2008.

	Six Months 2009 Compared to Six Months 2008		
	Net Sales		
	2009	2008	% Increase (Decrease)
Constellation Wines:			
Branded wine	$ 1,547.8	$ 1,358.8	14%
Wholesale and other	125.8	233.3	(46)%
Constellation Wines net sales	1,673.6	1,592.1	5%
Constellation Spirits net sales	214.7	201.7	6%
Crown Imports net sales	1,404.6	1,380.8	2%
Consolidations and eliminations	(1,404.6)	(1,380.8)	2%
Consolidated Net Sales	$ 1,888.3	$ 1,793.8	5%

Net sales for Six Months 2009 increased to $1,888.3 million from $1,793.8 million for Six Months 2008, an increase of $94.5 million, or 5%. This increase resulted primarily from the Company’s Fiscal 2008 initiative to reduce distributor wine inventory levels in the U.S., which negatively impacted net sales in the first and second quarters of fiscal 2008 as discussed above, combined with net sales of branded wine acquired in the BWE Acquisition of $93.5 million and a favorable foreign currency impact of $27.9 million, partially offset by a decrease in net sales of $117.1 million due to the Matthew Clark investment, which is accounted for under the equity method of accounting, and a decrease in branded wine net sales of $58.0 million due to the divestitures of the Almaden and Inglenook wine brands and the Pacific Northwest wine brands.

Constellation Wines

Net sales for Constellation Wines increased to $1,673.6 million for Six Months 2009 from $1,592.1 million in Six Months 2008, an increase of $81.5 million, or 5%. Branded wine net sales increased $189.0 million primarily due to the distributor wine inventory reduction initiative discussed above, net sales of branded wine acquired in the BWE Acquisition of $93.5 million and a favorable foreign currency impact of $26.7 million, partially offset by a $58.0 million decrease in net sales associated with the divestitures of the Almaden and Inglenook wine brands and the Pacific Northwest wine brands. Wholesale and other net sales decreased $107.5 million primarily due to the accounting for the Matthew Clark investment under the equity method of accounting.

Constellation Spirits

Net sales for Constellation Spirits increased to $214.7 million for Six Months 2009 from $201.7 million for Six Months 2008, an increase of $13.0 million, or 6%. This increase resulted primarily from volume growth within the Company’s branded spirits portfolio which was driven primarily by Svedka.

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 $634.8 million for Six Months 2009 from $577.9 million for Six Months 2008, an increase of $56.9 million, or 10%. The Constellation Wines segment’s gross profit increased $109.2 million primarily due to higher U.S. base branded wine gross profit resulting primarily from the Company’s Fiscal 2008 distributor wine inventory reduction initiative and increased gross profit of $43.8 million due to the BWE Acquisition. The Constellation Spirits segment’s gross profit increased slightly as increased gross profit from the increase in branded spirits net sales was partially offset by increasing raw material costs for spirits. In addition, unusual items, which consist of certain costs that are excluded by management in their evaluation of the results of each operating segment, were higher by $55.0 million in Six Months 2009 versus Six Months 2008. This increase resulted primarily from inventory write-downs of $47.6 million in Second Quarter 2009 associated with the Company’s Australian Initiative and increased flow through of inventory step-up of $5.4 million associated primarily with the BWE Acquisition. Gross profit as a percent of net sales increased to 33.6% for Six Months 2009 from 32.2% for Six Months 2008 primarily due to the benefit of reporting the lower margin U.K. wholesale business under the equity method of accounting for Six Months 2009, sales of higher-margin wine brands acquired in the BWE Acquisition, and higher margins in the U.S. base branded wine business resulting from the prior year’s distributor wine inventory reduction initiative, partially offset by the higher unusual items.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $458.7 million for Six Months 2009 from $388.1 million for Six Months 2008, an increase of $70.6 million, or 18%. This increase is due to increases of $26.8 million in the Constellation Wines segment, $5.3 million in the Constellation Spirits segment, $9.8 million in the Corporate Operations and Other segment, and an increase in unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment of $28.7 million. The increase in the Constellation Wines segment’s selling, general and administrative expenses is primarily due to increased general and administrative expenses of $17.2 million resulting primarily from losses on foreign currency transactions and increased selling and marketing spend of $9.6 million behind the Company’s branded wine portfolio. The increase in the Constellation Spirits segment’s selling, general and administrative expenses is primarily due to an increase in advertising and marketing spend behind the branded spirits portfolio. The Corporate Operations and Other segment’s selling, general and administrative expenses were up primarily due to higher consulting service fees associated with the Company’s review of its businesses and process improvement opportunities, combined with additional costs to support the growth of the Company. The increase in unusual costs was primarily due to the recognition in Six Months 2009 of the $23.2 million loss discussed previously in connection with the June 2008 sale of the Pacific Northwest Business and an $8.3 million net loss in connection with the August 2008 sale of the nonstrategic Canadian distilling facility.

Selling, general and administrative expenses as a percent of net sales increased to 24.3% for Six Months 2009 as compared to 21.6% for Six Months 2008 primarily due to the higher unusual costs, the impact of reporting the lower margin U.K. wholesale business under the equity method of accounting for Six Months 2009, and increases in the Corporate segment's general and administrative expenses without corresponding increases in the Company's net sales, partially offset by a margin benefit in Six Months 2009 resulting primarily from the increase in U.S. base branded wine net sales associated with the Fiscal 2008 distributor wine inventory reduction initiative without a corresponding increase in selling, general and administrative expenses.

Impairment of Intangible Assets

As previously discussed, for Second Quarter 2009, in connection with the Australian Initiative, the Company recorded an impairment loss of $21.8 million on its Australian trademarks as a direct result of the streamlining of the Company's Australian wine product portfolio.

Restructuring Charges

The Company recorded $36.0 million of restructuring charges for Six Months 2009 associated primarily with the Australian Initiative. Restructuring charges included $2.4 million of employee termination costs, $1.6 million of contract termination costs, $0.5 million of facility consolidation/relocation costs, and $31.5 million of impairment charges on assets held for sale in Australia. In addition, for Six Months 2009, the Company recorded $47.6 million of inventory write-downs and $6.3 million of accelerated depreciation in cost of product sold on the Company's Consolidated Statements of Operations and $5.2 million of other costs in selling, general and administrative expenses on the Company's Consolidated Statements of Operations primarily in connection with the Australian Initiative and the Fiscal 2007 Wine Plan. The Company recorded $0.8 million of restructuring charges for Six Months 2008 associated primarily with the Company's Fiscal 2006 Plan. In addition, in connection with the Company's Fiscal 2007 Wine Plan, the Fiscal 2006 Plan and the Vincor Plan, the Company recorded (i) $4.2 million of accelerated depreciation and $0.1 million of inventory write-downs and (ii) $1.4 million of other costs, which were recorded in cost of product sold and selling, general and administrative expenses, respectively, on the Company's Consolidated Statements of Operations for Six Months 2008.

For Fiscal 2009, the Company expects to incur total restructuring charges of $47.4 million associated primarily with the Australian Initiative. In addition, with respect primarily to (i) the Australian Initiative; (ii) the Company's plan to streamline certain of its international operations and costs associated with the consolidation of certain spirits production processes in the U.S., collectively with the U.S. Initiative, the "Fiscal 2008 Plan"; and (iii) the Fiscal 2007 Wine Plan, the Company expects to incur $47.6 million of inventory write-downs and $11.2 million of accelerated depreciation in cost of product sold on the Company's Consolidated Statements of Operations, and $24.3 million of charges related primarily to (i) duplicative facility costs in the U.K. and (ii) contract modification costs in Australia in selling, general and administrative expenses on the Company's Consolidated Statements of Operations.

Acquisition-Related Integration Costs

Acquisition-related integration costs increased to $6.1 million for Six Months 2009 from $3.6 million for Six Months 2008. Acquisition-related integration costs for Six Months 2009 consisted of costs recorded primarily in connection with the Fiscal 2008 Plan. These costs included $2.6 million of employee-related costs and $3.5 million of facilities and other one-time costs. Acquisition-related integration costs for Six Months 2008 consisted of costs recorded primarily in connection with the Vincor Plan.

For Fiscal 2009, the Company expects to incur total acquisition-related integration costs of $12.5 million primarily in connection with 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 Six Months 2009 and Six Months 2008.

	Six Months 2009 Compared to Six Months 2008		
	Operating Income (Loss)		
	2009	2008	% Increase (Decrease)
Constellation Wines	$ 293.5	$ 211.1	39%
Constellation Spirits	34.1	36.7	(7)%
Corporate Operations and Other	(50.2)	(40.4)	24%
Crown Imports	287.4	303.6	(5)%
Consolidations and eliminations	(287.4)	(303.6)	(5)%
Total Reportable Segments	277.4	207.4	34%
Acquisition-Related Integration Costs, Restructuring Charges and Unusual Costs	(165.2)	(22.0)	NM
Consolidated Operating Income	$ 112.2	$ 185.4	(39)%

As a result of the factors discussed above, consolidated operating income decreased to $112.2 million for Six Months 2009 from $185.4 million for Six Months 2008, a decrease of $73.2 million, or (39%). Acquisition-related integration costs, restructuring charges and unusual costs of $165.2 million for Six Months 2009 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs consist primarily of inventory write-downs of $47.6 million, restructuring charges of $36.0 million, and impairment of intangible assets of $21.8 million associated primarily with the Australian Initiative; the loss of $23.2 million in connection with the June 2008 sale of the Pacific Northwest Business; the flow through of inventory step-up of $10.6 million associated primarily with the BWE Acquisition; the net loss of $8.3 million in connection with the sale of the nonstrategic Canadian distilling facility; and accelerated depreciation, acquisition-related integration costs and other costs of $6.3 million, $6.1 million and $5.2 million, respectively, associated primarily with the Fiscal 2008 Plan, the Fiscal 2007 Wine Plan and the Australian Initiative. Acquisition-related integration costs, restructuring charges and unusual costs of $22.0 million for Six Months 2008 consist primarily of the loss of $6.6 million on the contribution of the U.K. wholesale business; the flow through of inventory step-up of $5.2 million associated primarily with the Company's acquisition of Vincor; accelerated depreciation of $4.2 million associated with the Fiscal 2007 Wine Plan and Fiscal 2006 Plan; acquisition-related integration costs of $3.6 million associated primarily with the Vincor Plan; and other costs and restructuring charges of $1.4 million and $0.8 million, respectively, associated primarily with the Fiscal 2006 Plan and Fiscal 2007 Wine Plan.

Equity in Earnings of Equity Method Investees

The Company's equity in earnings of equity method investees decreased to $142.2 million in Six Months 2009 from $155.9 million in Six Months 2008, a decrease of $13.7 million, or (9%). This decrease is primarily due to lower equity in earnings of Crown Imports of $8.1 million and an impairment loss on an Australian investment of $4.1 million.

Net sales for Crown Imports increased to $1,404.6 million for Six Months 2009 from $1,380.8 million for Six Months 2008, an increase of $23.8 million, or 2%. This increase resulted primarily from volume growth within the Crown Imports Mexican beer portfolio. Crown Imports gross profit was relatively flat, as increased net sales were offset by a contractual price increase in Mexican beer costs. Selling, general and administrative expenses increased $16.5 million, primarily due to an increase in advertising expenses resulting from timing of marketing activities during the first half of fiscal 2009. Operating income decreased $16.2 million, or (5%), primarily due to these factors.

Interest Expense, Net

Interest expense, net of interest income of $2.0 million and $1.4 million, for Six Months 2009 and Six Months 2008, respectively, was relatively flat at $167.3 million for Six Months 2009 compared to $166.4 million for Six Months 2008. This was due primarily to higher average borrowings for Six Months 2009 as a result of the funding of the BWE Acquisition being offset by lower average interest rates for Six Months 2009.

Provision for Income Taxes

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. The Company's effective tax rate for Six Months 2008 of 41.7% was impacted primarily by the recognition of a nondeductible pretax loss in the first quarter of fiscal 2008 in connection with the Company's contribution of its U.K. wholesale business to the Matthew Clark joint venture and increases to uncertain tax positions and related interest, partially offset by reductions in deferred income tax liabilities as a result of legislative changes in various state and foreign jurisdictions.

Net Income

As a result of the above factors, net income decreased to $21.9 million for Six Months 2009 from $101.9 million for Six Months 2008, a decrease of $80.0 million, or (79%).

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. The Company believes that cash provided by operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, scheduled principal and interest payments on debt, and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

Six Months 2009 Cash Flows

Operating Activities

Net cash provided by operating activities for Six Months 2009 was $176.8 million, which resulted primarily from $21.9 million of net income, plus $236.2 million of net non-cash items charged to the Consolidated Statements of Operations and $59.1 million of other, net, less $140.4 million representing the net change in the Company's operating assets and liabilities.

The net non-cash items consisted primarily of depreciation of property, plant and equipment; write-down of inventory associated with the Australian Initiative; the loss on disposal or impairment of long-lived assets, net, primarily in connection with the Australian Initiative; stock-based compensation expense; the impairment of intangible assets associated with the Australian Initiative; and the loss on businesses sold in connection with the sale of the Pacific Northwest Business.

The net change in operating assets and liabilities resulted primarily from increases in accounts receivable and inventories of $76.0 million and $28.3 million, respectively, and a decrease in other accrued expenses and liabilities of $65.5 million. The increase in accounts receivable is primarily due to seasonality as January and February are typically the Company's lowest selling months. The increase in inventories is primarily attributable to increases in Australian and New Zealand inventory levels resulting from their 2008 grape harvests. The decrease in other accrued expenses and liabilities is primarily attributable to a reduction in accrued salaries and commissions due in large part to the payment of year-end bonus accruals during the first quarter of fiscal 2009, cash payments of restructuring liabilities during Six Months 2009, and a reduction in accrued interest due to lower average interest rates in Six Months 2009 combined with timing of interest payments.

The other, net, consisted primarily of (i) cash proceeds of $27.5 million for tenant allowances received in connection with the Company's 19.5 year lease of a new warehousing and production facility in the U.K. as part of the Fiscal 2007 Wine Plan; (ii) $9.6 million of non-cash loss associated with the settlement of pension and post-retirement liabilities as a result of the sale of a nonstrategic Canadian distilling facility; (iii) $8.1 million of non-cash losses primarily on foreign currency denominated intercompany balances, net of non-cash gains on derivative instruments designed to economically hedge foreign currency risk associated with foreign currency denominated intercompany balances; and (iv) $7.4 million non-cash losses on contractual obligations recorded in connection with the sale of the Pacific Northwest Business.

Investing Activities

Net cash provided by investing activities for Six Months 2009 was $179.5 million, which resulted primarily from the proceeds from the sale of the Pacific Northwest Business of $204.2 million, net of direct costs to sell, less $52.0 million of capital expenditures.

Financing Activities

Net cash used in financing activities for Six Months 2009 was $352.0 million resulting primarily from net repayment of notes payable of $281.0 million and principal payments of long-term debt of $99.5 million.

Debt

Total debt outstanding as of August 31, 2008, amounted to $4,837.8 million, a decrease of $419.7 million from February 29, 2008. The ratio of total debt to total capitalization decreased to 64.4% as of August 31, 2008, from 65.5% as of February 29, 2008.

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 $3.9 billion, consisting of a $1.2 billion tranche A term loan facility due in June 2011, a $1.8 billion tranche B term loan facility due in June 2013, and a $900 million revolving credit facility (including a sub-facility for letters of credit of up to $200 million) which terminates in June 2011. Proceeds of the June 2006 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund the June 5, 2006, acquisition of all of the issued and outstanding common shares of 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, 2008, the required principal repayments of the tranche A term loan and the tranche B term loan for the remaining six months of fiscal 2009 and for each of the five succeeding fiscal years are as follows:

(in millions)	Tranche A Term Loan	Tranche B Term Loan	Total
2009	$ 120.0	$ 2.0	$ 122.0
2010	270.0	4.0	274.0
2011	300.0	4.0	304.0
2012	150.0	4.0	154.0
2013	—	714.0	714.0
2014	—	712.0	712.0
	$ 840.0	$ 1,440.0	$ 2,280.0

The rate of interest on borrowings under the 2006 Credit Agreement is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is fixed with respect to the tranche B term loan facility and is adjustable based upon the Company's debt ratio (as defined in the 2006 Credit Agreement) with respect to the tranche A term loan facility and the revolving credit facility. As of August 31, 2008, 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 $3.5 billion to $3.9 billion; (ii) increase the aggregate amount of cash payments the Company is permitted to make in respect or on account of its capital stock; (iii) remove certain limitations on the 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, 2008, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $840.0 million bearing an interest rate of 3.8%, tranche B term loans of $1,440.0 million bearing an interest rate of 4.1%, revolving loans of $18.0 million bearing an interest rate of 2.7%, outstanding letters of credit of $36.7 million, and $845.3 million in revolving loans available to be drawn.

As of September 30, 2008, under the 2006 Credit Agreement, the Company had outstanding tranche A term loans of $780.0 million bearing an interest rate of 3.8%, tranche B term loans of $1,439.0 million bearing an interest rate of 4.2%, revolving loans of $10.0 million bearing an interest rate of 5.3%, outstanding letters of credit of $35.2 million, and $854.8 million in revolving loans available to be drawn.

As of August 31, 2008, the Company had outstanding interest rate swap agreements which fixed LIBOR interest rates on $1.2 billion of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. For Six Months 2009 and Six Months 2008, the Company reclassified $5.6 million and $3.5 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 2009 and Second Quarter 2008, the Company reclassified $3.2 million and $1.7 million, net of income tax effect, respectively, from AOCI to interest expense, net on the Company's Consolidated Statements of Operations.

Senior Notes

As of August 31, 2008, the Company had outstanding £1.0 million ($1.8 million) aggregate principal amount of 8 1/2% Series B Senior Notes due November 2009 (the "Sterling Series B Senior Notes"). In addition, as of August 31, 2008, the Company had outstanding £154.0 million ($280.3 million, net of $0.1 million unamortized discount) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 (the "Sterling Series C Senior Notes"). The Sterling Series B Senior Notes and Sterling Series C Senior Notes are currently redeemable, in whole or in part, at the option of the Company.

As of August 31, 2008, the Company had outstanding $694.2 million (net of $5.8 million unamortized discount) aggregate principal amount of 7 1/4% Senior Notes due September 2016 (the “August 2006 Senior Notes”). The August 2006 Senior Notes are redeemable, in whole or in part, at any time at a price equal to 100% of the aggregate principal amount, together with accrued and unpaid interest to the redemption date, plus a make whole premium.

On May 14, 2007, the Company issued $700.0 million aggregate principal amount of 7 1/4% Senior Notes due May 2017 (the “Original May 2007 Senior Notes”). The net proceeds of the offering ($693.9 million) were used to reduce a corresponding amount of borrowings under the revolving portion of the Company’s 2006 Credit Agreement. In January 2008, the Company exchanged $700.0 million aggregate principal amount of 7 1/4% Senior Notes due May 2017 (the “May 2007 Senior Notes”) for all of the Original May 2007 Senior Notes. The terms of the May 2007 Senior Notes are substantially identical in all material respects to the Original May 2007 Senior Notes, except that the May 2007 Senior Notes are registered under the Securities Act of 1933, as amended. The May 2007 Senior Notes are redeemable, in whole or in part, at any time at a price equal to 100% of the aggregate principal amount, together with accrued and unpaid interest to the redemption date, plus a make whole premium. As of August 31, 2008, the Company had outstanding $700.0 million aggregate principal amount of May 2007 Senior Notes.

On December 5, 2007, the Company issued $500.0 million aggregate principal amount of 8 3/8% Senior Notes due December 2014 at an issuance price of $496.7 million (net of $3.3 million unamortized discount, with an effective interest rate of 8.5%) (the “December 2007 Senior Notes”). The net proceeds of the offering ($492.2 million) were used to fund a portion of the purchase price of BWE. The December 2007 Senior Notes are redeemable, in whole or in part, at any time at a price equal to 100% of the aggregate principal amount, together with accrued and unpaid interest to the redemption date, plus a make whole premium. As of August 31, 2008, the Company had outstanding $497.0 million (net of $3.0 million unamortized discount) aggregate principal amount of December 2007 Senior Notes.

Senior Subordinated Notes

As of August 31, 2008, 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 $410.9 million as of August 31, 2008. 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, 2008, amounts outstanding under these arrangements were $116.5 million.

Accounting Pronouncements Not Yet Adopted

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158 ("SFAS No. 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS No. 158 requires companies to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Company adopted this provision of SFAS No. 158 and provided the required disclosures as of February 28, 2007. SFAS No. 158 also requires companies to measure the funded status of a plan as of the date of the company's fiscal year-end (with limited exceptions), which provision the Company is required to adopt as of February 28, 2009. The Company uses a December 31 measurement date for its defined benefit pension and other post-retirement plans and has elected to transition to a fiscal year-end measurement date utilizing the second alternative prescribed by SFAS No. 158. Accordingly, on March 1, 2008, the Company recognized adjustments to its opening retained earnings, accumulated other comprehensive income, net of income tax effect, and pension and other post-retirement plan assets or liabilities. These adjustments did not have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued 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 Company is required to adopt SFAS No. 141(R) for all business combinations for which the acquisition date is on or after March 1, 2009. Earlier adoption is prohibited.

In December 2007, the FASB issued 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 Company is required to adopt SFAS No. 160 for fiscal years beginning March 1, 2009. Earlier adoption is prohibited. The Company is currently assessing the financial impact of SFAS No. 160 on its consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — An Amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. The Company is required to adopt SFAS No. 161 for its interim period beginning December 1, 2008, with earlier application encouraged. The Company is currently assessing the impact of SFAS No. 161 on its consolidated financial statements.

In April 2008, the FASB issued FASB 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. FSP No. 142-3 is effective for the Company as of March 1, 2009, and will be applied prospectively to future business combinations. Earlier adoption is prohibited.

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, and (iii) information concerning expected actions of third parties are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations and conditions in the general economy and markets in which the Company competes, 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 the Company's purchase price allocations, 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 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 29, 2008.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign currency derivative contracts are used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales both to third parties as well as intercompany sales, intercompany principal and interest payments, and in connection with acquisitions or joint venture investments outside the U.S. As of August 31, 2008, the Company had exposures to foreign currency risk primarily related to the Australian dollar, euro, New Zealand dollar, British pound sterling, Canadian dollar and Mexican peso.

As of August 31, 2008, and August 31, 2007, the Company had outstanding foreign exchange derivative instruments with a notional value of $3,081.0 million and $2,295.6 million, respectively. Approximately 84.8% of the Company's total exposures were hedged as of August 31, 2008. Using a sensitivity analysis based on estimated fair value of open contracts using forward rates, if the contract base currency had been 10% weaker as of August 31, 2008, and August 31, 2007, the fair value of open foreign exchange contracts would have been decreased by $143.8 million and $165.1 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 $2,500.1 million and $2,223.1 million as of August 31, 2008, and August 31, 2007, respectively. A hypothetical 1% increase from prevailing interest rates as of August 31, 2008, and August 31, 2007, would have resulted in a decrease in fair value of fixed interest rate long-term debt by $139.4 million and $105.6 million, respectively.

As of August 31, 2008, and August 31, 2007, the Company had outstanding interest rate swap agreements to minimize interest rate volatility. The swap agreements fix LIBOR interest rates on $1,200.0 million of the Company's floating LIBOR rate debt at an average rate of 4.1% through fiscal 2010. A hypothetical 1% increase from prevailing interest rates as of August 31, 2008, and August 31, 2007, would have increased the fair value of the interest rate swaps by $15.0 million and $28.3 million, respectively.

In addition to the $2,500.1 million and $2,223.1 million estimated fair value of fixed rate debt outstanding as of August 31, 2008, and August 31, 2007, respectively, the Company also had variable rate debt outstanding (primarily LIBOR based) as of August 31, 2008, and August 31, 2007, of $2,367.0 million and $2,519.8 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, 2008, and August 31, 2007, is $23.7 million and $25.2 million, respectively.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

In connection with the foregoing evaluation by the Company's Chief Executive Officer and its Chief Financial Officer, no changes were identified in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's fiscal quarter ended August 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 17, 2008 (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, 2009.

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
Jeananne K. Hauswald	134,597,886	31,910,213
Thomas C. McDermott	133,021,864	33,486,235
Paul L. Smith	140,964,299	25,543,800

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

Nominee	For	Withheld
Barry A. Fromberg	378,447,142	23,950,017
James A. Locke III	324,378,795	78,018,364
Peter M. Perez	399,334,574	3,062,585
Richard Sands	376,860,786	25,536,373
Robert Sands	377,377,313	25,019,846
Peter H. Soderberg	367,763,237	34,633,922
Mark Zupan	378,497,293	23,899,866

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

For:	400,573,107
Against:	525,926
Abstain:	1,298,126
Broker Nonvotes:	-0-

Item 6. Exhibits

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

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits located on page 58 of this report. The Index to Exhibits is incorporated herein by reference.

SIGNATURES

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

CONSTELLATION BRANDS, INC.

Dated: October 10, 2008

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

Dated: October 10, 2008

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	Arrangement Agreement dated April 2, 2006 by and among Constellation Brands, Inc., Constellation Canada Holdings Limited, and Vincor International Inc. (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated April 2, 2006 and incorporated herein by reference).
2.2	Amending Agreement, dated as of April 21, 2006 by and among Constellation Brands, Inc., Constellation Canada Holdings Limited, and Vincor International Inc. (filed as Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).
2.3	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).+
2.4	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).+
2.5	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).+
2.6	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).
2.7	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 as Exhibit 3.1 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.	
3.2	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).
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).

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 Affilates d/b/a Vichon Winery and Robert Mondavi Properties, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).
4.10	Supplemental Indenture No. 12, dated as of August 11, 2006, by and among the Company, Constellation Leasing, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.12 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2006 and incorporated herein by reference).
4.11	Supplemental Indenture No. 13, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed 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 August 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	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).

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Exhibit No.	
4.15	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).#
4.16	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).
4.17	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).
4.18	Supplemental Indenture No. 5, dated as of December 22, 2004, by and among the Company, The Robert Mondavi Corporation, R.M.E. Inc., Robert Mondavi Winery, Robert Mondavi Investments, Robert Mondavi Affilates d/b/a Vichon Winery and Robert Mondavi Properties, Inc., and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.18 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2004 and incorporated herein by reference).
4.19	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).
4.20	Supplemental Indenture No. 7, dated as of November 30, 2006, by and among the Company, Vincor International Partnership, Vincor International II, LLC, Vincor Holdings, Inc., R.H. Phillips, Inc., The Hogue Cellars, Ltd., Vincor Finance, LLC, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.18 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2006 and incorporated herein by reference).
4.21	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 August 31, 2007 and incorporated herein by reference).

Exhibit No.	
4.22	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).
4.23	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).
4.24	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).
4.25	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).
4.26	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 August 31, 2007 and incorporated herein by reference).
4.27	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).
4.28	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).

Exhibit No.	
4.29	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).
4.30	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., 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).
4.31	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).
4.32	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).
4.33	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).
4.34	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).

Exhibit No.	
4.35	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).
4.36	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 August 31, 2007 and incorporated herein by reference).
4.37	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).
10.1	Form of Terms and Conditions Memorandum for Employees with respect to grants of options to purchase Class 1 Stock pursuant to the Company's Long-Term Stock Incentive Plan (grants on or after April 1, 2008) (filed herewith).*
10.2	Form of Terms and Conditions Memorandum for Directors with respect to grants of options to purchase Class 1 Stock pursuant to the Company's Long-Term Stock Incentive Plan (grants on or after July 17, 2008) (filed herewith).*
10.3	Description of Compensation Arrangements for Non-Management Directors (filed herewith).*
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).

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* Designates management contract or compensatory plan or arrangement.

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

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

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

Exhibit 10.1

MEMORANDUM

TERMS AND CONDITIONS OF STOCK OPTIONS
CLASS 1 COMMON STOCK
[Date]

The CONSTELLATION BRANDS, INC. Long-Term Stock Incentive Plan, as amended from time to time (the "Plan"), enables Constellation Brands, Inc. (the "Company") to grant stock options to purchase Class 1 Common Stock, par value $.01 per share, of the Company (a "Share" or the "Shares") to employees and non-employee directors of the Company or any of its Subsidiaries (as defined in the Plan) (each, when granted a stock option, an "Optionee"). The stock options represented by this Memorandum and the accompanying award letter (respectively, the "Options" and the Memorandum and accompanying award letter, together, the "Documents") are subject to all of the terms and conditions contained in the Documents. By accepting delivery of the Documents, the Optionee agrees to be bound by the terms and conditions of the Documents.

1. Term of Options. The Options, granted on __________ (the "Date of Grant"), will terminate and expire, to the extent not previously exercised, at 5:00 p.m. Eastern Time on __________, or such earlier date upon which the Options, or portion thereof, terminate or expire pursuant to the terms of the Plan (the "Expiration Date").

2. Exercise of Options.

   (a) The Options may be exercised, in whole or in part at any time prior to the Expiration Date or an earlier termination, according to the percentages and exercise dates set forth in the following vesting schedule: 25% of the shares subject to the Options (the "Option Shares") shall become exercisable on __________; an additional 25% of the Option Shares shall become exercisable on __________; an additional 25% of the Option Shares shall become exercisable on __________; and the remaining balance of the Option Shares shall become exercisable on __________. No Options may be exercisable after the Expiration Date.

   (b) The Optionee can exercise Options by complying with the provisions of the Plan and by following instructions provided in materials distributed by the Company. The exercise price, $_________ per share (the "Exercise Price"), for the number of Option Shares being purchased and any related withholding tax obligations may be paid by the Optionee by (i) delivery of cash, money order or a certified or

cashier's check; (ii) tendering previously acquired Shares or shares of Class A Common Stock, par value $.01 per share, of the Company ("Class A Shares"), as provided for in the Plan; (iii) delivery of a conversion notice or other conversion instructions acceptable to the Company irrevocably electing to convert a sufficient number of Shares received under the Option into Class A Shares ("Conversion Shares") together with delivery of irrevocable instructions to a broker or other agent acceptable to the Company to promptly sell the Conversion Shares and to deliver to the Company the appropriate amount of proceeds; and/or (iv) any other payment method that is established by the Company (which payment method may be restricted or eliminated from time to time by the Company, in its sole discretion).

(c) The Company will, without transfer or issue tax to the Optionee, issue and cause to be delivered to the Optionee the number of Option Shares purchased as soon as reasonably practicable after the Optionee has appropriately exercised any Options. The Company is not required to issue Shares to the Optionee until all obligations to withhold taxes and similar charges have been resolved to the satisfaction of the Company.

3. Termination of Relationship.

(a) Acceleration upon Termination of Relationship. Subject to Section 3(c)(iii) below, if an Optionee ceases to be employed by the Company or its Subsidiaries for reasons of Retirement (as defined in the Plan), Disability (as defined in the Plan) or death, all the unvested Option Shares shall become immediately vested and exercisable on the date of Retirement, date of Disability or date of death.

(b) Duration of Exercise Following Termination of Relationship. Subject to Section 3(c) below, Options which have vested prior to the date that the Optionee ceases to be employed by the Company or its Subsidiaries may be exercised as follows:

(i) within ninety (90) days after the date on which the Optionee ceases to be employed by the Company or its Subsidiaries (the "Termination Date"), except as otherwise provided in Subsections 3(b)(ii), (iii) and (iv) below;

(ii) if the Optionee ceases to be employed by the Company or its Subsidiaries as a result of the Optionee's Retirement, within one (1) year after the date of Retirement;

(iii) if the Optionee ceases to be employed by the Company or its Subsidiaries as a result of a Disability, within one (1) year after the date of Disability; or

(iv) if the Optionee ceases to be employed by the Company or its Subsidiaries as a result of death, within one (1) year after the date of death by the Optionee's designated beneficiary, legal representative or permitted transferee.

(c) Limitations on Exercise Following Termination of Relationship.

(i) The time periods set forth in Section 3(b) above are subject to the restriction that Options may not be exercised after their Expiration Date.

(ii) The time periods set forth in Section 3(b) are also subject to the restriction that no Option may be exercised by any person if the Optionee (i) is, or at any time after the date of grant has been, in competition with the Company or its affiliates, or (ii) has been terminated by the Company or its Subsidiaries for Cause, as defined in the Plan.

(iii) Except as otherwise provided by the Committee administering the Plan or by an employment agreement between the Optionee and the Company or its Subsidiaries, (i) the only Options that may be exercised after the Termination Date, date of Retirement, date of Disability or date of death (as applicable, the "Event Date") are those Options that were exercisable by the Optionee on the Event Date; and (ii) any Options which are not exercisable on the Event Date will automatically terminate on the Event Date.

(iv) Any Options which are exercisable on the Event Date, but which are not exercised within the applicable period specified in Section 3(b) above, will automatically terminate at the end of that applicable period.

4. Adjustments for Certain Events. The number and kind of unexercised Options and the Exercise Price of such Options are subject to adjustment in the event that certain transactions are taken by the Company which affect the Company's capital stock.

5. Type of Options. The Options are nonqualified stock options granted pursuant to Section 5 of the Plan.

6. No Transfer of Options. Unless transferability is authorized by the Option grant or otherwise permitted by the Committee, Options are not transferable by the Optionee other than (i) by will or the laws of descent and distribution, or (ii) pursuant to a domestic relations order. Because of laws affecting the transferability of the Option Shares, the Optionee should understand the securities laws and other implications of any transfer of Options.

7. General Restriction on Issuance of Stock. The Company may require information or documents which enable it to insure compliance with any law or Rules (as defined in the Plan) of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan before it issues any Shares upon the exercise of any Options. If at any time the Committee administering the Plan shall determine that the listing, registration or qualification of the Option Shares under any state or federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of the granting of the Options or the issue or purchase of Shares thereunder, such Options may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

8. Limitation on Sale or Disposition of Option Shares. If the Committee determines that the ability of the Optionee to sell or transfer Option Shares is restricted, then the Company may place a restrictive legend or stop transfer notation on its books with respect to such Option Shares. If a legend or stop transfer notation is placed on the Company's books with respect to an Optionee's Option Shares, the Optionee may only sell such Option Shares in compliance with such legend or notation.

9. No Listing of Option Shares; Conversion. The Company has not listed the Option Shares for trading on the New York Stock Exchange and does not intend to effect such a listing. Pursuant to the Certificate of Incorporation of the Company, Option Shares may be converted into Class A Shares, but only if the Class A Shares received upon the conversion are sold or transferred immediately following the conversion in a market transaction or qualifying private transaction as such terms are defined in the Company's Certificate of Incorporation. The Class A Shares into which Option Shares may be converted have been or will, prior to issuance, be listed for trading on the New York Stock Exchange.

10. Incorporation of Plan. The Options are subject to the terms and conditions of the Plan, which are incorporated herein by reference. The Company, upon request, will provide a copy of the Plan to the Optionee. To the extent that the terms and conditions of the Documents are inconsistent with the Plan, the provisions of the Plan shall control.

11. Applicable Times and Dates. All references to times and dates in the Plan and in documents relating to the Plan refer, respectively, to Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate) in the United States of America and to dates in New York State based on such Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate).

Exhibit 10.2

MEMORANDUM

TERMS AND CONDITIONS OF STOCK OPTIONS
CLASS 1 COMMON STOCK
[Date]

The CONSTELLATION BRANDS, INC. Long-Term Stock Incentive Plan, as amended from time to time (the "Plan"), enables Constellation Brands, Inc. (the "Company") to grant stock options to purchase Class 1 Common Stock, par value $.01 per share, of the Company (a "Share" or the "Shares") to employees and directors of the Company (each, when granted a stock option, an "Optionee"). The stock options represented by this Memorandum and the accompanying award letter (respectively, the "Options" and the Memorandum and accompanying award letter, together, the "Documents") are subject to all of the terms and conditions contained in the Documents. By accepting delivery of the Documents, the Optionee agrees to be bound by the terms and conditions of the Documents.

1. Term of Options. The Options, granted on __________ (the "Date of Grant"), will terminate and expire, to the extent not previously exercised, at 5:00 p.m. Eastern Time on __________, or such earlier date upon which the Options, or portion thereof, terminate or expire pursuant to the terms of the Plan (the "Expiration Date").

2. Exercise of Options.

(a) The Options may be exercised in whole or in part at any time on or after __________ but no Options may be exercisable after the Expiration Date.

(b) The Optionee can exercise Options by complying with the provisions of the Plan and by following instructions provided in materials distributed by the Company. The exercise price, $________ per share (the "Exercise Price"), for the number of shares subject to the Option (the "Option Shares") being purchased and any related withholding tax obligations may be paid by the Optionee by (i) delivery of cash, money order or a certified or cashier's check; (ii) tendering previously acquired Shares or shares of Class A Common Stock, par value $.01 per share, of the Company ("Class A Shares"), as provided for in the Plan; (iii) delivery of a conversion notice or other conversion instructions acceptable to the Company irrevocably electing to convert a sufficient number of Shares received under the Option into Class A Shares ("Conversion Shares") together with delivery of irrevocable instructions to a broker or other agent acceptable to the Company to promptly sell the Conversion Shares and to deliver to the Company the appropriate amount of proceeds; and/or (iv) any other payment method that is

established by the Company (which payment method may be restricted or eliminated from time to time by the Company, in its sole discretion).

(c) The Company will, without transfer or issue tax to the Optionee, issue and cause to be delivered to the Optionee the number of Option Shares purchased as soon as reasonably practicable after the Optionee has appropriately exercised any Options. The Company is not required to issue Shares to the Optionee until all obligations to withhold taxes and similar charges have been resolved to the satisfaction of the Company.

3. Termination of Relationship. As long as the Optionee continues to be a director of the Company, the Options may be exercised once they have vested and prior to their expiration. If the Optionee ceases to be a director of the Company as a result of the Optionee's death or disability, the Options shall all immediately vest. For this purpose, "disability" means a long-lasting physical or mental impairment that prevents the Optionee from performing his/her duties as a director, as solely determined by the Board of Directors. In addition, subject to Section 4 below, Options which have vested prior to the termination of the Optionee's relationship with the Company (or which have vested pursuant as a result of the Optionee's death or disability as set forth above) may be exercised by the Optionee, his designated beneficiary or legal representative or permitted transferee within one (1) year after the last day on which the Optionee was a member of the Board of Directors of the Company (the "Termination Date").

4. Limitations on Exercise Following Termination of Relationship.

(a) The time period set forth in Section 3 above is subject to the restriction that Options may not be exercised after their Expiration Date.

(b) The time period set forth in Section 3 above is also subject to the restriction that no Option may be exercised by any person if the Optionee's relationship with the Company has been terminated for Cause, as defined in the Plan.

(c) Except as otherwise provided by the Committee administering the Plan, (i) the only Options that may be exercised after the Termination Date are those Options that were exercisable by the Optionee on the Termination Date; and (ii) any Options which are not exercisable on the Termination Date will automatically terminate on the Termination Date.

(d) Any Options which are exercisable on the Termination Date, but which are not exercised within the one (1) year period specified in Section 3 above, will automatically terminate at the end of that period.

5. Adjustments for Certain Events. The number and kind of unexercised Options and the Exercise Price of such Options are subject to adjustment in the event that certain transactions are taken by the Company which affect the Company's capital stock.

6. Type of Options. The Options are nonqualified stock options granted pursuant to Section 5 of the Plan.

7. <u>No Transfer of Options</u>. Unless transferability is authorized by the Option grant or otherwise permitted by the Committee, Options are not transferable by the Optionee other than (i) by will or the laws of descent and distribution, or (ii) pursuant to a domestic relations order. Because of laws affecting the transferability of the Option Shares, the Optionee should understand the securities laws and other implications of any transfer of Options.

8. <u>General Restriction on Issuance of Stock</u>. The Company may require information or documents which enable it to insure compliance with any law or Rules (as defined in the Plan) of the Securities and Exchange Commission or any other governmental authority having jurisdiction under the Plan before it issues any Shares upon the exercise of any Options. If at any time the Committee administering the Plan shall determine that the listing, registration or qualification of the Option Shares under any state or federal law or other applicable Rule, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of the granting of the Options or the issue or purchase of Shares thereunder, such Options may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

9. <u>Limitation on Sale or Disposition of Option Shares</u>. If the Committee determines that the ability of the Optionee to sell or transfer Option Shares is restricted, then the Company may place a restrictive legend or stop transfer notation on its books with respect to such Option Shares. If a legend or stop transfer notation is placed on the Company's books with respect to an Optionee's Option Shares, the Optionee may only sell such Option Shares in compliance with such legend or notation.

10. <u>No Listing of Option Shares; Conversion</u>. The Company has not listed the Option Shares for trading on the New York Stock Exchange and does not intend to effect such a listing. Pursuant to the Certificate of Incorporation of the Company, Option Shares may be converted into Class A Shares, but only if the Class A Shares received upon the conversion are sold or transferred immediately following the conversion in a market transaction or qualifying private transaction as such terms are defined in the Company's Certificate of Incorporation. The Class A Shares into which Option Shares may be converted have been or will, prior to issuance, be listed for trading on the New York Stock Exchange.

11. <u>Incorporation of Plan</u>. The Options are subject to the terms and conditions of the Plan, which are incorporated herein by reference. The Company, upon request, will provide a copy of the Plan to the Optionee. To the extent that the terms and conditions of the Documents are inconsistent with the Plan, the provisions of the Plan shall control.

12. <u>Applicable Times and Dates</u>. All references to times and dates in the Plan and in documents relating to the Plan refer, respectively, to Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate) in the United States of America and to dates in New York State based on such Eastern Standard Time (or Eastern Daylight Savings Time, as appropriate).

Exhibit 10.3

Description of Compensation Arrangements for Non-Management Directors

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

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

The cash component consists of (i) an annual retainer of $60,000, payable in quarterly installments of $15,000 at the beginning of each fiscal quarter; (ii) a Board meeting fee of $2,500 for each Board meeting attended (which includes regular, special and annual Board meetings and attendance in person or by conference telephone); (iii) a committee meeting fee of $1,500 per meeting attended (including by conference telephone); and (iv) an annual fee of $12,000 (payable in quarterly installments of $3,000) to the Chair of the Audit Committee and an annual fee of $9,000 (payable in quarterly installments of $2,250) to the position of Chairs of each of the Human Resources Committee and the Corporate Governance Committee.

Long-term incentive awards in the form of options and restricted stock are another element of non-management director compensation. Long-term incentive awards in the form of, among others, stock options, stock appreciation rights and restricted stock are available for grant under the Company's Long-Term Stock Incentive Plan. Each non-management director receives annually, if and as approved by the Board of Directors, a stock option grant and a restricted stock award. The number of shares that may be subject to an annual option grant will not exceed the number obtained by dividing $140,000 by the closing price of a share of the Company's Class A Common Stock on the date of the grant. The number of shares of restricted stock that may be awarded is calculated by dividing the sum of $60,000 by the closing price of a share of the Company's Class A Common Stock on the date of grant. While the Board has the flexibility to determine at the time of each grant or award the vesting provisions for that grant or award, historically stock option grants vest six (6) months following the date of grant and annual awards of restricted stock vest one (1) year from the date of grant. The Long-Term Stock Incentive Plan is filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated December 6, 2007 and filed December 12, 2007. The form of Terms and Conditions Memorandum provided to non-management directors who receive stock option grants is filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2008. The form of restricted stock agreement provided to non-management directors who receive restricted stock awards is filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2005.

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

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

<u>Exhibit 31.1</u>

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

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2008**

I, Robert Sands, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: October 10, 2008

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

Exhibit 31.2

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

**Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2008**

I, Robert Ryder, certify that:

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

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

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

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

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

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

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

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

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

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

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

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

Date: October 10, 2008

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

Exhibit 32.1

SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2008

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2008, 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, 2008 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, 2008 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 10, 2008

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

Exhibit 32.2

SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER

Constellation Brands, Inc.
Form 10-Q for Fiscal Quarter Ended August 31, 2008

In connection with the Constellation Brands, Inc. Quarterly Report on Form 10-Q for the Fiscal Quarter Ended August 31, 2008, 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, 2008 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, 2008 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: October 10, 2008

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